

ANALYSIS OF THE FINANCIAL POSITION AS OF 09.30.2018



Abbreviations:

M\$	Million Chilean pesos
Th\$	Thousand Chilean pesos

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended September 30, 2018

1. REVIEW

As of September 30, 2018, Empresas Lipigas S.A. (the “Company”) recorded earnings after taxes amounting to M\$ 30,521 with a decrease of M\$ 4,785 (13.6%) with respect to the M\$ 35,306 recorded in the same period of the previous year.

Consolidated EBITDA reached M\$ 64,759, a 7.3% lower figure than the one recorded during the same period of the previous year, which reached M\$ 69,833.

Gross earnings for the period reached M\$ 117,354 that is lower by M\$ 2,439 (2.0%) regarding the same period of the previous year, mainly due to lower gross earnings in Peru (-19.3%) resulting from lower sales volume and lower unit gross earnings. In Chile gross earnings increases by 1.3%, while in Colombia it decreases by 5.5% due to lower unit gross margins during the third quarter. Other expenses by function, distribution costs and management expenses present an increase of M\$ 1,839 amounting (2.7%) mainly in Chile, an increase that relates to the development of integration strategies of the distribution chain towards the end-customer.

Accumulated LPG sales volume as of September 2018 compared with the same period of the previous year decreases 1.7% equivalent to 9,265 tons. In Chile, volume grows 1.1%, while in Colombia and Peru it decreases by 0.7% and 11.1%, respectively.

Natural gas sales (in its different formats) totaled 89.3 million m³, representing an 8.5% increase compared to the 82.3 million m³ recorded during the same period of 2017, resulting from higher sales in Chile, which increased by 96.6% principally due to the incorporation of new industrial LNG customers and the growth of NG networks, which has been partially offset by lower CNG sales presented in the Limagas Natural operation in Peru beginning the second half of the previous year.

Revenue from ordinary activities amounted to M\$ 387,574, increasing 9.4% regarding the same period of the previous year. This increase essentially resulted from greater sales volume in Chile, greater unit revenues due to higher selling prices associated to the increase in the international prices of oil by-products when compared to the same period of the previous year, and a greater proportion of sales to end-customers in Chile.

Non-operating income was negative by M\$ 5,241 a figure that is higher than the M\$ 4,295 loss recorded during the same period of the previous year. This variation is mainly generated by a higher loss in the amount of M\$ 1,032 by indexation units given higher inflation in Chile, which is partially offset by greater profits from the restatement of guaranty liabilities in Chile.

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

On July 17, 2018, it was reported that Empresas Lipigas S.A., through its subsidiary Chilco Distribuidora de Gas y Energía S.A.S. E.S.P., has signed an agreement with a group of shareholders of Surcolombiana de Gas S.A. E.S.P. to acquire an ownership interest of 51.07% of said entity. The operation is part of the strategy of Lipigas to acquire gas distribution companies in Colombia in order to expand the business base in that country.

On August 29, 2018, Consolidated Results for the Second Quarter of 2018 were reported

On August 29, 2018 it was reported that the Board of Directors had agreed an interim dividend payment charged to 2018 earnings for CLP 62 per share, which was paid on September 26, 2018.

On November 5, 2018, it was reported that Empresas Lipigas S.A. was notified on October 31, 2018 of the acceptance of a binding offer by the controlling shareholders of the company Plater Investment S.A. (Platergroup) for the acquisition of a 51% ownership interest of this company and its subsidiaries by Empresas Lipigas S.A. Plater Investment S.A. is a company established in the Dominican Republic with operations in that country and in Haiti, dedicated to the distribution of liquefied natural gas (LNG) to industrial and commercial customers and service stations. This acquisition is aligned with the strategy of Lipigas in terms of diversification and internationalization in businesses where the company has the knowledge and track-record. The acquisition of the Plater operation enables Lipigas to access new businesses in the Caribbean and Central American region.

