ANALYSIS
OF THE
FINANCIAL POSITION
AS OF 03.31.2018

EMPRESAS LIPIGAS

Abbreviations:

M$	Million Chilean pesos
Th$	Thousand Chilean pesos

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the first quarter ended March 31, 2018

1. REVIEW

As of March 31, 2018, Empresas Lipigas S.A. (the "Company") recorded earnings after taxes amounting to M$ 5,728 with a decrease of M$ 942 (14.1%) with respect to the M$ 6,670 recorded in the same period of the previous year.

Consolidated EBITDA reached M$ 14,825, a 3.5% lower figure than the one recorded for the same period of the previous year, which reached M$ 15,354.

Gross earnings for the period reached M$ 29,794, a figure which is M$ 1,200 (3.9%) lower regarding the same period of the previous year.

In Chile, gross margin is impacted by declining reference prices resulting in a M$ 1,092 lower margin effect compared to the previous year. The gross margin of Colombia and Peru decreases due to lower sales volume in LPG equivalent tons and a lower unit gross profit. This result was offset by a slight decrease in other expenses by function, distribution costs and management expenses amounting to M$ 106 (0.5%) mainly in Peru.

Accumulated LPG sales volume as of March 2018 remains in line compared with the same period of the previous year, decreasing slightly 0.4% equivalent to 591 tons. In Chile, volume grows 4.0%, while in Colombia and Peru it decreases 7.3% and 8.2%, respectively.

Natural gas sales (in its different formats) totaled 25.8 million m3, decreasing 6.3% compared to the 27.6 million m3 recorded during the first quarter of 2017, resulting from lower CNG sales in Limagas Natural in Peru staring the second half of the previous year.

Revenue from ordinary activities amounted to M$ 103,314, increasing 4.2% regarding the same period of the previous year. This increase essentially resulted from greater sales volume in Chile, greater unit revenues resulting from higher sales prices associated to the increase in international prices of oil by-products compared to the first quarter of the previous year and a greater proportion of sales to end-customers in Chile.

Negative non-operating income was M$904 that is lower than the M$ 1,376 loss recorded the previous year. This variation mainly resulted from greater profits from the restatement of the value of guarantee liabilities received from clients in Chile and client collections in Peru from anticipated contract termination

EMPRESAS LIPIGAS

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

On January 29, 2018, it was reported that Empresas Lipigas S.A. has entered the property of the company Marquesa GLP S.p.A. by acquiring 65% of the shares, from its sole shareholder Imelsa S.A., which retains the remaining 35% of the shares. Imelsa S.A. is a Chilean company expert in the development, construction and operation of power generation plants and in the commercialization of energy. The new subsidiary company of Empresas Lipigas S.A. will have as main object to supply electric energy to 2 mining operations currently in operation, located in the Coquimbo region.

On March 7, 2018, Consolidated Results as of the fourth quarter of 2017 were reported.

On March 8, 2018, it was reported that the Board of Directors had approved an interim dividend charged to earnings of the 2018 fiscal year of CLP$62 per share, which was paid on March 28, 2018.

On March 29, 2018, it was reported that the Board of Directors of Empresas Lipigas S.A. agreed to convene a Regular Shareholders' Meeting and a Special Shareholders' Meeting both to be held on April 26, 2018.

On April 27, 2018, it was reported that during the Regular Shareholders' Meeting of Empresas Lipigas S.A. several matters were agreed upon: the approval of the annual report and financial statements of the 2017 fiscal year; the approval of the distribution of earnings and dividends of the fiscal year; establish the remuneration of the Board of Directors and Directors' Committee; appoint PricewaterhouseCoopers as external auditors for the 2018 fiscal year and Humphreys and Feller Rate as risk rating agencies for the 2018 fiscal year; to account for operations related to article 146 of Law 18,046. In addition, the Special Shareholders' Meeting agreed to amend article four of the Company's bylaws to expand the corporate purpose, replacing the current letter f) of the fourth clause of the bylaws and other changes.

