ANALYSIS
OF THE
FINANCIAL POSITION
AS OF 03.31.2019

EMPRESAS LIPIGAS

Abbreviations:

M$	Million Chilean pesos
Th$	Thousand Chilean pesos

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the first quarter ended March 31, 2019

Important note: For the year 2019, Empresas Lipigas has adopted the amendments established by the International Financial Information Standard No.16 (IFRS 16), implying that the distinction between financial and operating leases disappears, thus practically all leases follow the same recording model. A more detailed description of the effects of the adoption of IFRS 16 is included in note 2.2 of the interim consolidated financial statements as of March 31, 2019. This causes the comparison between periods to be difficult because the results of 2018 do not incorporate the above-mentioned effect. To facilitate the understanding of the Company's results, the present report identifies those variations resulting from the adoption of IFRS 16.

1. SUMMARY

As of March 31, 2019, Empresas Lipigas S.A. (the "Company") recorded earnings after taxes amounting to M$ 6,670 with an increase of M$ 942 (16.5%) with respect to the M$ 5,728 recorded in the same period of the previous year. Excluding the effects of adopting IFRS 16, earnings after taxes would have reached M$ 6,805 (18.8% higher regarding the first quarter of the previous year).

Consolidated EBITDA reached M$ 17,770, a 19.9% higher figure than the one recorded for the same period of the previous year, which reached M$ 14,825. Excluding the effects of adopting IFRS 16, consolidated EBITDA would have reached M$ 15,809 (6.6% higher regarding the first quarter of the previous year).

Gross earnings for the period reached M$ 34,930, a figure which is M$ 5,136 (17.2%) higher regarding the same period of the previous year. Excluding the effects of adopting IFRS 16, gross earnings would have reached M$ 34,946 higher by M$ 5,152 (17.3%) to that of the same period of the previous year, resulting from greater gross earnings in the three countries due to greater sales volume and greater unit gross earnings. Excluding the effects of adopting IFRS 16, in Chile gross earnings would increase by 14.5%, in Colombia by 34.8% and in Peru 18.3%. Other expenses by function, distribution costs and administrative expenses would present an increase of M$ 4,539 (22.2%).

Accumulated LPG sales volume as of March 2019 compared to the previous year increases by 1.4%, equivalent to 2,182 tons. In Chile and Colombia volume grows by 0.8% and 8.1%, respectively, while in Peru there is a slight 0.6% decrease.

Natural gas sales (in its different formats) totaled 30.7 million m3, increasing 18.9% compared to the 25.8 million m3 recorded during the first quarter of 2018, resulting from greater sales in Limagas Natural in Peru that increased by 26.2%, which was partially offset by lower sales of LNG in Chile. In addition to the incorporation in the last quarter of 2018, of the Surgas operation in Colombia that contributed 1.8 million m3 during the first quarter.

Revenue from ordinary activities amounted to M$ 108,380, increasing 4.9% regarding the same period of the previous year. This increase essentially resulted from increased LPG sales volume in Colombia and NG in Peru and a greater proportion of sales to end-customers in Chile.

Negative non-operating income was M$ 1,103 which is higher than the M$ 904 loss recorded the previous year, resulting from higher financial costs associated to the new right-of-use contract liabilities by adopting IFRS 16. Excluding the effects of IFRS 16, negative non-operating income presents a lower loss of M$ 167 mainly due to a lower loss per indexation units resulting from lower inflation in Chile in the amount of M$ 734, which is partially offset by higher financial costs due to higher short-term financial liabilities and lower non-operating income mainly due that a customer penalty was charged in Peru in 1Q18 for anticipated contract termination, which is not repeated in 1Q19.

Earnings after taxes increased by 16.5% impacted by greater operating and non-operating income, as well as a lower income taxes resulting from a higher effective tax rate in 1Q18 than that recorded in 1Q19, due to greater disallowable expenses, the increase in the tax rate between 2017 and 2018 that affects deferred taxes, and greater permanent differences associated with monetary correction due to higher inflation recorded in 1Q18 compared to 1Q19.

