

# **METROGAS S.A.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS AS OF JUNE 30, 2018 AND COMPARATIVES

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## METROGAS S.A.

### CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2018 AND COMPARATIVES

#### LEGAL INFORMATION

**Legal Address:** Gregorio Aráoz de Lamadrid 1360, Ciudad Autónoma de Buenos Aires, Argentina.

**Fiscal Year:** No. 27 (initiated on January 1, 2018).

**Financial Statements:** Condensed Interim Consolidated as of June 30, 2018 and comparatives.

**Company's Principal Business:** provision of natural gas distribution public services

**Registration with the Public Registry of Commerce:** December 1, 1992

**Expiry Date of the Articles of Incorporation:** December 1, 2091

**Last Amendment of the By-Laws:** October 16, 2015

**Parent Company:** YPF S.A.

**Legal Address of the controlling company:** Macacha Güemes 515, Ciudad Autónoma de Buenos Aires, Argentina.

**Principal Business of the controlling company:** study, exploration and exploitation of liquid and/or gaseous hydrocarbons and other minerals, as well as the industrialization, transportation and marketing of these products and their byproducts, also including petrochemical products, and non-fossil fuels and chemicals, biofuels and their components, electric power generation based on hydrocarbons, telecommunication services, as well as production and industrialization, processing, marketing, conditioning services, grain transportation and storage and their byproducts.

**Percentage of votes held by parent company:** 70%

#### Composition of Issued Capital as of 06.30.18:

Classes of Shares	Subscribed, Registered and Paid-in (thousands of pesos)(*)
Outstanding	
Common Certified Shares of Ps. 1 Par Value and 1 Vote each:	
Class "A"	290,277
Class "B"	278,894
<b>Issued Capital as of 06.30.18</b>	<b>569,171</b>

(\*) See Note 16 to the current condensed interim consolidated financial statements

**METROGAS S.A.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
AS OF JUNE 30, 2018 AND DECEMBER 31, 2017

(stated in thousands of pesos)

	Notes	06.30.18	12.31.17
<b>Assets</b>			
<b>Non current Assets</b>			
Properties, plant and equipment	10	15,870,159	15,691,974
Intangible assets	12	425,723	177,624
Investment properties	11	2,242	2,272
Other receivables	14	106,656	73,488
<b>Total Non current assets</b>		<u>16,404,780</u>	<u>15,945,358</u>
<b>Current assets</b>			
Inventories		2,675	3,805
Trade receivables	13	6,550,757	3,404,024
Other receivables	14	935,689	345,988
Cash and cash equivalents	15	761,351	492,379
<b>Total Current assets</b>		<u>8,250,472</u>	<u>4,246,196</u>
<b>Total assets</b>		<u>24,655,252</u>	<u>20,191,554</u>
<b>Shareholders' Equity</b>			
Issued capital	16	569,171	569,171
Accumulated results Gains		6,215,953	8,416,048
<b>Equity attributable to the owners of the parent</b>		<u>6,785,124</u>	<u>8,985,219</u>
Non-controlling interest		4,375	4,525
<b>Total Shareholders' Equity</b>	16	<u>6,789,499</u>	<u>8,989,744</u>
<b>Liabilities</b>			
<b>Non current Liabilities</b>			
Trade payable	21	-	71,146
Financial debt	18	5,560,866	-
Deferred tax liabilities	28	1,795,887	2,750,694
Reorganization liabilities	19	26,377	8,446
Other taxes payable	17	2,146	3,011
Provisions	20	744,586	342,475
<b>Total Non current Liabilities</b>		<u>8,129,862</u>	<u>3,175,772</u>
<b>Current Liabilities</b>			
Trade payable	21	7,262,272	3,857,290
Salaries and social securities	22	256,773	253,237
Income tax and minimum presumed income tax ("MPIT")		-	107
Other taxes payable	17	578,556	452,706
Financial debt	18	1,631,020	3,429,675
Deferred tax liabilities	28	112	342
Other accounts payable	23	7,158	32,681
<b>Total Current Liabilities</b>		<u>9,735,891</u>	<u>8,026,038</u>
<b>Total Liabilities</b>		<u>17,865,753</u>	<u>11,201,810</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>24,655,252</u>	<u>20,191,554</u>

The accompanying notes 1 to 31 are an integral part of and should be read together with these statements.

Marcelo Adrián Núñez  
Chairperson

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission (“CNV”).  
In case of discrepancy, the financial statements filed with the CNV prevail over this translation.