2. CONSOLIDATED INCOME STATEMENT BY FUNCTION

Income statement by function	01.01.2018 through 03.31.2018	01.01.2017 through 03.31.2017	Var. Jan - Mar (2018-2017)	
			M$	%
Revenue	103,314	99,113	4,201	4.2 %
Cost of sales	(73,520)	(68,119)	(5,401)	7.9 %
Gross Earnings	**29,794**	**30,994**	**(1,200)**	**(3.9)%**
Other income by function	59	52	7	13.5 %
Other expenses by function	(5,449)	(5,350)	(99)	1.9 %
Distribution costs	(8,237)	(8,070)	(167)	2.1 %
Administrative expenses	(6,767)	(7,139)	372	(5.2)%
Operating income	**9,400**	**10,487**	**(1,087)**	**(10.4)%**
Financial costs	(1,400)	(1,350)	(50)	3.7 %
Financial income	667	400	267	66.8 %
Exchange differentials	78	8	71	911.8 %
Profit (loss) on indexation units	(731)	(549)	(183)	100.0 %
Other gains (losses)	483	116	367	318.0 %
Earnings (loss) before taxes	**8,497**	**9,111**	**(614)**	**(6.7)%**
Income tax expense	(2,769)	(2,441)	(328)	13.4 %
Profit (loss)	**5,728**	**6,670**	**(942)**	**(14.1)%**
Profit (loss) attributable to the owners of the controller	5,698	6,648	(950)	(14.3)%
Profit (loss) attributable to non-controlling interests	30	22	8	36.4 %
Profit (loss)	**5,728**	**6,670**	**(942)**	**(14.1)%**
Depreciation and amortization	**5,424**	**4,867**	**557**	**11.5 %**
EBITDA	**14,825**	**15,354**	**(529)**	**(3.4)%**

Earnings after taxes for the first quarter 2018 amounted to M$ 5,728 a decrease of 14.1% regarding the M$ 6,670 recorded for the same period of the previous year. The main variations resulted from:

- Consolidated gross earnings reached M$ 29,794 that is 3.9% lower than the M$ 30,994 recorded during the same period of the previous year. This decrease resulted from lower sales volume in Colombia and Peru and the effect of decreased purchase prices recorded throughout 1Q18 of the products sold and lower unit margins in Colombia and Peru.

- Operating costs and expenses recorded a decrease of M$ 106 mainly due to lower expenses regarding wages and salaries, freights, and other expenses in Peru due to lower sales level, which was partially offset by increased operating expenses in Chile related to the development of integration strategies of the distribution chain towards the end customer.

- Operating income reached M$ 9,400 which is M$ 1,087 (-10.4%) lower than the M$ 10,487 recorded during the same period of the previous year, which variation originated by lower gross profit, partially offset by lower expenses.

- EBITDA (operating income before depreciation and amortization) for the first quarter 2018 reached M$ 14,825 that is 3.4% lower than the M$ 15,354 of the same period of the previous year.

INCOME BY SEGMENT

From 01.01.2018 to 03.31.2018

M$	Segments			Group Total
	Chile	Colombia	Perú	
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**

From 01.01.2017 to 03.31.2017

M$	Segments			Group Total
	Chile	Colombia	Perú	
Revenue	66,674	11,044	21,395	99,113
Purchases charged to cost of sales	(36,552)	(6,081)	(14,999)	(57,631)
Expenses charged to cost of sales	(4,558)	(763)	(1,053)	(6,375)
Depreciation and amortization	(3,329)	(296)	(488)	(4,113)
Gross profit	**22,235**	**3,904**	**4,855**	**30,994**
Other income by function	52	0	0	52
Other operating expenses	(13,697)	(2,269)	(3,838)	(19,804)
Depreciation and amortization	(247)	(212)	(295)	(754)
Operating Income	**8,343**	**1,423**	**721**	**10,487**
EBITDA	**11,918**	**1,932**	**1,504**	**15,354**