2. CONSOLIDATED INCOME STATEMENT BY FUNCTION

INCOME STATEMENT BY FUNCTION	01.01.2018 through 09.30.2018 M\$	01.01.2017 through 09.30.2017 M\$	07.01.2018 through 09.30.2018 M\$	07.01.2017 through 09.30.2017 M\$	Var Jan - Sep (2018 - 2017)		Var Jul - Sep (2018 - 2017)	
					M\$	%	M\$	%
Revenue	387,574	354,114	149,930	130,209	33,459	9.4 %	19,721	15.1 %
Cost of sales	(270,220)	(234,322)	(104,997)	(84,684)	(35,898)	15.3 %	(20,314)	24.0 %
Gross Earnings	117,354	119,793	44,933	45,526	(2,439)	(2.0)%	(593)	(1.3)%
Other income by function	205	174	80	69	31	17.8 %	11	15.5 %
Other expenses by function	(18,570)	(17,959)	(6,838)	(6,647)	(611)	3.4 %	(191)	2.9 %
Distribution costs	(29,367)	(27,909)	(11,083)	(10,128)	(1,457)	5.2 %	(955)	9.4 %
Administrative expenses	(21,322)	(21,551)	(7,491)	(7,277)	229	(1.1)%	(214)	2.9 %
Operating income	48,300	52,547	19,601	21,543	(4,247)	(8.1)%	(1,942)	(9.0)%
Financial costs	(4,704)	(4,176)	(1,656)	(1,417)	(529)	12.7 %	(239)	16.9 %
Financial income	1,204	773	277	222	431	55.8 %	54	24.5 %
Exchange differentials	35	31	(20)	78	4	12.0 %	(98)	(125.0)%
Profit (loss) on indexation units	(2,384)	(1,352)	(823)	42	(1,032)	100.0 %	(865)	(2054.6)%
Other gains (losses)	609	429	(276)	358	179	41.7 %	(634)	(176.9)%
Earnings (loss) before taxes	43,059	48,252	17,103	20,827	(5,193)	(10.8)%	(3,723)	(17.9)%
Income tax expense	(12,538)	(12,946)	(4,829)	(5,584)	408	(3.2)%	755	(13.5)%
Profit (loss)	30,521	35,306	12,274	15,242	(4,785)	(13.6)%	(2,968)	(19.5)%
Profit (loss) attributable to the owners of the controller	30,445	35,233	12,251	15,217	(4,788)	(13.6)%	(2,965)	(19.5)%
Profit (loss) attributable to non-controlling interests	76	73	23	26	2	2.7 %	(3)	(11.6)%
Profit (loss)	30,521	35,306	12,274	15,242	(4,785)	(13.6)%	(2,968)	(19.5)%
Depreciation and amortization	16,459	17,286	5,596	7,399	(827)	(4.8)%	(1,803)	(24.4)%
EBITDA	64,759	69,833	25,197	28,942	(5,074)	(7.3)%	(3,745)	(12.9)%

Accumulated results as of September 30, 2018

Earnings after taxes for the first nine months of 2018 amounted to M\$ 30,521, a 13.6% decrease regarding the M\$ 35,306 recorded for the same period of the previous year.

The main variations resulted from:

- Consolidated gross earnings reached M\$ 117,354, a figure that is 2.0% lower than the M\$ 119,793 recorded during the same period of the previous year. This decrease resulted mainly due to lower sales volume and lower unit gross earnings in Peru.
- Operating costs and expenses increased M\$ 1,839 (2.7%) mainly due to higher expenses regarding remunerations and salaries, freight, and advertising in Chile related to the development of integration strategies of the distribution chain towards the end-customer, which was partially offset by lower expenses in Peru due to the lower level of sales.
- Operating income reached M\$ 48,300 which is M\$ 4,247 (-8.1%) lower than the M\$ 52,547 recorded during the same period of 2017, a variation which mainly results from lower gross earnings of the operation in Peru and higher operating expenses in Chile.
- Accumulated EBITDA (operating income before depreciation and amortization) as of September 2018 reached M\$ 64,759, a figure 7.3% lower than the M\$ 69,833 of the same period of the previous year.

Quarterly Results

Earnings after taxes for the third quarter of 2018 amounted to M\$ 12,274, which is 19.5% lower regarding the M\$ 15,242 recorded for the same period of the previous year. The main variations resulted from:

- Consolidated gross earnings reached M\$ 44,933 a figure 1.3% lower than the M\$ 45,526 recorded during the same period of the previous year. This decrease mainly resulted from lower unit gross earnings in Colombia.
- Operating costs and expenses recorded an increase of M\$ 1,360 (5.7%), mainly due to higher expenses regarding the increased proportion of direct sales which results in higher expenses in freight and advertising in Chile, and to a lesser extent, to increased freights in Peru due to higher natural gas sales volume.
- Operating income reached M\$ 19,601, a figure that is M\$ 1,942 (-9.0%) lower than the M\$ 21,543 recorded during the same period of the previous year, a variation that results from lower gross earnings and greater expenses.
- EBITDA (operating income before depreciation and amortization) for the third quarter of 2018 reached M\$ 25,197, a figure 12.9% lower than the M\$ 28,942 of the same period of the previous year.