## METROGAS S.A.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX AND THREE MONTHS PERIODS ENDED JUNE 30, 2018 AND 2017 (stated in thousands of pesos)

	Notes	For the six months period ended,		For the three months period ended,	
		06.30.18	06.30.17	06.30.18	06.30.17
Revenues	24	11,014,578	5,574,321	7,262,140	3,734,852
Operating costs	25	(9,065,267)	(4,032,204)	(6,081,838)	(2,739,032)
<b>Gross profit</b>		<b>1,949,311</b>	<b>1,542,117</b>	<b>1,180,302</b>	<b>995,820</b>
Administration expenses	25	(487,198)	(380,345)	(258,985)	(200,690)
Selling expenses	25	(756,513)	(516,119)	(390,452)	(309,372)
Other income and expenses	26	(381,544)	(64,161)	(361,745)	5,903
<b>Operating income</b>		<b>324,056</b>	<b>581,492</b>	<b>169,120</b>	<b>491,661</b>
Finance income	27	285,716	89,639	224,646	64,051
Finance cost	27	(3,727,867)	(428,540)	(2,929,705)	(384,127)
<b>Net financial results</b>		<b>(3,442,151)</b>	<b>(338,901)</b>	<b>(2,705,059)</b>	<b>(320,076)</b>
<b>Result before income tax and MPIT</b>		<b>(3,118,095)</b>	<b>242,591</b>	<b>(2,535,939)</b>	<b>171,585</b>
Income tax and MPIT	28	917,850	475,476	737,021	28,898
<b>Net result for the period</b>		<b>(2,200,245)</b>	<b>718,067</b>	<b>(1,798,918)</b>	<b>200,483</b>
<b>Other comprehensive income (1)</b>					
Essential assets revaluation		263,143	12,776,242	131,576	12,776,242
Income tax	28	(80,042)	(4,471,685)	(39,551)	(4,471,685)
<b>Total other comprehensive income</b>		<b>183,101</b>	<b>8,304,557</b>	<b>92,025</b>	<b>8,304,557</b>
<b>Net and comprehensive result for the period</b>		<b>(2,017,144)</b>	<b>9,022,624</b>	<b>(1,706,893)</b>	<b>8,505,040</b>
<b>Net and comprehensive result for the period attributable to controlling interest</b>		(2,200,095)	718,366	(1,797,247)	201,446
<b>Net and comprehensive result for the period attributable to non-controlling interest</b>		(150)	(299)	(1,671)	(963)
<b>Net and comprehensive result for the period</b>		<b>(2,200,245)</b>	<b>718,067</b>	<b>(1,798,918)</b>	<b>200,483</b>
<b>Net result per share</b>					
Basic and diluted	29	(3.87)	1.26	(3.16)	0.35

(1) Do not reversal to results.

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Chairperson

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## METROGAS S.A.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY AS OF JUNE 30, 2018 AND COMPARATIVES *(stated in thousands of pesos)*

	Issued capital	Subtotal issued capital	Accumulated results		Subtotal accumulated results	Equity attributable to the owners of the parent	Non-controlling interest	Total Shareholders’ Equity
			Other comprehensive income	Unappropriated retained losses				
<b>Balance as of December 31, 2016</b>	569,171	569,171	-	(1,943,940)	(1,943,940)	(1,374,769)	2,591	(1,372,178)
Net and comprehensive result for the six months period ended June 30, 2017	-	-	-	718,366	718,366	718,366	(299)	718,067
Properties, plant and equipment revaluation	-	-	8,389,158	-	8,389,158	8,389,158	-	8,389,158
Properties, plant and equipment revaluation reversals	-	-	(84,601)	84,601	-	-	-	-
<b>Balance as of June 30, 2017</b>	569,171	569,171	8,304,557	(1,140,973)	7,163,584	7,732,755	2,292	7,735,047
Net and comprehensive result for the nine months period ended December 31, 2017	-	-	-	54,527	54,527	54,527	2,233	56,760
Properties, plant and equipment revaluation	-	-	1,197,937	-	1,197,937	1,197,937	-	1,197,937
Properties, plant and equipment revaluation reversals	-	-	(186,492)	186,492	-	-	-	-
<b>Balance as of December 31, 2017</b>	569,171	569,171	9,316,002	(899,954)	8,416,048	8,985,219	4,525	8,989,744
Net and comprehensive result for the six months period ended June 30, 2018	-	-	-	(2,200,095)	(2,200,095)	(2,200,095)	(150)	(2,200,245)
Properties, plant and equipment revaluation reversals	-	-	(183,101)	183,101	-	-	-	-
<b>Balance as of June 30, 2018</b>	569,171	569,171	9,132,901	(2,916,948)	6,215,953	6,785,124	4,375	6,789,499

