ANALYSIS
OF THE
FINANCIAL POSITION
AS OF 12.31.2018

Abbreviations:

M$	Million Chilean pesos
Th$	Thousand Chilean pesos

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended December 31, 2018

1. REVIEW

As of December 31, 2018, Empresas Lipigas S.A. (the "Company") recorded earnings after taxes amounting to M$ 41,643 with a decrease of M$ 1,016 (2.4%) with respect to the M$ 42,659 recorded in the previous year.

Consolidated EBITDA reached M$ 85,747, a 2.0% lower figure than the one recorded during the previous year, which reached M$ 87,499.

Gross earnings for the period reached M$ 158,843 that is higher by M$ 3,422 (2.2%) regarding the previous year, mainly due to higher gross earnings in Chile (+4.9%) which offsets the lower gross earnings in Peru (-12.6%) resulting from lower sales volume and lower unit gross earnings. In Chile gross earnings increases by 4.9%, while in Colombia it slightly decreases by 0.5%. Other expenses by function, distribution costs and management expenses present an increase of M$ 5,977 (6.7%) mainly in Chile, an increase that relates to the development of integration strategies of the distribution chain towards the end-customer.

Accumulated LPG sales volume as of December 2018 compared with the previous year decreases 1.3% equivalent to 9,258 tons. In Chile and Colombia, volume grows 0.8% and 1.1%, respectively while in Peru it decreases by 9.3%.

Natural gas sales (in its different formats) totaled 125.8 million m3, representing a 17.9% increase compared to the 106.7 million m3 recorded during 2017, resulting from higher sales in Chile, which increased by 75.2% principally due to the incorporation of new industrial LNG customers and the growth of NG networks, which has been partially offset by lower CNG sales presented in the Limagas Natural operation in Peru beginning the second half of the previous year. Also, the operations of Surgas in Colombia have been incorporated during the last quarter contributing 1.8 million m3.

Revenue from ordinary activities amounted to M$ 515,876, increasing 10.1% regarding the previous year. This increase essentially resulted from greater sales volume in Chile and Colombia, greater unit revenues due to higher selling prices associated to the increase in the international prices of oil by-products when compared to the previous year, and a greater proportion of sales to end-customers in Chile.

Non-operating income was negative by M$ 5,911 a figure that is lower than the M$ 7,213 loss recorded during the previous year. This variation is mainly generated by higher other income in the amount of M$ 2,914 associated to the one-time provision in the amount of M$ 1,023 for an administrative procedure in the Peruvian subsidiary. In addition to higher net revenues for the sale of property, plant and equipment for CLP 436 million, customer fines and insurance claims receivable for CLP 612 million, lower disposals of property items for CLP 162 million and other non-operating income in Chile. This was partially offset by a greater loss in the amount of M$ 1,300 by indexation units given higher inflation in Chile.

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

On November 5, 2018, it was reported that Empresas Lipigas S.A. was notified on October 31, 2018 of the acceptance of a binding offer by the controlling shareholders of the company Plater Investment S.A. for the acquisition of a 51% ownership interest of this company and its subsidiaries by Empresas Lipigas S.A.

On November 21, 2018, we reported Consolidated Results for the Fourth quarter of 2018.

On November 29, 2018 we reported that the Board of Directors had agreed an interim dividend payment charged to 2018 earnings for CLP 62 per share, which was paid on December 20, 2018.

On February 1, 2019, it was reported that Empresas Lipigas S.A. through its subsidiary Trading de Gas SpA, signed a lease and service provision agreement with the Terminal Marítimo Oxiquim Mejillones S.A., a subsidiary of Oxiquim S.A., under which Oxiquim will provide Lipigas with services of unloading, storage and dispatch of liquefied gas in the current maritime terminal located at the Mejillones Bay in the Region of Antofagasta. The provision of such services will require a total investment of approximately USD 27 million of which 50% will be financed by Lipigas during the construction period. It is estimated that the commencement of operations will occur at the end of the year 2020.

On February 4, 2019, the termination of the binding offer was reported which had been entered into on November 5, 2018 in order to acquire the company Plater Investment S.A., domiciled in the Dominican Republic, because certain preceding conditions had not been fulfilled.