INCOME BY SEGMENT

M\$	From 07.01.2018 to 09.30.2018				Accumulated as of 09.30.2018			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	113,445	12,887	23,598	149,930	289,578	35,367	62,629	387,574
Purchases charged to cost of sales	(66,380)	(7,840)	(17,204)	(91,425)	(166,393)	(20,301)	(45,220)	(231,914)
Expenses charged to cost of sales	(6,123)	(1,043)	(1,220)	(8,387)	(17,352)	(2,930)	(3,635)	(23,917)
Depreciation and amortization	(4,188)	(555)	(444)	(5,186)	(11,882)	(1,222)	(1,285)	(14,388)
Gross profit	36,754	3,449	4,730	44,933	93,951	10,914	12,489	117,354
Other income by function	80	0	0	80	205	0	0	205
Other operating expenses	(18,199)	(2,489)	(4,314)	(25,002)	(48,713)	(7,288)	(11,188)	(67,188)
Depreciation and amortization	(125)	(9)	(276)	(410)	(820)	(443)	(808)	(2,071)
Operating Income	18,510	951	140	19,601	44,622	3,183	494	48,300
EBITDA	22,822	1,515	860	25,197	57,324	4,848	2,586	64,759

M\$	From 07.01.2017 to 09.30.2017				Accumulated as of 09.30.2017			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	98,694	10,207	21,308	130,209	254,602	32,066	67,446	354,114
Purchases charged to cost of sales	(52,036)	(5,050)	(14,839)	(71,925)	(136,419)	(17,118)	(47,047)	(200,585)
Expenses charged to cost of sales	(4,095)	(853)	(1,179)	(6,127)	(12,808)	(2,470)	(3,433)	(18,710)
Depreciation and amortization	(5,843)	(320)	(468)	(6,632)	(12,618)	(925)	(1,484)	(15,027)
Gross profit	36,720	3,984	4,822	45,526	92,758	11,553	15,482	119,793
Other income by function	69	0	0	69	174	0	0	174
Other operating expenses	(17,156)	(2,368)	(3,761)	(23,285)	(46,350)	(6,999)	(11,811)	(65,160)
Depreciation and amortization	(295)	(181)	(290)	(767)	(812)	(608)	(839)	(2,259)
Operating Income	19,337	1,435	771	21,543	45,769	3,946	2,832	52,547
EBITDA	25,476	1,936	1,530	28,942	59,199	5,479	5,155	69,833

M\$	Variation 3Q2018 vs. 3Q2017				Accumulated variation as of 09.30.2018 vs.09.30.2017			
	Segments			Total Group	Segments			Total Group
	Chile	Colombia	Peru		Chile	Colombia	Peru	
Revenue	14,750	2,681	2,290	19,721	34,975	3,301	(4,817)	33,459
Purchases charged to cost of sales	(14,344)	(2,791)	(2,365)	(19,500)	(29,974)	(3,183)	1,827	(31,330)
Expenses charged to cost of sales	(2,028)	(190)	(41)	(2,260)	(4,544)	(461)	(202)	(5,207)
Depreciation and amortization	1,656	(234)	25	1,446	736	(297)	200	639
Gross profit	34	(535)	(92)	(593)	1,193	(639)	(2,992)	(2,439)
Other income by function	11	0	0	11	31	0	0	31
Other operating expenses	(1,043)	(121)	(554)	(1,717)	(2,363)	(288)	624	(2,028)
Depreciation and amortization	171	172	14	357	(7)	165	31	188
Operating Income	(828)	(484)	(631)	(1,942)	(1,147)	(763)	(2,338)	(4,247)
EBITDA	(2,654)	(421)	(670)	(3,745)	(1,875)	(631)	(2,568)	(5,074)

Chile: EBITDA during the quarter was 10.4% (M\$ 2,654) lower regarding the same period of the 2017 fiscal year, mainly due to higher operating expenses. Gross earnings remain in line regarding the same period of the previous fiscal year, since the greater increase in the cost of sales is offset by lower depreciation expenses, given that during September 2017 there was a one-time adjustment to the useful life of cylinder valves. Although LPG sales volume decrease by 1.7% regarding the same period of the previous year, total volume in equivalent tons increase by 0.7%, mainly due to higher LNG sales. Total LPG market sales decreased by 1.0% during the quarter, resulting from a less cold season than that of 2017. Operating costs and expenses increased by 6.1% mainly in salaries, freight, advertising and expenses related to the connection of new customers to natural gas pipelines. Of the M\$1,043 increase in costs and expenses, those related to the connection of new customers to natural gas pipelines increase by M\$ 579.