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Marcelo Adrián Núñez  
Chairperson

**METROGAS S.A.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
FOR THE SIX-MONTHS PERIODS ENDED JUNE 30, 2018 AND 2017  
(stated in thousands of pesos)

	<b>06.30.18</b>	<b>06.30.17</b>
<b>Cash flows generated by operating activities</b>		
Net result for the period	(2.200.245)	718.067
Adjustments to arrive to the net cash flow from operating activities		
Income tax and MPIT	(917.850)	(475.476)
Depreciation of properties, plant and equipment and investment properties and intangible assets	329.048	187.732
Net book value of disposals of properties, plant and equipment	13.619	4.042
Net charge on provisions	494.564	92.609
Finance cost	3.914.571	402.402
Loss due to negotiable obligations cancellation	173.829	-
Changes in assets and liabilities		
Trade receivables	(3.307.945)	(914.415)
Other receivables	(606.684)	343.149
Inventories	1.130	(456)
Trade payable	2.803.585	269.712
Salaries and social securities	3.536	17.070
Other taxes payable	147.492	348.512
Provisions	(3.860)	(2.875)
Other accounts payable	(23.849)	(2.812)
Income tax and MPIT paid in the period	-	(3.515)
<b>Net cash flows generated by operating activities</b>	<b>820.941</b>	<b>983.746</b>
<b>Cash flows used in investing activities</b>		
Increase in properties, plant and equipment	(519.104)	(312.896)
Increase in intangible assets	(254.277)	(39.677)
<b>Net cash flows used in investing activities</b>	<b>(773.381)</b>	<b>(352.573)</b>
<b>Cash flows generated by (used in) financing activities</b>		
YPF interest payment and loan payment	(78.076)	(90.132)
Payment for cancellation of negotiable obligations	(3.983.649)	(139.395)
Commercial debt payment	(684.382)	(26.891)
Proceeds from loans	5.050.000	-
Payment for the costs of debt issuance	(61.971)	-
Payment of current account advances	(20.610)	-
<b>Net cash flows generated by (used in) financing activities</b>	<b>221.312</b>	<b>(256.418)</b>
<b>Net increase in cash and cash equivalents</b>	<b>268.872</b>	<b>374.755</b>
Cash and cash equivalents at the beginning of year	492.379	357.904
Exchange differences on cash and cash equivalents	100	237
Cash and cash equivalents at the end of the period (1) (2)	761.351	732.896
<b>Net increase in cash and cash equivalents</b>	<b>268.872</b>	<b>374.755</b>

(1) As of June 30, 2018 and 2017, funds collected and pending to be deposited for Trust Funds and Resolution I-2,621/2013 amount to 17,073 and 58,132 respectively.

(2) As of June 30, 2018 includes 229,004 as collateral for the term dollar purchase transactions arranged by the Company. (See Note 18 to the interim condensed consolidated financial statements).

The accompanying notes 1 to 31 are an integral part of and should be read together with these statements.

Marcelo Adrián Núñez  
Chairperson

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## **METROGAS S.A.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

#### **1. GENERAL INFORMATION**

MetroGAS S.A. (“MetroGAS” or the “Company”) is a *sociedad anónima* organized under the laws of the Republic of Argentina. The registered office and principal place of business is located at Gregorio Aráoz de Lamadrid 1360 – Ciudad Autónoma de Buenos Aires.

The Company was created in 1992 and on December 1, 1992 it was registered as a corporation pursuant the laws of the Republic of Argentina at the Public Registry of Commerce under number 11,670, Book 112, Volume A of *Sociedades Anónimas*. The term of duration of the Company expires on December 1, 2091 and its principal business is the provision of natural gas distribution public services.

On November 2, 1994, the Argentine Securities Commission (“CNV”), pursuant to Resolution No. 10,706, authorized to public offering on Buenos Aires Stock Exchange (“BCBA”) all the Company's outstanding shares that at such date composed the capital stock.

As of June 30, 2018, MetroGAS’ controlling shareholder is YPF S.A. (“YPF”) whose principal business is the study, exploration and exploitation of liquid and/or gaseous hydrocarbons and other minerals, as well as the industrialization, transportation and marketing of these products and their byproducts, also including petrochemical products, and non-fossil fuels and chemicals, biofuels and their components, electric power generation based on hydrocarbons, telecommunication services, as well as production and industrialization, processing, marketing, conditioning services, grain transportation and storage and their byproducts (see Note 16 to the condensed interim consolidated financial statements).