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

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 Antofagasta Region. The provision of such services will require a total investment of approximately USD 27 million 50% of which will be financed by Lipigas during the construction period. Commencement of operations is estimated to occur by the end of 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.

On March 6, 2019, Consolidated Results as of the fourth quarter of 2018 were reported.

On March 7, 2019, it was reported that the Board of Directors had approved an interim dividend charged to earnings of the 2019 fiscal year of CLP 65 per share, which was paid on March 27, 2019.

On March 28, 2019, it was reported that the Board of Directors of Empresas Lipigas S.A. agreed to convene a Regular Shareholders' Meeting to be held on April 25, 2019 in order to submit to its consideration and approval several matters, among which are the approval of the annual report and financial statements for the 2018 fiscal year; the approval of earnings distribution and dividend payments for the fiscal year; appoint external auditors and risk rating agencies for the 2019 fiscal year; report on related operations pursuant to article 146 of Chile's Law No. 18,046; set compensation for the Board of Directors and Directors' Committee, among other matters.

On April 25, 2019, the Regular Shareholders' Meeting of Empresas Lipigas S.A. agreed upon the following:

- Approval of the Annual Report, Balance Sheet, Consolidated Financial Statements and the opinion of the external auditors for the fiscal year ended December 31, 2018.
- Approval of a final dividend charged to distributable net earnings of the 2018 fiscal year for CLP 42 per share.
- Approval of the appointment of PwC as the Company's external auditors for the 2019 fiscal year.
- Other matters pertaining to the General Shareholders' Meeting were addressed.

2. CONSOLIDATED INCOME STATEMENT BY FUNCTION

INCOME STATEMENT BY FUNCTION	01.01.2019 al 03.31.2019 M$	01.01.2018 al 03.31.2018 M$	Var Jan - Mar (2019 - 2018) M$	%
Revenue	108,380	103,314	5,066	4.9 %
Cost of sales	(73,450)	(73,520)	70	(0.1)%
Gross Earnings	**34,930**	**29,794**	**5,136**	**17.2 %**
Other income by function	84	59	25	42.0 %
Other expenses by function	(6,181)	(5,449)	(732)	13.4 %
Distribution costs	(10,401)	(8,237)	(2,164)	26.3 %
Administrative expenses	(8,215)	(6,767)	(1,448)	21.4 %
Operating income	**10,218**	**9,400**	**817**	**8.7 %**
Financial costs	(2,153)	(1,400)	(753)	53.8 %
Financial income	752	667	85	12.8 %
Exchange differentials	27	78	(51)	(65.5)%
Profit (loss) on indexation units	2	(731)	734	100.0 %
Other gains (losses)	269	483	(214)	(44.3)%
Earnings (loss) before taxes	**9,115**	**8,497**	**618**	**7.3 %**
Income tax expense	(2,444)	(2,769)	325	(11.7)%
Profit (loss)	**6,670**	**5,728**	**942**	**16.5 %**
Profit (loss) attributable to the owners of the controller	6,511	5,698	812	14.2 %
Profit (loss) attributable to non-controlling interests	160	30	130	438.7 %
Profit (loss)	**6,670**	**5,728**	**942**	**16.5 %**
Depreciation and amortization	**7,553**	**5,424**	**2,129**	**39.2 %**
EBITDA	**17,770**	**14,825**	**2,946**	**19.9 %**

Earnings after taxes for the first quarter 2019 amounted to M$ 6,670 an increase of 16.5% regarding the M$ 5,728 recorded for the same period of the previous year. Excluding the effects of adopting IFRS 16, earnings for the first quarter would have reached M$ 6,805 (18.8% higher compared to the first quarter of the previous year).

The main variations resulted from:

- Consolidated gross earnings increased by M$ 5,136, composed by a negative variation of M$ 16 associated to the effects of incorporating IFRS 16 and a positive variation of M$ 5,152 mainly due to greater unit gross earnings in Chile and Colombia.