Accumulated EBITDA decreases by 3.2% (M\$ 1,875), impacted by lower results of the third quarter. Gross earnings increase by 1.3%, given the 1.1% increase in LPG sales volume, and a 96.6% increase in natural gas sales resulting from the incorporation of LNG industrial customers. Other operating expenses increased by 5.1% mainly due to higher expenses on salaries, freight, advertising and expenses related to the connection of new customers to natural gas pipelines. This increase in expenses is mainly related to the Company's strategy of integrating the distribution chain, approaching the end-customer. Within the M\$ 2,363 increase in operating costs and operating expenses, those expenses related to the connection of new customers to natural gas pipelines increase by M\$ 1,150.

Colombia: EBITDA during the quarter was 21.7% (M\$ 421) lower regarding the same period of the previous fiscal year due to lower gross earnings recorded. Gross earnings were 13.4% (M\$ 535) lower mainly due to lower unit gross earnings recorded despite the 5.1% increase in sales volume. These lower gross earnings results from the increase in the cost of LPG which was not able to be entirely transferred to the selling price. The Colombian peso appreciated 3.5% against the Chilean peso compared to the same quarter of the previous year.

In terms of accumulated figures, EBITDA decreased 11.5% (M\$ 631) regarding the same period of 2017, given lower gross earnings recorded. Gross earnings were 5.5% lower due to the 0.7% decrease in sales and lower unit margins of the last quarter. Other operating expenses increase by 4.1% due to higher expenses in salaries, cylinder maintenance expenses and port installations leases for product import and advertising. The Colombian peso devalued 2.3% against the Chilean peso compared to the same period of the previous year.

Peru: EBITDA during the quarter decreases by 43.8% (M\$ 670) regarding the same quarter of the previous year, mainly due to higher operating expenses that increase by 14.7%, basically from greater expenses in freight resulting from an increase in natural gas sales. Gross earnings slightly decrease by 1.9% due to lower unit margins and lower LPG sales. LPG sales drop to a lesser extent than in previous quarters, with a 3.5% decrease, although they are still affected by strong informal competition, especially in the automotive sales channel. CNG sales increase by 18.4%, reversing the trend of the last quarters. These higher sales to industrial clients are impacted by a new high-volume customer that began to be supplied starting in July. The Peruvian Sol appreciated by 1.5% against the Chilean peso compared to the same quarter of the previous year.

Accumulated EBITDA as of September 2018 was lower by 49.8% (M\$ 2,586) regarding the same period of the previous fiscal year, resulting from an 11.1% and 13.9% decrease in LPG and CNG sales, respectively, in addition to lower LPG unit margins. LPG sales volume remains affected by informal competition which has reduced unit margins in general, forcing to abandon certain low-margin markets. In the case of CNG, volume is impacted by some high-volume industrial customers that were connected to natural gas pipelines and a lower dynamism in the vehicular segment. Therefore, gross earnings were 19.3% lower compared to the same period of the previous fiscal year. Operating expenses decrease by 5.3% regarding the same period of the previous year, due to the lower level

of sales. Compared to the previous year, the Peruvian Sol devalued 4.0% against the Chilean Peso when considering the average exchange rate.

3. ANALYSIS OF THE CONSOLIDATED FINANCIAL POSITION

ASSETS

	09.30.2018 M\$	12.31.2017 M\$	Var	
			M\$	%
Current assets	89,053	67,805	21,248	31.3%
Non-current assets	347,378	322,864	24,514	7.6%
Total assets	436,431	390,669	45,762	11.7%

The assets of Empresas Lipigas S.A. as of September 30, 2018 recorded an increase of M\$ 45,762 or 11.7% regarding figures recorded as of December 31, 2017. The main variations correspond to:

- Current assets increased M\$ 21,248 mainly by an increase in trade accounts and other current accounts receivable resulting from the seasonality of sales in Chile and the increase in cash and cash equivalents.
- Non-current assets increased M\$ 24,514 mainly due to the incorporation of property, plant and equipment principally in Chile (mainly natural gas pipelines and cylinders), and in Colombia.