MetroGAS controls MetroENERGÍA S.A. (“MetroENERGÍA”) a *sociedad anónima* created under the laws of Argentina, whose principal business is the purchase and sale of natural gas and/or transport on its own account, or on behalf of or in association with third parties in Argentina.

With respect to General Resolution No. 629 of CNV, please be informed that the backup documents of the Company’s operations are filed with Iron Mountain Argentina S.A. warehouses at Amancio Alcorta 2482, City of Buenos Aires.

#### **2. ECONOMIC AND FINANCIAL SITUATION AND REGULATORY FRAMEWORK**

##### **Supplementary Agreement with Natural Gas Producers**

On November 29th 2017, at the request of the “MINEM” (Ministry of Energy and Mining), MetroGAS subscribed the “Bases and Conditions for the Supply of Natural Gas through Networks to Gas Distributors” (“Bases and Conditions”) together with the rest of the distributors and a group of gas producers. These Bases and Conditions set the guidelines for contracting gas volumes to meet the demand from distributors for the period included between January 1st 2018 and December 31st 2019. These guidelines established, among others, issues related to the US\$ price pursuant to the customer category and referred period expressed in US\$/MMBTU. Furthermore, instructions were given for invoices to be issued in US\$ and paid in AR\$ at the “Banco de la



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## METROGAS S.A.

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

Nación Argentina" (Foreign Currency) exchange rate, reference rate of the day previous to payment date. These Bases and Conditions also establish that distributors have to consider for their subscription, the provisions of Section 38 of Law 24,076 that provide for the pass-through of gas acquisition costs to tariffs to be paid by transport and distribution service users, both the cost of gas acquisition resulting from agreements or long-term contracts and those associated to short-term purchases to satisfy demand. Contracts executed with gas producers have already considered those prices and currencies referred to in the Bases and Conditions and were presented opportunely to the Ente Nacional Regulador del Gas ("ENARGAS").

In April 2018 Argentina experienced changes in the macroeconomic conditions that led to an abrupt variation in the exchange rate parity between the national currency and that in which prices are established in contracts. For the gas supplied between January and March 2018, payments done by the Company took into account the current exchange rate at that moment in accordance with the provisions of the contracts in force.

However, given the circumstances described hereinbefore, payments to gas producers for gas delivered in April 2018 were done at the exchange rate of AR\$/US\$ 20.345, which matches the amount of the gas component included in the tariff approved by Resolution No. 300/2018 effective as from April 1, 2018. The adopted criterion is due to the necessity to maintain the payment chain related to the operation and maintenance of the natural gas service network and guarantee the continuity of the service provision.

Producers rejected the mentioned payment criterion adopted by the Company, thus formally claiming for the allegedly unpaid balances. On August 1, 2018, MetroGAS informed all natural gas producers with a contract in force that the Company intended to keep the mentioned criterion in relation with all May 2018 payments and offered to adjust contracts in order to preserve the commercial relationship, minimize the damaging economic consequences to the parties and ensure the lowest cost for customers always focusing on the safety of the supply, especially considering what ENARGAS stated through its note ENARGAS NO-2018-33729169-APN-DIRECTORIO#ENARGAS, where it becomes clear that terms and prices for current natural gas supply and/or purchase agreements must take into account the ongoing macroeconomic circumstances. Upon closing of these financial statements, negotiations with producers have not led to contract amendments yet.

It is worth mentioning that Section No. 37 of Law 24076 Regulatory Decree No. 1738/92, establishes on paragraph 5 that price variations in the purchase of gas will be passed through to the final customer's rate to offset Distributors profit/loss and that the Distribution License Basic Rules ("RBLD" as per its acronym in Spanish) establish that the Licensee shall conduct a separate daily accounting of the price and the value of gas purchased and included in its real sales, and the difference between this value and that of the gas included in the billing of such real sales, though not being it required that the supply invoice had been paid, but it must be certain of the cost of acquisition, which in this case is materialized with the information about the exchange rate at which obligation with gas producers had to be cancelled.

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(amounts in thousands of pesos, except where expressly stated otherwise)

According to item 9.4.2.5 of the last paragraph of RBLD, in relation with the difference between the cost of gas purchased by Distributors and the value of said gas included in the customers rates, it is stated that is the resulting amount exceeds the 20% absolute value mentioned hereinbefore, the Company may submit new tariff charts for the Regulator's approval.