- Operating costs and expenses recorded an increase of M$ 4,344 (21.2%) composed by a decrease of M$ 195 due to the effects of incorporating IFRS 16 and an increase of M$ 4,539 for increased expenses. The main increase in expenses (excluding the effect of adopting IFRS 16) are associated with the increase in the proportion of direct sales in Chile, specially freight and external services. Other expenses that increase in Chile correspond to promotional campaigns and consultancies, remunerations and severance payments, as well as increased expenses for the connection of customers to natural gas networks. In Colombia, costs increase due to the incorporation of the Surgas operation and the increase in remuneration expenses and promotional campaigns. In Peru there is a greater expense in freights associated with the natural gas business for greater sales volume.

- Operating income reached M$ 10,218 which is M$ 817 (+8.7%) higher than the M$ 9,400 recorded during the first quarter of 2018. Of this variation, M$ 179 are explained by the effects of adopting IFRS 16, while M$ 638 originate from higher gross profits during the quarter, partially offset by higher expenses.

- EBITDA (operating income before depreciation and amortization) for the first quarter 2019 reached M$ 17,770, a figure that M$ 2,946 (19.9%) higher than the same period of the previous year. Of this variation, M$ 1,962 are explained by the effects of adopting IFRS 16, and M$ 984 are explained by improved operating income.

INCOME BY SEGMENT

Income statements including the effects of adopting IFRS 16.

M$	Segments			Group Total
	Chile	Colombia	Peru	
Revenue	75,269	13,078	20,034	108,380
Purchases charged to cost of sales	(40,243)	(7,621)	(13,600)	(61,463)
Expenses charged to cost of sales	(4,932)	(855)	(1,373)	(7,160)
Depreciation and amortization	(4,132)	(30)	(665)	(4,827)
Gross profit	**25,962**	**4,573**	**4,396**	**34,930**
Other income by function	84	0	0	84
Other operating expenses	(15,793)	(2,522)	(3,756)	(22,071)
Depreciation and amortization	(1,591)	(784)	(351)	(2,726)
Operating Income	**8,662**	**1,267**	**289**	**10,218**
EBITDA	**14,384**	**2,081**	**1,305**	**17,770**

Accumulated as of 03.31.2018

M$	Segments			Group Total
	Chile	Colombia	Peru	
Revenue	74,153	11,033	18,129	103,314
Purchases charged to cost of sales	(42,493)	(6,364)	(12,872)	(61,729)
Expenses charged to cost of sales	(5,210)	(908)	(1,069)	(7,188)
Depreciation and amortization	(3,780)	(344)	(478)	(4,603)
Gross profit	**22,670**	**3,416**	**3,709**	**29,794**
Other income by function	59	0	0	59
Other operating expenses	(14,011)	(2,227)	(3,393)	(19,631)
Depreciation and amortization	(339)	(201)	(282)	(821)
Operating Income	**8,379**	**988**	**34**	**9,400**
EBITDA	**12,497**	**1,533**	**794**	**14,825**

Accumulated variation as of 03.31.2019 vs 03.31.2018

M$	Segments			Group Total
	Chile	Colombia	Peru	
Revenue	1,116	2,045	1,905	5,066
Purchases charged to cost of sales	2,250	(1,256)	(727)	266
Expenses charged to cost of sales	278	54	(304)	28
Depreciation and amortization	(352)	314	(187)	(224)
Gross profit	**3,292**	**1,157**	**687**	**5,136**
Other income by function	25	0	0	25
Other operating expenses	(1,782)	(295)	(363)	(2,440)
Depreciation and amortization	(1,252)	(583)	(69)	(1,904)
Operating Income	**283**	**279**	**256**	**817**
EBITDA	**1,887**	**548**	**511**	**2,946**

Income statements excluding the effects of adopting IFRS 16 in the 2019 period.