Var. 1Q2018 vs. 1Q20167

M$	Segments			Group Total
	Chile	Colombia	Perú	
Revenue	7,479	(11)	(3,267)	4,201
Purchases charged to cost of sales	(5,941)	(284)	2,127	(4,098)
Expenses charged to cost of sales	(652)	(145)	(16)	(813)
Depreciation and amortization	(452)	(48)	9	(490)
Gross profit	**435**	**(489)**	**(1,146)**	**(1,200)**
Other income by function	7	0	0	7
Other operating expenses	(314)	42	445	173
Depreciation and amortization	(92)	11	13	(67)
Operating Income	**128**	**(446)**	**(701)**	**(1,020)**
EBITDA	**579**	**(398)**	**(710)**	**(529)**

Chile: EBITDA during the quarter was 4.9% higher compared to the same period of the 2017 fiscal year, mainly by higher gross earnings. Gross earnings were 2.0% higher compared to the same period of the previous year, mainly by the 4.0% increase in LPG sales volume, influenced by higher sales to end customers in the bottling line, higher sales to industrial customers of the bulk line and 139.3% higher sales of natural gas, originated by the incorporation of new LNG industrial customers. The higher earning is partially offset by a negative effect on inventories due to the decline in international LPG prices during 1Q18, which results in a comparative effect versus the previous year of a lower margin of M$ 1,092. Other operating expenses increased by 2.3% mainly by greater expenses on freight, salaries, operating expenses of sales centers and other expenses, related, to a large extent, with a higher proportion of sales to end customers.

Colombia: EBITDA during the quarter decreases by 20.6% over the same period of the previous year, due to lower gross earnings recorded. Gross earnings were 12.5% lower due to the 7.3% lower sales, and by a negative effect due to the increase in the cost of raw materials in recent months. It should be noted that the comparison base is high, since 1Q17 EBITDA had increased by 102% compared to 1Q16 resulting from a specific volume increase corresponding to customer restoration of stock resulting from product shortages occurred during the last quarter of 2016. Other operating expenses decreased by 1.9% due to lower costs in freight and salaries. The Colombian peso devalued by 6.1% against the Chilean peso.

Peru: EBITDA during the quarter decreases by 47.2% compared to the same quarter of the previous year, mainly by the 23.6% lower gross earnings due to lower sales. LPG sales dropped by 8.2% given strong competition, especially in the automotive sales channel, while CNG sales decreased by 34.8% due to high-volume customers who since the second half of 2017 have been connected to natural gas pipelines. The lower gross margin is partially offset with lower operating expenses that decreased by 11.6%, mainly in freight and advertising. The Peruvian Sol devalued 6.7% on average during the period against the Chilean peso.

3. ANALYSIS OF THE CONSOLIDATED FINANCIAL POSITION

ASSETS

	03.31.2018 M$	12.31.2017 M$	Var. M$	Var. %
Current assets	71,365	67,805	3,560	5.2%
Non-current assets	329,525	322,864	6,660	2.1%
Total assets	**400,889**	**390,669**	**10,220**	**2.6%**

The assets of Empresas Lipigas S.A. as of March 31, 2018 recorded an increase of M$ 10,220 or 2.6% regarding figures recorded as of December 31, 2017. The main variations correspond to:

- Current assets increase M$ 3,560 mainly by the increase in trade accounts and the increase in other current non-financial assets.

- Non-current assets increase M$ 6,660 mostly due to the incorporation of property, plant and equipment mainly in Chile and Colombia.

LIABLITIES

	03.31.2018 M$	12.31.2017 M$	Var. M$	Var. %
Current liabilities	63,074	53,853	9,221	17.1%
Non-current liabilities	194,873	193,439	1,434	0.7%
Total liabilities	**257,947**	**247,292**	**10,655**	**4.3%**

The liabilities of Empresas Lipigas S.A. as of March 31, 2018 recorded an increase of M$ 10,655 or 4.3% regarding figures recorded as of December 31, 2017. The main variations correspond to:

- Current liabilities increased M$ 9,221. The main variations are generated by increased current financial liabilities and higher trade accounts and other current accounts payable.
- Non-current liabilities increased M$ 1,434, mainly due to increased deferred tax liabilities.