LIABILITIES

	09.30.2018 M\$	12.31.2017 M\$	Var	
			M\$	%
Current liabilities	89,777	56,403	33,375	59.2%
Non-current liabilities	195,431	190,889	4,542	2.4%
Total liabilities	285,208	247,292	37,916	15.3%

The liabilities of Empresas Lipigas S.A. as of September 30, 2018 recorded an increase of M\$ 37,916 or 15.3% regarding figures recorded as of December 31, 2017. The main variations correspond to:

- Current liabilities increased M\$ 33,375. The main variations are generated by increased current financial liabilities to finance acquisitions in Property, plant & equipment and due to higher trade accounts and other current accounts payable.

- Non-current liabilities increased M\$ 4,542, mainly due to increased deferred tax liabilities.

EQUITY

The equity of Empresas Lipigas S.A. as of September 30, 2018 increased M\$ 7,846 regarding figures recorded as of December 31, 2017. The main variation is generated by a positive variation in Other reserves and a greater balance of accumulated earnings from net income generated from distributed dividends.

4. ANALYSIS OF STATEMENT OF CASH FLOW

CONSOLIDATED STATEMENT OF DIRECT CASH FLOW	01.01.2018 through 09.30.2018 M\$	01.01.2017 through 09.30.2017 M\$	Var	
			M\$	%
Cash flows provided by (used in) operating activities	48,037	58,371	(10,334)	(17.7%)
Cash flows provided by (used in) investing activities	(37,403)	(32,753)	(4,650)	14.2%
Net cash flows provided by (used in) financing activities	(3,473)	(31,684)	28,212	(89.0%)
Net Increase (decrease) in cash and cash equivalents, before effects of variation in foreign exchange rates	7,161	(6,066)	13,228	(92.5%)
Effects of variations in foreign exchange rate on cash and cash equivalents	(55)	(30)	(26)	86.6%
Net increase (decrease) in cash and cash equivalents	7,106	(6,096)	13,202	(5.9%)
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	14,036	12,026	2,010	16.7%

Cash and cash equivalents as of September 30, 2018 recorded a balance of M\$ 14,036 increasing M\$ 2,010 regarding the balance at the end 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\$ 48,037 as of September 30, 2018, which decreased by M\$ 10,334 with respect to the cash flow for the same period of previous year. On the one hand, operating cash flows were M\$ 3,256 lower than 2017. On the other, the working capital variation is M\$ 6,680 in 2018 with respect to 2017. During the first nine months of 2017, working capital needs had increased by M\$ 2,617. In 2018, the same variation reflects an increase in working capital of M\$ 9,297. This variation primarily results from a higher increase in the balance of trade accounts and other accounts receivable due to increased selling prices of products in 2018 higher than 2017 and a lower increase in trade accounts and other accounts payable in 2018 with respect to 2017.

CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash flow used in investment activities as of September 30, 2018 was M\$ 37,403 and was M\$ 4,650 higher regarding cash flow used in the same period of the previous year. The variation mainly resulted from higher purchases of property, plant & equipment in Chile and Colombia (M\$3,703), offset by lower cash flows used to obtain control over subsidiaries or other businesses (M\$ 1,405) given the investment performed at the beginning of 2017 to acquire the company Ingasoil in Colombia.

CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net cash flow used in financing activities as of September 30, 2018 was negative by M\$ 3,473 and presents a positive variation of M\$ 28,212 regarding the negative net cash flow of M\$ 31,684 for the same period of the previous year. The main variations originate from a greater net balance from short-term loans (M\$ 38,033 higher than the same period of 2017), partially offset by increased loan payments (M\$ 8,332) and higher dividend payments (M\$ 1,692).

5. FINANCIAL INDICATORS

LIQUIDITY

Indicators	Units	09.30.2018	12.31.2017
Liquidity ratio ⁽¹⁾	Times	0.99	1.20
Acid-test ratio ⁽²⁾	Times	0.73	0.81

(1) Liquidity ratio = Current Assets /Current Liabilities

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

Liquidity indicators as of September 30, 2018 present a decrease regarding December 2017, mainly from the increase in current liabilities, which is proportionally higher than the increase in current assets.