M$	From 01.01.2019 to 03.31.2019 Segments			
	Chile	Colombia	Peru	Group Total
Revenue	75,269	13,078	20,034	108,380
Purchases charged to cost of sales	(40,243)	(7,621)	(13,615)	(61,479)
Expenses charged to cost of sales	(5,097)	(1,028)	(1,516)	(7,641)
Depreciation and amortization	(3,975)	176	(515)	(4,314)
Gross profit	**25,954**	**4,605**	**4,388**	**34,946**
Other income by function	84	0	0	84
Other operating expenses	(17,171)	(2,542)	(3,822)	(23,535)
Depreciation and amortization	(302)	(824)	(331)	(1,457)
Operating Income	**8,565**	**1,239**	**235**	**10,038**
EBITDA	**12,841**	**1,887**	**1,081**	**15,809**

M$	From 01.01.2018 to 03.31.2018 Segments			
	Chile	Colombia	Peru	Group Total
Revenue	74,153	11,033	18,129	103,314
Purchases charged to cost of sales	(42,493)	(6,364)	(12,872)	(61,729)
Expenses charged to cost of sales	(5,210)	(908)	(1,069)	(7,188)
Depreciation and amortization	(3,780)	(344)	(478)	(4,603)
Gross profit	**22,670**	**3,416**	**3,709**	**29,794**
Other income by function	59	0	0	59
Other operating expenses	(14,011)	(2,227)	(3,393)	(19,631)
Depreciation and amortization	(339)	(201)	(282)	(821)
Operating Income	**8,379**	**988**	**34**	**9,400**
EBITDA	**12,497**	**1,533**	**794**	**14,825**

M$	Variation 1Q2019 vs. 1Q2018 Segments			
	Chile	Colombia	Peru	Group Total
Revenue	1,116	2,045	1,905	5,066
Purchases charged to cost of sales	2,249	(1,256)	(743)	250
Expenses charged to cost of sales	113	(120)	(446)	(453)
Depreciation and amortization	(195)	521	(37)	289
Gross profit	**3,284**	**1,189**	**679**	**5,152**
Other income by function	25	0	0	25
Other operating expenses	(3,160)	(316)	(429)	(3,904)
Depreciation and amortization	37	(623)	(49)	(635)
Operating Income	**186**	**251**	**201**	**638**
EBITDA	**344**	**353**	**287**	**984**

Chile: EBITDA during the quarter was higher by M$ 1,887 (15.1%) compared to the first quarter of the previous year, of which M$ 1,543 are explained by the effects of adopting IFRS 16. The remaining variation of M$ 344 is mainly explained by higher unit gross earnings and a greater proportion of direct sales to end-customers. LPG sales volume increase by 0.8% regarding the same period of the previous year. On the other hand, total volume in equivalent tons increase slightly by 0.1% mainly resulting from lower LNG sales. Operating expenses increase M$ 1,782 (12.7%), explained by a decrease of M$ 1,378 due to the adoption of IFRS 16 and a positive variation of M$ 3,160 mainly explained by the increase proportion of direct sales, which translates into increased expenses in freight and external services,. Other increased expenses in Chile correspond to promotional campaigns and consultancies, remunerations and severance payments, as well as expenses associated to the incorporation of new customers to natural gas networks.

Colombia: EBITDA during the quarter was higher by M$ 548 (35.7%) regarding the first quarter of the previous year, M$ 194 of which are explained by the effects of adopting IFRS 16. The remaining variation of M$ 353 are explained by higher gross profits recorded given greater unit gross earnings and higher LPG sales volume by 8.1%. Margin generated by the Surgas subsidiary operation, which consolidates since the fourth quarter of 2018, is included within this increase. Operating expenses increased by M$ 295 (13.2%) explained by a M$ 21 decrease given the adoption of IFRS 16 and a M$ 316 increase, mainly explained by increased expenses due to the incorporation of the Surgas operation in the amount of M$ 245 and greater expenses in salaries and promotional campaigns. The Colombian peso revalued by 0.8% against the Chilean peso compared to the same quarter of the previous year.

Peru: EBITDA during the quarter increased by M$ 511 (64.4%) compared to the first quarter of the previous year, M$ 224 of which are explained by the effects of adopting IFRS 16. The remaining variation of M$ 287 are explained by higher unit gross earnings and higher volumes of the natural gas business.