Pursuant to the macroeconomic situations mentioned hereinbefore, on July 27, 2018, the Company sent a note to ENARGAS with the new tariff chart requesting, according to the provisions of RBLD, the acknowledgment of same in order to partially recognize the impact of the increasing costs on the gas acquisition and this way start to reconstruct the Working Capital, the Net Result of the period and Equity lost along the period, notwithstanding the adjustments required to be done at the moment of setting the tariffs for the next seasonal period, in relation with the acknowledgment of the interests as per RBLD and the incorporation of the periods that still have to be paid and will be included in the next seasonal adjustment.

As of the date of issuance of these condensed interim financial statements, the Company is awaiting the response of ENARGAS, and therefore, as of June 30, 2018 no income has been recorded for this concept.

If the effect associated with exchange differences for purchase of gas in US\$ from January to June 2018 have been registered, this would have generated a greater income amounting to 969,307 under "revenues" on the "Profit and Loss Account and other Comprehensive Income" as of June 30, 2018.

The significant devaluation had a negative impact on the period Net Result, the Equity and Company's Working Capital, preventing MetroGAS from duly complying with its payments to gas producers (obligations due in April 2018).

As of June 30, 2018, the Company registered under "Trade payable", "Provision for daily differences for gas purchases", the differences between the value of the gas component included in the tariff and the value of gas at period closing, the payment of which will be subject to the authorization to pass through this amounts to the tariff as established in the Regulatory Framework.

#### **Financial Debts**

On February 8, 2018, MetroGAS took a non-guaranteed loan for a total amount of USD 250 for a thirty six- month term and amortizable in nine quarterly installments counting as of twelve months since the date of payment ("the Loan").

According to the terms and conditions of the loan, the Company must comply with a series of financial commitments described in Note 17 to these condensed interim financial statements.

Under the original terms and conditions of the loan agreement, some of the financial indicators would not have been met as of June 30, 2018, which could have accelerated the maturities of the financial liabilities.

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### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

Notwithstanding this, on June 30, 2018, financial creditors formally agreed to exempt MetroGAS from complying with the mentioned contract-bound financial indicators.

The significant developments occurred or had impact during the six months period ended June 30, 2018 are described as follows.

#### **2.1 Provisional Agreement 2017**

On January 31, 2018, ENARGAS Resolution No. 249/2018 was published in the Official Gazette, convening a public hearing to be held on February 22, 2018, to consider (i) the enforcement of the Methodology of the biannual Tariff Adjustment, if it corresponds, for MetroGAS’ tariff adjustment; (ii) the enforcement of the allocation on tariffs of purchased gas and (iii) alternative methodologies to come up with a more foreseeable invoicing of consumptions from residential users.

On March 28, 2018 the Official Gazette published ENARGAS Resolution No. 300/2018 in order to (i) declare valid the aforementioned Public Hearing, (ii) approve MetroGAS’ temporary tariff scheme applicable as from April 1, 2018 and (iii) approve new values for Rates and Charges collected by MetroGAS for additional services.

#### **2.2 Memorandum of Agreement of the Adequacy Natural Gas Distribution License Contract (“The Comprehensive Contract Renegotiation Memorandum of Understanding”)**

On March 30, 2017, and within the framework of the renegotiation of public services provided by the Emergency Law, extensions thereof and Decrees No. 367/2016 and 2/2017, the Company signed with the MINEM and the Ministry of Economy a Memorandum of Agreement for the Adequacy of the Natural Gas Distribution License Contract, which contains the terms of the comprehensive renegotiation and the conditions for the adequacy of the License Agreement. The Memorandum of Agreement was preceded and based on the Provisional Agreement 2008, the Provisional Agreement 2014, the Provisional Agreement 2016 and the Provisional Agreement 2017.

The provisions contained in the Memorandum of Agreement, once put into effect as of its ratification by the National Executive Power (“PEN”), shall include the contract period between January 6, 2002 and the end of the License Agreement.

The guidelines for the Integral Tariff Review process are detailed in Note 2.1.2.2 to the consolidated financial statements as of December 31, 2017.

On March 28, 2018, Decree No. 252/2018 ratifying the Memorandum of Agreement was published in the Official Gazette. By virtue hereof, and according to the terms of paragraph 11.2.1 of the Memorandum of Agreement, on June 27, 2018 the Company proceeded to withdraw from the case “MetroGAS vs. National State – Ministry of Planning (Decree No. 293/02) - UNIREN on Knowledge Proceeding” (Case No. 50141/2011).