INDEBTEDNESS

Indicators	Units	09.30.2018	12.31.2017
Indebtedness ratio ⁽¹⁾	Times	1.89	1.72
Portion of current debts ⁽²⁾	%	31.5%	22.8%
Portion on non-current debts ⁽³⁾	%	68.5%	77.2%
Net financial debt / Equity ⁽⁴⁾	Times	0.96	0.86

(1) Indebtedness ratio = Total liabilities / Equity.

(2) Portion of current debts = Current liabilities / Total liabilities.

(3) Portion on non-current debts = Non-current liabilities / Total liabilities.

(4) Net financial debt / Equity = (Other financial liabilities - cash and cash equivalents) / Equity.

Indebtedness ratio increases as of September 30, 2018 regarding the close of December 2017 given a higher level of current financial liabilities.

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

PROFITABILITY

Indicators	Units	09.30.2018	12.31.2017
Equity profitability ⁽¹⁾	%	25.0%	29.8%
Asset profitability ⁽²⁾	%	8.7%	10.9%
EBITDA ⁽³⁾	M\$	82,425	87,499
EAT ⁽⁴⁾	M\$	37,874	42,659

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

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

(3) EBITDA = Operating income + depreciation and amortization (LTM)

(4) EAT = Earnings after taxes (LTM)

Equity profitability decreases regarding December 2017 mainly due to lower earnings of \$ 4,785 during the last twelve months regarding earnings for the 2017 fiscal year. Asset profitability also decreases due to the lower earnings previously mentioned and an increase in total assets. EBITDA decreases regarding December 2017 due to lower operating income. Earnings after taxes decreases, mainly due to lower operating income and, to a lesser extent, due to lower non-operating income.

INVENTORIES

Indicators	Units	09.30.2018	12.31.2017
Inventory turnover ⁽¹⁾	Times	14.9	16.3
Inventory permanence ⁽²⁾	Days	24.1	22.2

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

(2) Inventory permanence = 360 days / Inventory turnover

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

6. BUSINESS ANALYSIS

Empresas Lipigas S.A. participates in the Chilean market for LPG with its brand Lipigas. It has been present in the market for over 60 years, reaching a moving annual average market share of 36.9% 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 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 Aysén.

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

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

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

In 2010, Empresas Lipigas entered the Colombian market through Chilco Distribuidora de Gas y Energía S.A.S. E.S.P. This company commercializes LPG and participates in the Colombian market with its brands, Gas País and Lidergas.

It has presence in 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 LPG through pipelines to customers from 12 municipalities in the interior of Colombia. It currently supplies LPG to 15,500 customers from 24 municipalities.

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 two brands: Lima Gas and Caserito. It has 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. (currently Limagas Natural 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.

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	09.30.2018 Th\$	12.31.2017 Th\$
Cash and cash equivalents	3	14,035,630	6,929,613
Trade receivables and other accounts receivable, current and non-current	7	46,691,746	35,654,573
Other financial assets, non-current	4	1,435,821	1,196,237
Total		62,163,198	43,780,423

Policy on uncollectible debt

Uncollectible provisions are determined according to the Company's policy on uncollectible debt.

This policy is in accordance with IFRS 9, where the recognition of uncollectible client accounts is based on the expected losses of these, establishing the following criteria to make the provisions:

- Segmentation: clients are grouped by business lines according to the Company's sales channels.
- Risk Variables: the business line and arrearage are considered.
 - The business line because it groups different segments of clients which are possible to identify and group for risk analysis purposes.
 - Arrearage because it is directly associated with the levels of recovery and maturity of the debt, the longer the payment term, it is considered more difficult to recover.
- Simplified statistical model: the payment period of accounts receivable for this type of business is not more than 12 months, for the same reason we opted for a simplified model, which is one of the alternatives recommended by IFRS 9, when it relates to lower than one-year debts.
- Significant payment risk increase:
 - a. A special provision is made, considering partial or total debt, should a client be found to have an inability to pay due to significant risk increase, even if it does not classify within the above criteria.
 - b. A special provision is made, considering partial or total debt, should a client refinance its debt for relevant amounts

7.2 Liquidity Risk

Liquidity risk refers to the possibility that an entity cannot cope with their short-term payment commitments.

Liquidity risk is handled through the proper management of assets and liabilities, optimizing daily cash surplus, investing in top quality financial instruments, thus, ensuring compliance with debt commitments upon maturity.

The Company maintains relationships with major financial institutions in the markets in which it operates. This allows counting on credit lines to deal with specific illiquidity situations.