EMPRESAS LIPIGAS

2. CONSOLIDATED INCOME STATEMENT BY FUNCTION

INCOME STATEMENT BY FUNCTION	01.01.2018 through 12.31.2018 M$	01.01.2017 through 12.31.2017 M$	10.01.2018 through 12.31.2018 M$	10.01.2017 through 12.31.2017 M$	Var Jan - Dec (2018 - 2017) M$	Var Jan - Dec (2018 - 2017) %	Var Oct - Dec (2018 - 2017) M$	Var Oct - Dec (2018 - 2017) %
Revenue	515,876	468,355	128,302	114,241	47,521	10.1 %	14,061	12.3 %
Cost of sales	(357,033)	(312,935)	(86,813)	(78,613)	(44,098)	14.1 %	(8,200)	10.4 %
Gross Earnings	**158,843**	**155,420**	**41,489**	**35,628**	**3,422**	**2.2 %**	**5,861**	**16.5 %**
Other income by function	294	257	89	84	37	14.4 %	6	6.7 %
Other expenses by function	(24,516)	(23,517)	(5,946)	(5,558)	(999)	4.2 %	(388)	7.0 %
Distribution costs	(42,698)	(38,712)	(13,332)	(10,803)	(3,986)	10.3 %	(2,529)	23.4 %
Administrative expenses	(28,567)	(27,575)	(7,244)	(6,023)	(992)	3.6 %	(1,221)	20.3 %
Operating income	**63,356**	**65,874**	**15,056**	**13,327**	**(2,518)**	**(3.8)%**	**1,729**	**13.0 %**
Financial costs	(6,402)	(5,585)	(1,698)	(1,410)	(816)	14.6 %	(288)	20.4 %
Financial income	1,430	994	226	221	436	43.9 %	5	2.1 %
Exchange differentials	67	(3)	32	(34)	70	(2583.1)%	66	(195.3)%
Profit (loss) on indexation units	(3,209)	(1,908)	(824)	(556)	(1,300)	100.0 %	(268)	48.3 %
Other gains (losses)	2,203	(711)	1,594	(1,140)	2,914	(409.9)%	2,735	(239.8)%
Earnings (loss) before taxes	**57,445**	**58,660**	**14,386**	**10,408**	**(1,215)**	**(2.1)%**	**3,978**	**38.2 %**
Income tax expense	(15,802)	(16,002)	(3,265)	(3,056)	199	(1.2)%	(209)	6.8 %
Profit (loss)	**41,643**	**42,659**	**11,122**	**7,353**	**(1,016)**	**(2.4)%**	**3,769**	**51.3 %**
Profit (loss) attributable to the owners of the controller	41,280	42,556	10,835	7,323	(1,276)	(3.0)%	3,512	48.0 %
Profit (loss) attributable to non-controlling interests	363	103	287	30	260	251.9 %	257	860.2 %
Profit (loss)	**41,643**	**42,659**	**11,122**	**7,353**	**(1,016)**	**(2.4)%**	**3,769**	**51.3 %**
Depreciation and amortization	**22,392**	**21,625**	**5,933**	**4,339**	**766**	**3.5 %**	**1,593**	**36.7 %**
EBITDA	**85,747**	**87,499**	**20,989**	**17,666**	**(1,752)**	**(2.0)%**	**3,322**	**18.8 %**

Accumulated results as of December 31, 2018

Earnings after taxes for the fiscal year 2018 amounted to M$ 41,643, lower by 2.4% regarding the M$ 42,659 recorded for the previous year.

The main variations resulted from:

- Consolidated gross earnings reached M$ 158,843, a figure that is 2.2% higher than the M$ 155,420 recorded during the previous year. This increase resulted mainly from higher gross earnings in Chile, partially offset by lower sales volume and lower unit gross earnings in Peru.
- Operating costs and expenses increased M$ 5,977 (6.7%) mainly due to higher expenses regarding remunerations and salaries, freight, external services and advertising in Chile related to the development of integration strategies of the distribution chain towards the end-customer and greater expenses related to the connection of customers to natural gas networks.
- Operating income reached M$ 63,356 which is M$ 2,518 (-3.8%) lower than the M$ 65,874 recorded during the previous year, a variation which mainly results from lower gross earnings of the operation in Peru.
- Accumulated EBITDA for the fiscal year 2018 (operating income before depreciation and amortization) reached M$ 85,747, a figure 2.0% lower than the M$ 87,499 of the previous year.
- Other gains and losses present a positive variation (higher earnings) for CLP 2,914 million because a one-time provision was recorded during 2017 resulting from an administrative procedure in the subsidiary in Peru for CLP 1,023 million. In addition to higher net revenues for the sale of property, plant and equipment for CLP 436 million, customer fines and insurance claims receivable for CLP 612 million, lower property items for CLP 162 million and other non-operating income in Chile.