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## **METROGAS S.A.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

#### **2.3 Resolution MINEM No. 508-E/2017**

As a consequence of changes introduced by means of MINEM Resolution No. 474-E/2017 and ENARGAS Resolutions No. 131/2017 and No. 132/2017, and of the guidelines stated in the Bases and Conditions, on December 29, 2017, MINEM Resolution No. 508-E/2017 was published; it establishes the procedure to compensate minor revenues that Licensees of the Natural Gas Distribution Service through networks receive from their users, as a result of: (i) applying benefits and / or discounts to users resulting from regulations in force as regards tariffs for the natural gas distribution service through networks and (ii) having higher costs of Unaccounted for Natural Gas (“GNNC”) than the ones established for their recognition on tariffs.

This procedure is defined within section 20.2 of the License Model approved by Decree No. 2,255/1992 that establishes that the Distributor shall be entitled to compensation due to a revenue reduction resulting from those measures in order to maintain the payment chain related to the operation and maintenance of the public service of natural gas distribution through networks among others, the payment of invoices related to the purchase of natural gas and the guarantee to continue supplying such public service.

According to the procedure of compensation, Distribution Licensees have to report within the terms stated therein and based on annual consumptions on a monthly basis and as a sworn statement before the ENARGAS, all the necessary amounts to compensate the said differences. The same kind of report must be made regarding GNNC.

In this way, to calculate compensations for amounts not collected because of discounts in the invoicing and because of differences arising from GNNC, a compensation resulting from the difference between purchasing price from the natural gas producer and the sale to your customers.

As of approval of these financial statements, MetroGAS duly received from the National State the provisional payment for economic compensation corresponding to the first five months of 2018.

Through Resolution No. 218/2018 (later on enforced by ENARGAS through Resolution No. 86/2018), MINEM ordered to suspend the application of the subsidy criteria to Social Tariff customers pursuant to sections 4 and 5 of MINEM Resolution No. 474/2017 for consumptions of said customers done during May and June 2018, being applicable for the invoicing of said consumptions the social tariff regime pursuant to section 5 of MINEM Resolution No. 28/2016, where a 100% discount on the price of natural gas shall be considered.

#### **2.4 Complementary Agreement with Natural Gas Producers**

On November 29, 2017, at the request of the MINEM, MetroGAS subscribed the “Bases and Conditions for the Supply of Natural Gas to Gas Distributors through Networks” (the “Bases and Conditions”) together with the rest of the distributors and a group of gas producers. These Bases and Conditions set the guidelines for contracting gas volumes to meet the demand from distributors for the period included between January 1, 2018 and December 31, 2019. These guidelines establish: i) the volumes that each signing producer has to inject per basin to meet the demand from distributors, ii) the daily available volumes per basin for each distributor, iii) the price according to customer’s category and per period expressed in u\$/MMBTU, iv) the

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obligation of the producer to deliver or pay 100% of the volume, v) the obligation of distributors to take or pay 100% of the volume, except when there is no demand and no gas volumes are assigned, of contracts not included in the Bases and Conditions ,vi) due date of the invoice is 75 days after the invoice date.

#### **2.5 Legal Protection Orders – Precautionary Measures**

On June 6, 2018, ENARGAS notified MetroGAS of a legal protection order issued by Mr. Alejo Ramos Padilla within the framework of the case “Argentina Consumers Association for the Protection, Education and Information of Consumers vs. PEN and others on Action of Unconstitutionality” lodged before Federal Court of Dolores. The Company is not a defendant on the mentioned case.

In accordance with the terms therein, (i) a precautionary measures orders all gas distributors nationwide to stop, as from May 21, 2018, any service interruptions or suspensions for nonpayment; and (ii) Gas Distribution Companies are authorized to carry out any necessary administrative proceeding to provide evidence of the vulnerability situation of customers before any service interruption or suspension in order to avoid right abuses, being warned that in case of service interruptions or suspensions to vulnerable sectors without resorting to that proceeding or without granting customers the possibility of explaining their particular situation, penalties would apply ranging from \$ 1,000 to \$ 100,000 (one thousand to one hundred thousand Pesos) for each illegitimate service interruption done leaving it clear that in case of doubt if it is facing a consumer who fits into a situation of vulnerability, the Company should refrain from carrying out the cut.