LPG sales slightly decrease by 0.6% a decrease which is lower than the one recorded in the preceding quarters, although sales continue to be affected by informal competitors specially in the bottled sales channel, while natural gas sales increase by 26.6% Operating expenses increase by M$ 363 (10.7%) explained by a M$ 66 decrease due to the adoption of IFRS 16 and a positive variation of M$ 429 mainly explained by greater freight expenses associated to an increase in the activity of natural gas. The Peruvian Sol revalued by 8.0% against the Chilean peso compared to the same quarter of the previous year.

3. ANALYSIS OF THE CONSOLIDATED FINANCIAL POSITION

ASSETS

	03.31.2019 M$	12.31.2018 M$	Var. M$	Var. %
Current assets	75,959	84,569	(8,610)	(10.2%)
Non-current assets	401,041	360,201	40,840	11.3%
Total assets	**476,999**	**444,770**	**32,229**	**7.2%**

The assets of Empresas Lipigas S.A. as of March 31, 2019 record an increase of M$ 32,229 or 7.2% regarding figures recorded as of December 31, 2018. The main variations correspond to:

- Current assets decrease M$ 8,610 mainly by the decrease in cash and cash equivalents for M$ 5,288 and lower inventories for M$ 4,232. This was partially offset by higher taxes and greater other non-financial assets. There is no effect over current assets for adopting IFRS 16.
- Non-current assets increase M$ 40,840, M$ 34,928 of which are explained by the incorporation of right-of-use assets in adopting IFRS 16. The remaining variation of M$ 5,912 are explained by an increase in property, plant and equipment in Chile (mainly, natural gas networks and cylinders).

LIABLITIES

	03.31.2019 M$	12.31.2018 M$	Var. M$	Var. %
Current liabilities	95,903	86,317	9,586	11.1%
Non-current liabilities	224,114	200,731	23,383	11.6%
Total liabilities	**320,017**	**287,048**	**32,969**	**11.5%**

The liabilities of Empresas Lipigas S.A. as of March 31, 2019 record an increase of M$ 32,969 or 11.5% regarding figures recorded as of December 31, 2018. The main variations correspond to:

- Current liabilities increased M$ 9,586, M$6,173 of which are explained by increased current financial liabilities associated with future lease installments payable given the adoption of IFRS 16. The remaining increase (M$ 3,413) is mainly explained higher current financial liabilities in Peru due to the transfer of non-current liabilities.
- Non-current liabilities increased by M$ 23,383, where the adoption effect of IFRS 16 for future installments payable for leased goods meant an increase of M$ 28,847. Excluding the effect

of adopting IFRS 16, non-current liabilities decreased by M$ 5,464 mainly due to financial liabilities in Peru that went from non-current to current.

EQUITY

The equity of Empresas Lipigas S.A. as of March 31, 2019 records a slight decrease of M$ 740 regarding the figure recorded as of December 31, 2018, M$ 135 of which are due to the effects of adopting IFRS 16. Of the remainder, the main variation is generated by a lower balance of accumulated earnings from results generated, net of dividends distributed.

4. ANALYSIS OF STATEMENT OF CASH FLOW

CONSOLIDATED STATEMENT OF DIRECT CASH FLOW	01.01.2019 to 03.31.2019 M$	01.01.2018 to 03.31.2018 M$	Var M$	Var %
Cash flows provided by (used in) operating activities	**19,663**	**14,955**	**4,708**	**31.5%**
Cash flows provided by (used in) investing activities	**(12,224)**	**(12,180)**	**(43)**	**0.4%**
Net cash flows provided by (used in) financing activities	**(12,750)**	**(1,912)**	**(10,838)**	**567.0%**
Net Increase (decrease) in cash and cash equivalents, before effects of variation in foreign exchange rates	**(5,311)**	**863**	**(6,174)**	**598.8%**
Effects of variations in foreign exchange rate on cash and cash equivalents	23	(20)	43	(211.0%)
Net increase (decrease) in cash and cash equivalents	**(5,288)**	**842**	**(6,131)**	**387.8%**
Cash and cash equivalents - beginning of the period or fiscal year	13,883	6,930	6,954	100.3%
Cash and cash equivalents - end of the period or fiscal year	**8,595**	**7,772**	**823**	**10.6%**

Cash and cash equivalents as of March 31, 2019 recorded a balance of M$ 8,595 increasing M$ 823 regarding the balance of the same period 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$ 19,663 as of March 31, 2019 increasing M$ 4,708 with respect to the cash flow for the same period of previous year. The main variations correspond to increased collections from customers from the sales of goods and services resulting from greater revenues generated. Cash flows provided by operating activities is impacted by the adoption of IFRS 16, since items considered as supplier payments in 2018 for provision of services, are considered as financial liability payments in 2019. This effect amounts to M$ 1,980.

CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash flow used in investment activities as of March 31, 2019 was M$ 12,224 increasing M$ 43 regarding cash flow used in the same period of the previous year.

CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net cash flow used in financing activities as of March 31, 2019 is negative by M$ 12,750 and presents a negative variation of M$ 10,838 regarding the negative net cash flow of M$ 1,912 of the previous year. The main variations resulted from lower loans (M$ 8,049) in Chile regarding the first quarter of 2018. In addition, there is an impact resulting from higher payments of financial leases (influenced by the application of IFRS 16 in 2019) in the amount of M$ 2,148.

5. FINANCIAL INDICATORS (*including IFRS 16 effects)

LIQUIDITY

Indicators	Units	03.31.2019*	03.31.2019	12.31.2018
Liquidity ratio (1)	Times	0.79	0.85	0.98
Acid-test ratio (2)	Times	0.60	0.65	0.72

(1) Liquidity ratio = Current Assets /Current Liabilities

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

Excluding the effects of adopting IFRS 16, liquidity indicators as of March 31, 2019 present a decrease regarding December 2018, given the decrease in current assets due to the effect of lower cash and inventories, while current liabilities slightly increase due to greater short-term financial indebtedness.

INDEBTEDNESS

Indicators	Units	03.31.2019*	03.31.2019	12.31.2018
Indebtedness ratio (1)	Times	2.04	1.81	1.82
Portion of current debts (2)	%	30.0%	31.5%	30.1%
Portion on non-current debts (3)	%	70.0%	68.5%	69.9%
Net financial debt / Equity (4)	Times	1.20	0.98	0.95

(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.

Excluding the effects of adopting IFRS 16, indebtedness ratio slightly decreases as of March 31, 2019 regarding the close of December 31, 2018.

Excluding the effects of adopting IFRS 16, net indebtedness ratio over equity slightly increases due to a lower level of cash and cash equivalents, despite the lower level of financial liabilities.

PROFITABILITY

Indicators	Units	03.31.2019*	03.31.2019	12.31.2018
Equity profitability (1)	%	27.1%	27.2%	26.4%
Asset profitability (2)	%	8.9%	9.7%	9.4%
EBITDA (3)	M$	88,693	86,732	85,747
EAT (4)	M$	42,585	42,720	41,643

(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)

Excluding the effects of adopting IFRS 16, equity profitability increases regarding December 2018 mainly due to greater net earnings. Asset profitability also increases given the previously mentioned increased earnings. EBITDA regarding December 2018 increases due to higher operating income. Earnings after taxes increases mainly due to greater operating income and by improved non-operating income.

INVENTORIES

Indicators	Units	03.31.2019*	03.31.2019	12.31.2018
Inventory turnover (1)	Times	18.7	18.7	16.1
Inventory permanence (2)	Days	19.3	19.3	22.3

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

(2) Inventory permanence = 360 days / Inventory turnover

Inventory turnover increases regarding December 2018, mainly due to decreased average inventory levels at the maritime terminal in a greater proportion than the decrease 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 over 60 years of presence in the market 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 networks 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 started supplying natural gas to clients in the cities of Puerto Montt and Osorno, where it currently has 2,400 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 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, it has 16 bottling plants and an own distribution network that together with the third-party distribution network service approximately 500,000 customers. In 2017 it began supplying network liquefied gas to clients from 12 municipalities in the interior of Colombia. In 2018, the Company acquired control of the subsidiary Surcolombiana de Gas S.A.S. Currently supplying network gas to approximately 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. Moving annual average market share reached 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 CNG and LNG to industrial clients and supply service stations for automobiles. The Company acquired 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	03.31.2019 Th$	12.31.2018 Th$
Cash and cash equivalents	3	8,595,006	13,883,383
Trade receivables and other accounts receivable	7	42,338,912	43,661,095
Other financial assets, current	4	522,225	174,549
Other financial assets, non-current	4	744,689	786,533
Total		**52,200,832**	**58,505,560**