Quarterly Results

Earnings after taxes for the fourth quarter of 2018 amounted to M$ 11,122, which is 51.3% higher regarding the M$ 7,353 recorded in the same period of the previous year. The main variations resulted from:

- Consolidated gross earnings reached M$ 41,489 a figure 16.5% higher than the M$ 35,628 recorded during the same period of the previous year. This increase mainly resulted from higher unit gross earnings in Chile.

- Operating costs and expenses recorded an increase of M$ 4,138 (18.5%), mainly due to higher expenses regarding the increased proportion of direct sales which results in higher expenses in freight in Chile, and to a lesser extent, to increased freights in Peru due to higher natural gas sales volume. The higher expenses for connection of customers to natural gas networks also influences this increase.

- Operating income reached M$ 15,056, a figure that is M$ 1,729 (+13.0%) higher than the M$ 13,327 recorded during the fourth quarter of 2017, a variation that results from higher gross earnings, partially offset by greater expenses.

- EBITDA (operating income before depreciation and amortization) for the fourth quarter of 2018 reached M$ 20,989, a figure 18.8% higher than the M$ 17,666 of the same period of the previous year.

- Other gains and losses present a positive variation (higher earnings) for CLP 2,735 million associated with a one-time provision recorded during 2017 for an administrative procedure in the subsidiary in Peru for CLP 1,023 million. In addition to higher net revenues for the sale of property, plant and equipment for CLP 350 million, lower property items for CLP 428 million and other non-operating income in Chile and Peru.

INCOME BY SEGMENT

M$	From 10.01.2018 to 12.31.2018				Accumulated FY2018			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	91,127	14,302	22,872	128,302	380,705	49,669	85,501	515,876
Purchases charged to cost of sales	(52,177)	(9,216)	(16,293)	(77,686)	(218,570)	(29,517)	(61,513)	(309,600)
Expenses charged to cost of sales	(2,158)	(1,007)	(1,331)	(4,496)	(19,509)	(3,938)	(4,966)	(28,413)
Depreciation and amortization	(3,877)	(221)	(534)	(4,632)	(15,759)	(1,443)	(1,819)	(19,020)
Gross profit	**32,916**	**3,859**	**4,714**	**41,489**	**126,867**	**14,773**	**17,203**	**158,843**
Other income by function	89	0	0	89	294	0	0	294
Other operating expenses	(18,511)	(2,422)	(4,288)	(25,222)	(67,224)	(9,710)	(15,476)	(92,410)
Depreciation and amortization	(581)	(419)	(300)	(1,300)	(1,401)	(863)	(1,107)	(3,371)
Operating Income	**13,913**	**1,017**	**126**	**15,056**	**58,536**	**4,200**	**620**	**63,356**
EBITDA	**18,372**	**1,657**	**960**	**20,989**	**75,696**	**6,505**	**3,547**	**85,747**

M$	From 10.01.2017 to 12.31.2017				Accumulated FY2017			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	82,188	11,510	20,543	114,241	336,790	43,577	87,989	468,355
Purchases charged to cost of sales	(47,344)	(7,013)	(14,599)	(68,957)	(183,763)	(24,132)	(61,647)	(269,542)
Expenses charged to cost of sales	(3,962)	(942)	(1,268)	(6,172)	(16,770)	(3,411)	(4,700)	(24,882)
Depreciation and amortization	(2,750)	(257)	(478)	(3,485)	(15,368)	(1,182)	(1,962)	(18,512)
Gross profit	**28,131**	**3,299**	**4,198**	**35,628**	**120,889**	**14,852**	**19,680**	**155,420**
Other income by function	84	0	0	84	257	0	0	257
Other operating expenses	(15,424)	(2,277)	(3,829)	(21,530)	(61,774)	(9,276)	(15,640)	(86,690)
Depreciation and amortization	(347)	(222)	(286)	(854)	(1,159)	(830)	(1,125)	(3,114)
Operating Income	**12,444**	**800**	**83**	**13,327**	**58,213**	**4,746**	**2,915**	**65,874**
EBITDA	**15,541**	**1,279**	**847**	**17,666**	**74,740**	**6,757**	**6,002**	**87,499**