Periodically, cash flow projections and analysis of the financial situation are performed, to acquire new financing or restructuring of existing debts on terms that are consistent with the Company's business cash flow generation, should the need arise.

Note 14 of the consolidated financial statements presents an analysis of the Company's financial liabilities classified according to their maturity.

7.3 Market risk

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

Exchange rate and indexation unit risk

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

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

As of September 30, 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 09.30.2018 Th\$	Assets at 12.31.2017 Th\$
Cash and cash equivalents	1,279,679	549,220
Trade accounts and other accounts receivable, current and non-current	363,596	698,267
Other financial assets, non-current	613,290	594,348

Current and non-current liabilities	Liabilities at 09.30.2018 Th\$	Liabilities at 12.31.2017 Th\$
Other financial liabilities, current	82,132	196,802
Trade accounts and other accounts payable, current	15,565,649	12,889,601
Other financial liabilities, non-current	-	42,043

- Foreign investments: as of September 30, 2018, the Company holds net foreign investments in Colombian pesos for an amount equivalent to Th\$ 36,974,433 (Th\$ 29,724,262 as of December 31, 2017) and in Peruvian soles for an amount equivalent to Th\$ 48,477,109 (Th\$ 40,185,959 as of December 31, 2017).

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

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

- Debt securities: The Company's indebtedness for this concept corresponds to the placement of Series E bonds in the Chilean market carried out during the month of April 2015 (mnemonic code BLIPI-E), charged to the 30-year bond line registered in Chile's CMF Securities Register under number 801, for UF 3,500,000, proceeding to cancel most of the Company's bank liabilities in Chile. The placement rate was 3.44% annual for a face rate of 3.55%. Interest is paid semi-annually, and the principal will be amortized in a single installment on February 4, 2040. This liability is denominated in Unidades de Fomento (UF), which is indexed to inflation in Chile and differs from the Company's functional currency (CLP). However, this risk is mitigated since most of the Company's profit margins in Chile are correlated to the variation in the UF.
- Financial lease risk: The Company signed a lease agreement with Oxiquim S.A. for a period of 25 years for the use of reception, storage and dispatch facilities to be built by Oxiquim S.A., in the amount of UF 1,572,536. The annual interest rate is 3.0%. The nomination currency of this liability is the Unidad de Fomento (UF), which is indexed to inflation in Chile, and differs from the Company's functional currency (CLP). However, this risk is mitigated since most of the Company's profit margins in Chile are correlated to the variation in the UF.
- Sensitivity analysis regarding exchange rate variations and indexation units.

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

Exchange rate Variation (*)	Increase Loss (Gain) Th\$	Decrease Loss (Gain) Th\$	Allocation
CLP/UF +/- 3%	3,469,734	(3,469,734)	Results: Indexation units
CLP/USD +/- 1%	78,239	(78,239)	Results: Exchange rate differences
CLP/USD +/- 1%	225,657	225,657	Equity: Reserves for cash flow hedging
CLP/COP +/- 2%	739,487	(739,487)	Equity: Reserves for exchange rate translation differences
CLP/PEN +/- 1%	484,771	(484,771)	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 September 30, 2018, 99% 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 September 30, 2018, and December 31, 2017:

Category	Note	Maturity in less than one year		Maturity in more than one year		Total	
		Fixed interest	Variable interest	Fixed interest	Variable interest	Fixed interest	Variable interest
		Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Other financial liabilities	14	38,514,689	23,157	121,115,036	2,477	159,629,725	25,634
Total as of 09.30.2018		38,514,689	23,157	121,115,036	2,477	159,629,725	25,634

Category	Note	Maturity in less than one year		Maturity in more than one year		Total	
		Fixed interest	Variable interest	Fixed interest	Variable interest	Fixed interest	Variable interest
		Th\$	Th\$	Th\$	Th\$	Th\$	Th\$

			Th\$		Th\$	Th\$	Th\$
Other financial liabilities	14	6,754,342	3,196,407	120,562,767	19,605	127,317,109	3,216,012
Total as of 12.31.2017		6,754,342	3,196,407	120,562,767	19,605	127,317,109	3,216,012

Risks related to commercialized products

a) LPG

The Company participates in the distribution of liquefied gas business in Chile, with coverage that extends between the Region of Arica and Parinacota and the Region of 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 players and imports product by sea through facilities located in Cartagena.