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:

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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 March 31, 2019, and December 31, 2018, 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 03.31.2019 Th$	Assets at 12.31.2018 Th$
Cash and cash equivalents	1,828,382	1,003,375
Other financial assets, current	522,225	174,549
Trade accounts and other accounts receivable, current and non-current	1,770,376	1,740,604

Current and non-current liabilities	Liabilities at 03.31.2019 Th$	Liabilities at 12.31.2018 Th$
Other financial liabilities, current	11,717	47,627
Trade accounts and other accounts payable, current	8,292,330	11,901,570

- Foreign investments: as of March 31, 2019, the Company holds net foreign investments in Colombian pesos for an amount equivalent to Th$ 40,447,112 (Th$ 40,158,154 as of December 31, 2018) and in Peruvian soles for an amount equivalent to Th$ 49,014,549 (Th$ 48,120,995 as of December 31, 2018).

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 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 liabilities: The Company signed a lease agreement with Oxiquim S.A. for a period of 25 years for the use of reception, storage and dispatch facilities to be built by Oxiquim S.A., 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.

- Right-of-use liabilities: With the entry into force of IFRS 16 "Leases", the Company has entered into agreements for periods ranging from 3 to 18 years for the use of real estate, technology and vehicles with several suppliers for the amount of UF 614,332. The average annual interest rate is 1.7%. 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%	2,219,044	(2,219,044)	Results: Results by indexation units
CLP/USD +/- 2.5%	41,520	(41,520)	Results: Exchange rate differences
CLP/USD +/- 2.5%	412,098	(412,098)	Equity: Reserves for cash flow hedging
CLP/COP +/- 2.3%	(918,149)	918,149	Equity: Reserves for exchange rate translation differences
CLP/PEN +/- 1.7%	(847,952)	847,952	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 March 31, 2019, 99.19% 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 March 31, 2019 and December 31, 2018:

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	48,661,180	575,452	146,814,340	1,010,927	195,475,520	1,586,379
Total at 03.31.2019		**48,661,180**	**575,452**	**146,814,340**	**1,010,927**	**195,475,520**	**1,586,379**

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	37,050,270	1,386,809	123,698,861	1,736,251	160,749,131	3,123,060
Total at 12.31.2018		**37,050,270**	**1,386,809**	**123,698,861**	**1,736,251**	**160,749,131**	**3,123,060**

Risks related to commercialized products

a) LPG

The Company participates in the distribution of liquefied gas business in Chile, with coverage that extends between the Region of Arica and Parinacota and the Region of Magallanes, reaching a market share of 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 a 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 a 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 (natural gas, firewood, diesel, paraffin, electric power, etc.), 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, however market competitive dynamics should always be considered.

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

b) Natural gas

Residential demand for natural gas is not significantly affected by economic cycles since it is a basic consumption good. 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 with natural gas distributors from several regions to meet demand requirements.

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

c) Liquefied natural gas

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

In Peru, the Company has entered into LNG supply agreements with industrial customers, which are supplied from a liquefaction plant with which the Company has entered into supply agreements.

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.

As in other liquefied gas markets, the residential bulk business is very competitive among its participants. Additionally, LPG distributing companies must compete with other types of energy (natural gas, firewood, diesel, paraffin, 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 its current operations.

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

- Failing to 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 anti-trust authorities, in the countries where acquisitions are being made;
- Entering new markets with which we are unfamiliar;
- Diverting management's attention from other business concerns;
- Acquiring a company that has known or unknown contingent liabilities that include, among others, patent infringement or product liability claims; and
- Incur in considerable additional indebtedness.

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

Each acquisition 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 storage 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 products distributed by the Company.

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