M$	Variation 4Q2018 vs. 4Q2017				Variation FY2018 vs. FY2017			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	8,940	2,792	2,330	14,061	43,915	6,093	(2,487)	47,521
Purchases charged to cost of sales	(4,832)	(2,203)	(1,694)	(8,729)	(34,807)	(5,385)	133	(40,058)
Expenses charged to cost of sales	1,805	(66)	(63)	1,676	(2,739)	(526)	(265)	(3,531)
Depreciation and amortization	(1,127)	36	(57)	(1,148)	(391)	(261)	143	(509)
Gross profit	**4,785**	**560**	**516**	**5,861**	**5,978**	**(79)**	**(2,476)**	**3,422**
Other income by function	6	0	0	6	37	0	0	37
Other operating expenses	(3,087)	(145)	(459)	(3,692)	(5,450)	(434)	164	(5,720)
Depreciation and amortization	(235)	(197)	(14)	(446)	(242)	(33)	17	(258)
Operating Income	**1,469**	**217**	**43**	**1,729**	**323**	**(546)**	**(2,295)**	**(2,518)**
EBITDA	**2,831**	**378**	**113**	**3,322**	**956**	**(252)**	**(2,455)**	**(1,752)**

Chile: EBITDA during the quarter was 18.2% (M$ 2,831) higher regarding the same period of the 2017 fiscal year, mainly due to higher unit gross earnings and a greater proportion of direct sales to end-customers, which implied a 17% (M$ 4,785) increase in gross earnings. LPG sales volume decrease slightly by 0.2% regarding the same period of the previous year. However, total volume in equivalent tons increase by 2.0%, mainly due to higher LNG sales. The LPG market in Chile decreased by 0.4% during the quarter when compared against the previous year.

Operating costs and expenses increased by 21.1% mainly in salaries, freight, advertising and expenses associated with the incorporation of new customers to natural gas networks.

Accumulated EBITDA increased by 1.3% (M$ 956). Gross earnings increase by 4.9%, given the 3.9% increase in sales volume in equivalent tons, resulting from the 75.2% increase in natural gas sales due to the incorporation of LNG industrial customers and new network NG customers, and greater LPG sales. Oil by-product prices varied during the year with an increase during the first months of the year but dropping during the last quarter. The accumulated effect was basically neutral. However, it is compared against a positive effect (earnings) in the amount of M$ 2,114 recorded during 2017. Other operating expenses increased by 8.8% mainly due to higher expenses on salaries, freight, advertising and expenses related to the connection of new customers to natural gas networks. This increase in expenses is mainly related to the Company's strategy of integrating the distribution chain, approaching the end-customer. Within the M$ 5,540 increase in operating costs and operating expenses, those expenses related to the connection of new customers to natural gas networks increase by M$ 1,433.

Colombia: EBITDA during the quarter was 29.6% (M$ 378) higher regarding the same period of the previous fiscal year due to higher gross earnings recorded, which was greater by 17.0% (M$ 560), mainly explained by greater unit gross earnings recorded and by a 6.6% higher LPG sales volume. In addition to revenue from the operation of the subsidiary Surgas, which began consolidating since 4Q18. The Colombian peso appreciated 1.1% against the Chilean peso compared to the same quarter of the previous year.

In terms of accumulated figures, EBITDA decreased 3.7% (M$ 252) regarding 2017, mainly given greater operating expenses. Gross earnings slightly decrease by 0.5% despite the 1.1% increase in LPG sales, because it was difficult to maintain unit margins during the year. Other operating expenses increase by 4.7% due to higher expenses in salaries, cylinder maintenance expenses, leases and advertising. The Colombian peso devalued 1.6% against the Chilean peso compared to the previous year.

Peru: EBITDA during the quarter increases by 13.4% (M$ 113) regarding the same quarter of the previous year. The increase mainly results from higher unit gross earnings and higher volume in the natural gas business. Thus, gross earnings increase by 12.3% regarding the same period of the previous year.

LPG sales drop to a lesser extent than in previous quarters, with a 3.2% decrease, although they are still affected by strong informal competition, especially in the automotive sales channel, while natural gas sales increase by 46.4%.

Operating expenses increase by 12.0% mainly because of greater freight expenses due to increased natural gas sales. The Peruvian Sol appreciated by 3.7% against the Chilean peso compared to the same quarter of the previous year.

Accumulated EBITDA for 2018 was lower by 40.9% (M$ 2,455) regarding the previous fiscal year, resulting from a 9.3% and 2.3% decrease in LPG and CNG sales, respectively, in addition to lower LPG unit margins. LPG sales volume was affected by informal competition which has reduced unit margins in general, forcing to abandon certain low-margin markets. In the case of CNG, volume is impacted by some high-volume industrial customers that were connected to natural gas pipelines and a lower dynamism in the vehicular segment, which has been reverted during the last quarters. Therefore, gross earnings were 19.3% lower compared to the same period of the previous fiscal year. Operating expenses decrease by 1.1% regarding the same period of the previous year, due to the lower level of sales. Compared to the same period of the previous year, the Peruvian Sol devalued 2.1% against the Chilean Peso when considering the average exchange rate.