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

a.3) Prices

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

The Company maintains LPG inventories. The realization value of these inventories is affected by the variation of international fuel prices that are the basis for establishing selling

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

b) Natural gas

Residential demand for natural gas is not significantly affected by economic cycles since it is a basic consumption good. Regarding the risk of product supply for the operations that the Company owns in the north and south of Chile, both are covered with long-term agreements with 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 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 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 involves the replacement and adaptation of existing client facilities due to the amendment of supply specifications, in order to enable the connection to the distribution network. In the other cases, the maximum term of the contracts is two years.

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

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

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

7.5 Accident risk

All human activities are exposed to dangers that can lead to accidents and certainly, the fuel distribution industry is no exception. To minimize the likelihood that these hazards will become

unwanted situations, prevention and mitigation actions must be developed to reduce its consequences if hazards such as accidents or emergencies should exist.

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

- Training of collaborators and contractors regarding safe operations.
- Emergency response procedures with on-site service vehicles.
- Awareness actions on the safe handling of gas among clients and the community in general (firefighters, associations, etc.).
- Maintain OHSAS 18001:2007 Occupational Health and Safety Assessment Series at 13 storage and bottling plants in Chile and at the main offices.
- Implementation of management systems based on the OHSAS standard and safety systems pursuant to the Peruvian law N° 29,783; there are 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.

7.7 Risk of litigation, penalties and fines

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

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

The Company's main businesses are regulated by the Superintendence of Electricity and Fuels (*SEC*) in Chile, the Regulatory Commission of Energy and Gas (*CREG*) in Colombia, and the Ministry of Energy and Mines and the Energy and Mines Investment Regulator (*Osinergmin*) in Peru, which ensure compliance with the laws, decrees, rules, memorandum and resolutions that govern the activity. In addition, different agencies in different countries are responsible for the control of compliance with the provisions related to tax, environmental, labor, antitrust, and corporate regulations, among others.

The Company has procedures in place and has the knowledge required to act under the protection of current laws and avoid penalties and fines.

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

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

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

7.9 Acquisition strategy risk.

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

- The assets of Gas País in 2010 through which the Company started growing with operations in Colombia.
- Lima Gas S.A. in 2013 through which the Company entered the Peruvian LPG market.
- Neogas Perú S.A. (currently Limagas Natural Perú S.A.), through which the Company has presence in the natural gas market in Peru, since February 2016.

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

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

- Failing to precisely and appropriately identify companies, products or brands for acquisition;
- Facing difficulties in integrating the management, operations, technologies and distribution processes of the acquired companies or products;
- Failing to obtain the necessary regulatory approvals, including those of competition authorities, in the countries where acquisitions are being made;
- Entering new markets with which we are unfamiliar;
- Diverting management's attention from other business concerns;
- Acquiring a company that has known or unknown contingent liabilities that include, among others, patent infringement or product liability claims; and
- Incur in considerable additional indebtedness.

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

Each acquisition carried out by the Company is analyzed in detail by multi-disciplinary teams with external consultants, if necessary, in order to analyze the consequences and mitigate the risks inherent in any new business acquisition.

7.10 Risk of production, storage and transportation of 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 its operations, a sufficiently large accident at one of the bottling or warehousing plants, or at facilities located at client facilities or at service stations of vehicular gas or during transportation or delivery of products being sold, could force to temporarily suspend operations at the location and result in significant remediation costs, loss of income or generate contingent liabilities, and adversely affect the Company's corporate image and reputation and that of its subsidiaries. In addition, insurance proceeds may not be available on a timely basis and may be insufficient to cover all losses. Equipment breakdowns, natural disasters and delays in obtaining imports of required replacement parts or equipment can also affect distribution operations and consequently operating results.

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

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

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

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

Due to concern over risks of climate change, several countries have adopted, or are considering the adoption of, regulatory frameworks to, among other measures, reduce greenhouse gas emissions. These could include adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates to develop the generation of renewable energy. These requirements could reduce demand for fossil fuels, replacing them with energy sources of relatively lower-carbon sources. In addition, some governments may provide tax advantages and other subsidies and mandates to make alternative energy sources more competitive against oil and gas. Governments may also promote research into new technologies to reduce the cost and increase the scalability of alternative energy sources, all of which could lead to a decrease in the demand for our products. In addition, current and pending greenhouse gas regulations may substantially increase our compliance costs and, consequently, increase the price of the products that the Company distributes.

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