As of the date of approval of these condensed interim consolidated financial statements, MetroGAS has not been served notice of the revocation of the mentioned precautionary measure.

#### **2.6 ENARGAS Resolution No. 97/2018 – Winter Consumption Financing Program**

On June 12, 2018, ENARGAS Resolution No. 97/2018 was published in the Official Gazette where the Natural Gas Winter Consumption Financing Program is established (The “Program”). The signing up to the Program by beneficiaries is optional and voluntary.

In accordance with the terms of the Program, residential and commercial full service customers (SGP1 and SGP2) of natural gas will be able to finance hereunder, the payment of up to 25% of the invoices issued between July 1 and October 31 of current year. The applicable interest rate to this option will be the passive rate, electronic transactions, exclusively applied to the Banco de la Nación Argentina non-financial private sector for 30-days placements considering the month previous to invoicing.

The cumulative financing and the corresponding interests will be recovered with the regular invoices as from November 1, 2018 and during three consecutive periods for bimonthly customers and during six consecutive periods for monthly customers.

The financing includes each one of the segments of the activity (gas, transport and distribution) and is exceptional for Winter 2018.

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#### **3. BASIS FOR PRESENTATION OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

These condensed interim consolidated financial statements have been issued in accordance with the Technical Resolution (“TR”) No. 26 and 29 of the Argentine Federation of Professional Councils in Economic Sciences (“FACPCE”) which adopt International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) for entities included in the public offer regime of Law No. 17,811, - Now repealed and replaced by Law No. 26,831 of Capital Markets-, due to their capital stock or to their notes, or those that have applied to be included in said regime.

In accordance with Title IV of the Informative Periodic Regime, Chapter I, Informative Regime, Section I, General Dispositions, Article 1, point b.1) of CNV rules, the Company has opted for presenting its interim financial statements in a condensed set foreseen in the IAS 34.

These condensed interim consolidated financial statements are presented in thousands of pesos, except where expressly stated otherwise.

These condensed interim consolidated financial statements should be read together with the Company’s annual consolidated financial statements as of December 31, 2017 and comparatives.

The condensed interim consolidated financial statements for the six months periods ended June 30, 2018 and 2017 have not been audited. In the Company’s opinion these financial statements reflect all the adjustments necessary to be presented on a basis consistent with the annual consolidated financial statements.

These condensed interim consolidated financial statements, originally issued in Spanish, have been approved by the Board of Directors for issuance on August 6, 2018.

##### **3.1 Unit of Measurement**

These condensed interim consolidated financial statements have been prepared based on the historical cost model, except for certain assets that have been measured at reasonable values, the changes whereof will be assigned to integral results.

The IAS 29, “Financial Reporting in Hyperinflationary Economies”, requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy be expressed at a regular unit of measurement at closing of the reported period, notwithstanding the model used (historical cost or reasonable value). For that purpose, inflation has to be considered since purchase date, in case of non-monetary items at value cost or at cost after cumulative depreciation; or as from reappraisal date, in case of non-monetary items calculated at current values before closing of the reported period. Therefore, if in an inflationary period, the monetary assets exceed the monetary liabilities, the Company will lose purchasing power. But should the monetary liabilities exceed the monetary assets, the Company will then improve its purchasing power, provided that said items are not subject to an adjustment mechanism.

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Furthermore, even though the standard does not set a unique inflation rate that, once surpassed, determines the existence of an hyperinflationary economy, in general it is so established when a variation approaching or exceeding 100% over the last three years occurs, together with qualitative factors related to the macroeconomic scenario. In order to determine the inflation rate, IAS 29 uses a general price index that evidences the changes in the general purchasing power of that currency. In Argentina, there is consensus within the accounting profession to take the wholesale price index (“IPIM” as per its acronym in Spanish) produced by INDEC as the most reliable one to establish said rate.

The cumulative inflation during the last three years as of June 30, 2018 is higher than the 100% mentioned hereinabove, and both the available projections as well as other qualitative and quantitative factors indicate that this trend will not reverse in the short term.

For this reason, the argentine economy has to be taken as highly inflationary according to the IAS 29; and therefore, the Company whose functional currency is the argentine peso, must restate the financial statements of the periods and periods ending as of July 1, 2018. However, the possibility to comply with the requirements of the IAS 29 depends on certain necessary changes in the CNV regulations related to the impossibility to accept inflation reexpressed financial statements according to the provisions of National Executive Power Decree No. 664/2003.

As of the date of approval of these financial statements, the Board of Directors of Company was undertaking the process of analysis and estimations of the requirements established by the IAS 29.