3. ANALYSIS OF THE CONSOLIDATED FINANCIAL POSITION

ASSETS

	12.31.2018 M$	12.31.2017 M$	Var M$	Var %
Current assets	84,615	67,805	16,810	24.8%
Non-current assets	360,201	322,864	37,337	11.6%
Total assets	**444,816**	**390,669**	**54,147**	**13.9%**

The assets of Empresas Lipigas S.A. as of December 31, 2018 recorded an increase of M$ 54,147 or 13.9% regarding figures recorded as of December 31, 2017. The main variations correspond to:

- Current assets increased M$ 16,810 mainly by an increase in trade accounts and other current accounts receivable in the amount of M$ 6,615 and the increase in cash and cash equivalents in the amount of M$ 6,954. The increase in trade accounts and other current accounts receivable is manly explained by the increase in debtors due to the incorporation of Surgas and by greater balances of accounts receivable due to gas subsidies in Colombia.

- Non-current assets increased M$ 37,337 due to the incorporation of property, plant and equipment in Chile (mainly natural gas pipelines and cylinders), and in Colombia.

LIABLITIES

	12.31.2018 M$	12.31.2017 M$	Var M$	Var %
Current liabilities	86,317	56,403	29,914	53.0%
Non-current liabilities	200,776	190,889	9,887	5.2%
Total liabilities	**287,093**	**247,292**	**39,801**	**16.1%**

The liabilities of Empresas Lipigas S.A. as of December 31, 2018 recorded an increase of M$ 39,801 or 16.1% regarding figures recorded as of December 31, 2017. The main variations correspond to:

- Current liabilities increased M$ 29,914. The main variations are generated by increased current financial liabilities to finance acquisitions in Property, plant & equipment.
- Non-current liabilities increased M$ 9,887, mainly due to increased deferred tax liabilities and greater non-current financial liabilities.

EQUITY

The equity of Empresas Lipigas S.A. as of December 31, 2018 increased M$ 14,345 regarding figures recorded as of December 31, 2017. The main variation is generated by a positive variation in Other reserves and a greater balance of accumulated earnings from net income generated from distributed dividends.

4. ANALYSIS OF STATEMENT OF CASH FLOW

CONSOLIDATED STATEMENT OF DIRECT CASH FLOW	01.01.2018 through 12.31.2018 M$	01.01.2017 through 12.31.2017 M$	Var M$	Var %
Cash flows provided by (used in) operating activities	**68,236**	**74,211**	**(5,976)**	**(8.1%)**
Cash flows provided by (used in) investing activities	**(52,946)**	**(46,194)**	**(6,753)**	**14.6%**
Net cash flows provided by (used in) financing activities	**(8,413)**	**(39,051)**	**30,638**	**(78.5%)**
Net Increase (decrease) in cash and cash equivalents, before effects of variation in foreign exchange rates	**6,876**	**(11,033)**	**17,909**	**(71.9%)**
Effects of variations in foreign exchange rate on cash and cash equivalents	78	(159)	237	(148.9%)
Net increase (decrease) in cash and cash equivalents	**6,954**	**(11,192)**	**18,146**	**(220.8%)**
Cash and cash equivalents - beginning of the period or fiscal year	6,930	18,122	(11,192)	(61.8%)
Cash and cash equivalents - end of the period or fiscal year	**13,883**	**6,930**	**6,954**	**100.3%**

Cash and cash equivalents as of December 31, 2018 recorded a balance of M$ 13,883 increasing M$ 6,954 regarding the balance at the end of the previous year. The following movements mainly explain said variations:

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating activities generated a positive net cash flow amounting to M$ 68,236 as of December 31, 2018, which decreased by M$ 5,976 with respect to the cash flow for the same period of previous year. This effect is influenced by a lower EBITDA in the amount of M$ 1,752 and greater working capital needs. This variation primarily results from a higher increase in the balance of trade accounts and other accounts receivable and increased tax assets due to a greater balance of monthly provisional payments.

CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash flow used in investment activities as of December 31, 2018 is M$ 52,946 and was M$ 6,753 higher regarding cash flow used in the previous year. The variation mainly resulted from higher purchases of property, plant & equipment in Chile and Colombia (M$4,346), in addition to greater cash flows used to obtain control over subsidiaries or other businesses (M$ 1,430) given the investment made in the last quarter of 2018 to acquire the company Surcolombiana de Gas in Colombia.

CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net cash flow used in financing activities as of December 31, 2018 is negative by M$ 8,413 and presents a positive variation of M$ 30,638 regarding the negative net cash flow of M$ 39,051 for the previous year. The main variations originate from a greater net balance from loans (M$ 32,477 higher than fiscal year 2017). This variation results from increased financial liabilities during the fiscal year.