EQUITY

The equity of Empresas Lipigas S.A. as of March 31, 2018 amounted to M$ 142,943 in line with the figures recorded as of December 31, 2017, with a slight decrease of 0.3%. The main variation is generated by a lower balance of accumulated earnings from results generated, net of dividends distributed, offset by lower negative balances of reserves for exchange rate differences upon translation of figures.

4. ANALYSIS OF STATEMENT OF CASH FLOW

CONSOLIDATED STATEMENT OF DIRECT CASH FLOW	01.01.2018 through 03.31.2018	01.01.2017 through 03.31.2017	Var	
			M$	%
Cash flows provided by (used in) operating activities	**14,955**	**10,648**	**4,307**	**40.4%**
Cash flows provided by (used in) investing activities	**(12,181)**	**(10,302)**	**(1,878)**	**18.2%**
Net cash flows provided by (used in) financing activities	**(1,912)**	**(10,154)**	**8,242**	**(81.2%)**
Net Increase (decrease) in cash and cash equivalents, before effects of variation in foreign exchange rates	**862**	**(9,808)**	**10,670**	**(22.5%)**
Effects of variations in foreign exchange rate on cash and cash equivalents	(20)	126	(146)	(116.1%)
Net increase (decrease) in cash and cash equivalents	**842**	**(9,682)**	**10,524**	**(138.6%)**
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	**7,772**	**8,440**	**(669)**	**(87.7%)**

Cash and cash equivalent as of March 31, 2018 recorded a balance of M$ 7,772 decreasing M$ 669 regarding the cash flow 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$ 14,955 as of March 31, 2018 increasing M$ 4,307 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 (M$ 4,128).

CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash flow used in investment activities as of March 31, 2018 was M$ 12,181 increasing M$ 1,878 regarding cash flow used in the same period of the previous year. The variation mainly resulted from higher purchases of property, plant and equipment in Chile and Colombia (M$ 2,817) offset by lower cash flows to obtain control of subsidiaries and other businesses (M$ 1,471) due to the investment carried out at the beginning of 2017 for the acquisition of Ingasoil in Colombia.

CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net cash flow used in financing activities as of March 31, 2018 is negative by M$ 1,912 and presents a positive variation of M$ 8,242 regarding the negative net cash flow for the same period of the previous year. The main differences resulted from higher net balances of the movement of amounts from short term loans (M$ 6,534) and lower loan payments (M$ 1,506).

5. FINANCIAL INDICATORS

LIQUIDITY

Indicators	Units	03.31.2018	12.31.2017
Liquidity ratio (1)	Times	1.13	1.26
Acid-test ratio (2)	Times	0.81	0.85

(1) Liquidity ratio = Current Assets /Current Liabilities

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

Liquidity indicators as of March 31, 2018 present a decrease regarding December 2017, given the increase in current liabilities in a greater proportion than the increase in current assets.

INDEBTEDNESS

Indicators	Units	03.31.2018	12.31.2017
Indebtedness ratio (1)	Times	1.80	1.72
Portion of current debts (2)	%	24.5%	21.8%
Portion on non-current debts (3)	%	75.5%	78.2%
Net financial debt / Equity (4)	Times	0.91	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 equivalent) / Equity.

Indebtedness ratio increases as of March 31, 2018 regarding the end of December 31, 2017 due to a higher level of liabilities in the quarter.

Net indebtedness ratio over equity increases due to the increase in current financial liabilities.