5. FINANCIAL INDICATORS

LIQUIDITY

Indicators	Units	12.31.2018	12.31.2017
Liquidity ratio (1)	Times	0.98	1.20
Acid-test ratio (2)	Times	0.72	0.81

(1) Liquidity ratio = Current Assets /Current Liabilities

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

Liquidity indicators as of December 31, 2018 present a decrease regarding December 2017, mainly from the increase in current liabilities, which is proportionally higher than the increase in current assets due to greater short-term financial indebtedness

INDEBTEDNESS

Indicators	Units	12.31.2018	12.31.2017
Indebtedness ratio (1)	Times	1.82	1.72
Portion of current debts (2)	%	30.1%	22.8%
Portion on non-current debts (3)	%	69.9%	77.2%
Net financial debt / Equity (4)	Times	0.95	0.86

(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 equivalents) / Equity.

Indebtedness ratio increases as of December 31, 2018 regarding the close of December 2017 given a higher level of current financial liabilities.

Net indebtedness ratio over equity increases given the greater current financial liabilities.

PROFITABILITY

Indicators	Units	12.31.2018	12.31.2017
Equity profitability (1)	%	26.4%	29.8%
Asset profitability (2)	%	9.4%	10.9%
EBITDA (3)	M$	85,747	87,499
EAT (4)	M$	41,643	42,659

(1) Equity profitability = Gain (Loss) LTM / Equity.
(2) Asset profitability = Gain (Loss) LTM / Total assets.
(3) EBITDA = Operating income + depreciation and amortization (LTM)
(4) EAT = Earnings after taxes (LTM)

Equity profitability decreases regarding December 2017 mainly due to lower earnings and increased equity level compared to the fiscal year 2017. Asset profitability also decreases due to the lower earnings previously mentioned and an increase in total assets. EBITDA decreases regarding December 2017 due to lower operating income. Earnings after taxes decreases, mainly due to lower operating income, partially offset by higher non-operating income.

INVENTORIES

Indicators	Units	12.31.2018	12.31.2017
Inventory turnover (1)	Times	15.6	16.3
Inventory permanence (2)	Days	23.0	22.2

(1) Inventory turnover = Cost of sales / Inventory average (Beginning inventory + final inventory) / 2
(2) Inventory permanence = 360 days / Inventory turnover

Inventory turnover slightly decreases regarding December 2017, mainly due to the increase in average inventory levels at the maritime terminal proportionately higher than the increase in the cost of sales.

6. BUSINESS ANALYSIS

Empresas Lipigas S.A. participates in the Chilean market for LPG with its brand Lipigas. It has been present in the market for over 60 years, reaching a moving annual average market share of 36.5% as of December 2018 according to data provided by Chile's Superintendence of Electricity and Fuels *(Superintendencia de Electricidad y Combustibles - SEC)*.

For the distribution and commercialization of LPG in Chile, the Company has 14 storage and/or bottling plants, a maritime terminal in the commune of Quintero and 20 sales offices distributed 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 Magallanes.

It also has natural gas (NG) residential distribution pipelines in the city of Calama, enabling a continuous supply of this energy to nearly 3,000 homes, thus satisfying heating, hot water and cooking needs. Beginning 2017 it began supplying natural gas to customers in the cities of Puerto Montt and Osorno, where it currently has 1,500 customers.

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

Since 2017 it develops activities in the power generating and energy commercialization 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 and Lidergas.

It has presence in 25 of the 32 departments of the country, reaching a moving annual average market share of 13.9% as of December 2018, 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 together with the third-party distribution network service approximately 500,000 customers. In 2017 it began supplying LPG through pipelines to customers from 12 municipalities in the interior of Colombia. In 2018, the company took control over the subsidiary Surcolombiana de Gas S.A.S. It currently supplies network gas to approximately 80,000 customers .

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

Lima Gas participates in the Peruvian LPG market in the cylinder and bulk business and commercializes the product mainly under three brands: Lima Gas, Zafiro and Caserito. It has a moving annual average market share of 7.2% as of December 2018, according to data provided by Peru's Energy and Mines Investment Regulator - *Osinergmin*.

Currently, Lima Gas has eight bottling plants and two distribution centers, enabling a relevant logistic capacity to supply LPG to its clients. The distribution network of bottled gas is composed of approximately 350 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. (currently Limagas Natural Perú S.A.), a company dedicated to the distribution of compressed natural gas and liquefied natural gas to industrial clients and supply service stations for automobiles. The Company took control over this new operation in February 2016.