PROFITABILITY

Indicators	Units	03.31.2018	12.31.2017
Equity profitability (1)	%	29.2%	29.8%
Asset profitability (2)	%	10.4	10.9
EBITDA (3)	M$	86,970	87,499
EAT (4)	M$	41,717	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 slightly decreases regarding December 2017 mainly due to lower earnings in the amount of M$ 942 regarding the first quarter of the previous year. Asset profitability also decreases given the previously mentioned lower earnings and due to the increase in total assets. EBITDA regarding December 2017 slightly decreases due to lower gross margin. Earnings after taxes also decreases mainly due to lower operating income, partially offset by improved non-operating income.

INVENTORIES

Indicators	Units	03.31.2018	12.31.2017
Inventory turnover (1)	Times	17.1	16.3
Inventory permanence (2)	Days	21.0	22.2

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

(2) Inventory permanence = 360 days / Inventory turnover

Inventory turnover slightly increases regarding December 2017, mainly due to decreased average inventory levels at the maritime terminal and an 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 over 50 years of presence in the market reaching a moving annual average market share of 36.9% as of December 2017 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 18 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 Aysén.

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.

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 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 24 of the 32 departments of the country, reaching a moving annual average market share of 13.9% as of December 2017, 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 network liquefied gas to clients from 12 municipalities in the interior of Colombia.

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 under two brands: Lima Gas and Caserito. Together, both brands reached a moving annual average market share of 8.4% as of December 2017, 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., a company dedicated to the distribution of compressed natural gas to industrial clients and supply service stations for automobiles. The Company took control over this new operation in February 2016. In November 2016, the company changed its name to Limagas Natural Perú S.A.

7. RISK MANAGEMENT

Risk factors inherent to the Company's business are the markets in which it participates, and the activity developed by the Company and its subsidiaries. The Board of Directors and Management periodically review the map of the Company's significant risks in order to design and monitor compliance with the risk mitigation measures deemed appropriate. 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, commercial debtors and other accounts receivable and other non-current financial assets.

Credit risk is mainly related to commercial debtors and other accounts receivable. The balance of cash and cash equivalent is also exposed to a lesser extent.

The exposure of cash and cash equivalents to credit risk is limited because cash is deposited in banks with a high credit rating. The Company's cash surplus 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 liquefied gas 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 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	03.31.2018 Th$	12.31.2017 Th$
Cash and cash equivalents	3	7,772,103	6,929,613
Trade receivables and other accounts receivable	7	37,704,184	35,654,573
Other financial assets, non-current	4	1,149,800	1,196,237
Total		**46,626,087**	**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 is regarding under than one-year debts.

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

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: the Company's fund flows are constituted mainly by 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, 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 03.31.2018 Th$	Assets at 12.31.2017 Th$
Cash and cash equivalent	585,292	549,220
Trade accounts and other accounts receivable, current	720,635	698,267
Other financial assets, non-current	564,199	594,348

Current and non-current liabilities	Liabilities at 03.31.2018 Th$	Liabilities at 12.31.2017 Th$
Other financial liabilities, current	119,673	196,802
Trade accounts and other accounts payable, current	15,169,086	12,889,601
Other financial liabilities, non-current	10,431	42,043

- Foreign investments: as of March 31, 2018, the Company holds net foreign investments in Colombian pesos for an amount equivalent to Th$ 32,829,224 (Th$ 29,724,262 as of December 31, 2017) and in Peruvian soles for an amount equivalent to Th$ 39,567,098 (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, the 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 the Securities Register under number 801, for UF 3,500,000, proceeding to cancel most of the Company's bank liabilities in Chile. The placement rate was 3.44% for a face rate of 3.55%. Interest is payable 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 office facilities to be built by Oxiquim S.A., in the amount of UF 1,572,536; which value is amended regarding the previous period, due to disbursements attributable to the investment. 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 adjustment 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 +/- 3%	3,429,928	(3,429,928)	Results: Indexation units
CLP/USD +/-7%	76,496	(76,496)	Results: Exchange rate differences
CLP/USD +/- 7%	(187,013)	187,013	Equity: Reserves for cash flow hedging
CLP/COP +/- 0%	-	-	Equity: Reserves for exchange rate translation differences
CLP/PEN +/- 4%	1,582,684	(1,582,684)	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, 2018, 97% 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, 2018, and December 31, 2017:

Category	Note	Maturity in less than one year		Maturity in more than one year		Total	
		Fixed interest Th$	Variable interest Th$	Fixed interest Th$	Variable interest Th$	Fixed interest Th$	Variable interest Th$
Other financial liabilities	14	14,419,270	445,881	119,562,246	3,697,173	133,981,516	4.143.054
Total as of 03.31.2018		**14,419,270**	**445,881**	**119,562,246**	**3,697,173**	**133,981,516**	**4,143,054**

Category	Note	Maturity in less than one year		Maturity in more than one year		Total	
		Fixed interest Th$	Variable interest Th$	Fixed interest Th$	Variable interest Th$	Fixed interest Th$	Variable interest Th$
Other financial liabilities	14	7,175,091	225,970	119,372,585	3,759,475	126,547,676	3.985.445
Total as of 12.31.2017		**7,175,091**	**225,970**	**119,372,585**	**3,759,475**	**126,547,676**	**3,985,445**

Risks related to commercialized products

a) LPG

The Company participates in the distribution of liquefied gas business in Chile, with coverage that extends between the Region of Arica and Parinacota and the Region of Aysén, reaching an annual moving average market share of 36.9% at December 2017, 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 24 of the 32 Colombian departments and reaching an annual moving average market share of 13.9% at December 2017, 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 2017 reached an annual moving average market share of 8.4%, 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 sales volume of the Company may be impacted by the business strategy of its competitors.

a.2) Supply

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

In the case of Chile, the Company has the ability to minimize this risk through a network of multiple suppliers such as Enap Refinerías S.A., Gasmar S.A., and the management performed when importing this fuel from Argentina and Peru, and by sea.

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

For the Colombian market, the risk factor of commercializing LPG in terms of supply is minimized through the establishment of purchase quotas, which are agreed upon with Ecopetrol S.A., which ensures the demand of distribution companies through public offerings. In addition to the agreements with Ecopetrol S.A., the Company also has purchase agreements with other local market actors and imports product by sea through facilities located in Cartagena.

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

The Company maintains LPG inventories. The realization value of these inventories is affected by the variation of international prices of fuels that are the basis for establishing selling prices to customers. Variation in LPG international prices would produce a variation in the same direction and of similar magnitude in the realization price of inventories. Generally, 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

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

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

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 is initiating the supply of 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 2016, the profitability rate of return was 3.5%.

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

- Training of collaborators and contractors regarding safe operations.
- Emergency response procedures with on-site service vehicles.
- Awareness actions on the safe handling of gas 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 man offices.
- Implementation of management systems based on the OHSAS standard and safety systems pursuant to the Peruvian law N° 29,783, there are four 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.

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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. Note 27 to the consolidated financial statements describe the principal litigation and sanctioning procedures currently underway involving the Company or its subsidiaries.

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 modification of existing 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 results. 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 LPG

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 our operations, a sufficiently large accident at one of our 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 our insurance coverage may be insufficient to cover losses that we might incur.

The operation of any specialized distribution company specialized in logistic LPG operations and fuel distribution involves substantial risks of property damage and personal injury and may result in material costs and liabilities.

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, to 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 renewal energy. These requirements could reduce demand for fossil fuels, replacing them with energy sources of relatively lower-carbon sources. In addition, many governments may provide tax advantages and other subsidies and mandates to make alternative energy sources more competitive against oil and gas. Governments may also promote research into new technologies to reduce the cost and increase the scalability of alternative energy sources, all of which could lead to a decrease in demand for our products. In addition, current and pending greenhouse gas regulations may substantially increase our compliance costs and, consequently, increase the price of the products that the Company distributes.

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