7. RISK MANAGEMENT

Risk factors inherent to the Company's activity are the markets in which it participates, and the activity developed by the Company and its subsidiaries. The Board of Directors and Management periodically review the map of the Company's significant risks in order to design and monitor the implementation of suitable measures for mitigating risks that are sought to be fit. The following is a breakdown of the main risk factors that affect the business:

7.1 Credit risk

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

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

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

Credit risk is mainly related to trade accounts and other accounts receivable. The balance of cash and cash equivalents 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 investments are diversified among different financial institutions that also have high credit ratings.

As described in Note 4.1 of the consolidated financial statements, the Company has signed an agreement that commits to give advances to Oxiquim S.A. with which it has signed contracts for the provision of the service of reception, storage and dispatch of LPG at facilities already built at the maritime terminal property of that company. 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. because of the beginning of operations in March 2015 of the maritime terminal.

The maximum exposure to credit risk is as follows:

Financial Assets	Note	12.31.2018 Th$	12.31.2017 Th$
Cash and cash equivalents	3	13,883,383	6,929,613
Trade receivables and other accounts receivable	7	43,707,035	35,654,573
Other financial assets, current	4	174,549	-
Other financial assets, non-current	4	786,533	1,196,237
Total		**58,551,500**	**43,780,423**

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 based on the expected losses of these, establishing the following criteria to make the provisions:

- Segmentation: clients are grouped by business lines according to the Company's sales channels.
- Risk Variables: the business line and arrearage are considered.
    - The business line because it groups different segments of clients which are possible to identify and group for risk analysis purposes.
    - Arrearage because it is directly associated with the levels of recovery and maturity of the debt, the longer the payment term, 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 special 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 special provision is made, considering partial or total debt, should a client refinance its debt for relevant amounts

7.2 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.

7.3 Market risk

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

Exchange rate and indexation unit risk

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

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

As of December 31, 2018, and December 31, 2017, the balances of accounts in currencies other than the functional currency of the Company and its subsidiaries were as follows:

Originating transaction currency: US dollar

Current and non-current assets	Assets at 12.31.2018 Th$	Assets at 12.31.2017 Th$
Cash and cash equivalents	1,003,375	549,220
Other financial assets, current	174,549	-
Trade accounts and other accounts receivable, current and non-current	1,786,544	698,267
Other financial assets, non-current	-	594,348

Current and non-current liabilities	Liabilities at 12.31.2018 Th$	Liabilities at 12.31.2017 Th$
Other financial liabilities, current	47,627	196,802
Trade accounts and other accounts payable, current	11,901,570	12,889,601
Other financial liabilities, non-current	-	42,043
Trade accounts and other accounts payable, non-current	45,940	190,289

- Foreign investments: as of December 31, 2018, the Company holds net foreign investments in Colombian pesos for an amount equivalent to Th$ 40,158,154 (Th$ 29,724,262 as of December 31, 2017) and in Peruvian soles for an amount equivalent to Th$ 48,120,995 (Th$ 40,185,959 as of December 31, 2017).

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

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

- Debt securities: The Company's indebtedness for this concept corresponds to the placement of Series E bonds in the Chilean market carried out during the month of April 2015 (mnemonic code BLIPI-E), charged to the 30-year bond line registered in Chile's CMF Securities Register under number 801, for UF 3,500,000. The placement rate was 3.44% annual for a face rate of 3.55%. Interest is paid semi-annually, and the principal will be amortized in a single installment on February 4, 2040. 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 in Chile 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 dispatch facilities to be built by Oxiquim S.A., in the amount of UF 1,572,536. 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 in Chile are correlated to the variation in the UF.

- Sensitivity analysis regarding exchange rate variations and indexation units.

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

Exchange rate Variation (*)	Increase Loss (Gain) Th$	Decrease Loss (Gain) Th$	Allocation
CLP/UF +/- 2.3%	2,676,534	(2,676,534)	Results: Indexation units
CLP/USD +/- 1.9%	59,976	(59,976)	Results: Exchange rate differences
CLP/USD +/- 1.9%	(296,447)	296,447	Equity: Reserves for cash flow hedging
CLP/COP +/- 2.3%	(803,163)	803,163	Equity: Reserves for exchange rate translation differences
CLP/PEN +/- 1.6%	(789,184)	789,184	Equity: Reserves for exchange rate translation differences

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

Interest rate risk

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

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

As of December 31, 2018, 98% of the Group'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 December 31, 2018, and December 31, 2017:

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	37,047,185	1,389,892	123,698,861	1,736,251	160,746,048	3.126.143
Total at 12.31.2018		**37.047.185**	**1,389,892**	**123,698,861**	**1,736,251**	**160,746,048**	**3,126,143**

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$	Fixed Rate Th$
Other financial liabilities	14	6,754,342	3,196,407	120,562,767	19,605	127,317,109	3.216.012
Total at 12.31.2017		**6.754.342**	**3,196,407**	**120,562,767**	**19,605**	**127,317,109**	**3,216,012**

Risks related to commercialized products

a) LPG

The Company participates in the distribution of liquefied gas business in Chile, with coverage that extends between the Region of Arica and Parinacota and the Region of Magallanes, reaching an annual moving average market share of 36.5% at December 2018, according to data provided by Chile's Superintendence of Electricity and Fuels *(Superintendencia de Electricidad y Combustibles - SEC)*.

At the end of 2010, the Company entered the Colombian market through the purchase of assets from Grupo Gas País, currently achieving a presence in 25 of the 32 Colombian departments and reaching an annual moving average market share of 13.9% at December 2018, according to data from Colombia's Single Information System of the Superintendence of Public Services (*Sistema Único de Información de la Superintendencia de Servicios Públicos*.)

Continuing with its internalization process in the LPG industry, in July 2013, the Company acquired 100% of Lima Gas S.A., a Peruvian-based LPG distributing company, which at

December 2018 reached an annual moving average market share of 7.2%, according to data provided by Peru's Energy and Mines Investment Regulator - *Osinergmin*.

a.1) Demand

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

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

a.2) Supply

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

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.

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 players and imports product by sea through facilities located in Cartagena.

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

a.3) Prices

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

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

b) Natural gas

Residential demand for natural gas is not significantly affected by economic cycles since it is a basic consumption good. Regarding the risk of product supply for the operations that the Company owns in the north and south of Chile, both are covered with long-term agreements with different suppliers.

In Peru, the subsidiary Limagas Natural Perú S.A. has entered into supply agreements to cover the demands of natural gas distributors in the several regions.

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 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).

7.4 Regulatory Risk

The amendments of the Gas Services Law (DFL 323) came into effect in February 2017. The most relevant changes affect concession network businesses, with the most relevant being the establishment of a profitability cap of 3% above the capital cost rate for the supply of gas through concession networks. The capital cost rate may not be lower than 6% with which resulting profitability is 9% for new networks. In the case of 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 the city of Calama, annual profitability is below the maximum range allowed by the law. In the last annual profitability review published by the CNE for the year 2017, the profitability rate of return was 3.9%.

The freedom of fixing prices to consumers remains for non-concession networks. 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.

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

In January 2018, Chile’s Antitrust Court issued its Resolution 51/2018 concerning, inter alia, the analysis of existing property relations between the different companies operating in the relevant gas market (LPG and LNG), in order to avoid anti-competitive risks. The measures included in that resolution do not affect the Company.

Significant changes in laws and regulations in the sectors in which the Company operates may adversely affect its business or the conditions thereof, can 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 situation of the Company.

7.5 Accident risk

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

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

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

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

7.6 Reputation and corporate image risk

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

This risk is mitigated through the appropriate operating processes and compliance with regulations implemented within the Company.

7.7 Risk of litigation, penalties and fines

The Company may be subject to litigation, penalties or fines resulting from its business. These potential impacts are mitigated from their inception, by complying with relevant regulations. The principal litigation and sanctioning procedures currently underway involving the Company or its subsidiaries are described in Note 27 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.

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

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

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

7.9 Acquisition strategy risk.

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

- The assets of Gas País in 2010 through which the Company started growing with operations in Colombia.
- Lima Gas S.A. in 2013 through which the Company entered the Peruvian LPG market.
- Neogas 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.

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 income. For example:

- Failing to precisely and appropriately identify companies, products or brands 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 competition 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 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.

7.10 Risk of production, storage and transportation of gas

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

These risks could result in personal injury and death, severe damage to or destruction of property and equipment and environmental damage. Although the Company is very careful about the safety of its operations, a sufficiently large accident at one of the bottling or warehousing plants, or at facilities located at client facilities or at service stations of vehicular gas or during transportation or delivery of products being sold, could force to temporarily suspend operations at the location and result in significant remediation costs, loss of income or generate contingent liabilities, and adversely affect the Company's corporate image and reputation and that of its subsidiaries. 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 of required replacement parts or equipment can also affect distribution operations and consequently operating results.

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

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.

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

7.12 Risk of regulatory changes resulting for the mitigation of the climate change effects

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 the products that the Company distributes.

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