#### **4. ACCOUNTING POLICIES**

The accounting policies adopted for these condensed interim consolidated financial statements are consistent with the ones applied in the consolidated financial statements for the year ended on December 31, 2017 which are detailed in Note 4 to those consolidated financial statements.

However, in the current period, the Company has applied the following standards that came into force for the periods beginning on or after 1 January 2018 and generated effects of exposure and/or valuation:

##### **4.1 Recognition of revenues from contracts with customers**

IFRS 15 “Revenues from Contracts with Customers” establishes an extensive and detailed model for entities to use in accounting for revenue arising from contracts with customers. It supersedes the following revenue Standards and interpretations:

- IAS 18 “Revenue”;
- IAS 11 “Construction Contracts”;
- IFRIC 13 “Customer Loyalty Programs”;
- IFRIC 15 “Agreements for the Construction of Real Estate”;
- IFRIC 18 “Transfers of Assets from Customers”; and
- SIC 31 “Revenue-Barter Transactions Involving Advertising Services”.

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IFRS 15 will only cover revenue arising from contracts with customers. Under this standard, a customer of an entity is a part that has contracted with the entity to obtain goods and services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IFRS 9 "Financial Instruments".

As mentioned above, the new revenue standard has a detailed model to deal with revenue from contracts with customers. Its core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new revenue recognition Standard introduces a five steps approach to revenue recognition and measurement:

- 1- Identify the contract with customer
- 2- Identify the performance obligations in the contract
- 3- Determine the transaction price
- 4- Allocate the transaction price to the performance obligations in the contract
- 5- Recognize revenue when (or as) the entity satisfies a performance obligation

The Company has made an assessment of the standard complying with the requirements stated in the IFRS15:

1. Identification of the agreement with the customer

The Company has identified the following contracts with customers:

- Contracts with residential customers: it is an implicit agreement that contains enforceable rights and liabilities.
- Contracts with Industrial, Commercial and Public Entities Customers
- Contracts with CNG
- Contracts with Power Plants
- MetroENERGÍA customer's contracts

From the revision of the said agreements it was possible to conclude that no separate contracts were identified that must be combined with one another.

2. Identification of individual liabilities of the contract

It consists in identifying all assets or services (including implicit ones) that are promised in the contract and it must be assessed if the asset or service is differentiable, that is to say, (i) if the customer may benefit from the use of the good or service by itself or jointly with other available resources and, (ii) if the asset or service may be individualized from other promises in the contract.

If both conditions are given then each liability has to be fulfilled separately. If the said conditions are not given, two or more of the assets and services that are promised in the contract are combined.



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Regarding the sale of MetroGAS' full service it is considered that there is a unique responsibility that consists in supplying the gas distribution service, as, although there are three components included in the rate (gas, transportation and distribution) it is understood that all liabilities arising from this service contract are not individual since gas could not be delivered if there were no simultaneous transportation and distribution service.

With respect to the other contracts analyzed for MetroENERGÍA customers, a single performance responsibility was also identified.

#### 3. Determination the price of the transaction

The price is the amount that the Company expects to receive for the rendering of the service or transfer of assets to the customer. The price of the transaction includes:

- Variable compensation
- Compensation paid to customers and;
- Significant benefits of financing

The price of the transaction for MetroGAS is regulated according to the tariff scheme in force issued by the ENARGAS.

Regarding the sale of MetroGAS' full service, it is considered that there exists a fixed and a variable compensation. The variable compensation arises from the limits and discounts according to gas consumption in previous terms.

In agreements with industries and electric plants there are fines for non authorized consumption by the customer; in this case MetroGAS will be able to impose a fine for each m<sup>3</sup> non authorized and consumed that is determined by a detailed calculation in the contracts with each customer.

In the case of revenues arising from networks assigned by third parties, they are registered by a reasonable value according to the compensation received. The said value is determined according to amounts to be compensated to third parties, equivalent to m<sup>3</sup> of gas established by the ENARGAS.

MetroENERGÍA, as a marketer, provides the natural gas purchase and nomination management service on behalf of the customer and the price is determined by the price of natural gas, which includes:

- The cost of natural gas managed by MetroENERGÍA for third-party producers and/or suppliers;
- The costs that would have been necessary to transport the natural gas to the delivery points (displacement costs) and;
- A commission for intermediation for natural gas that would have been managed by third-party producers and/or suppliers of natural gas, which is determined by the difference between the price of natural gas and the sum of the cost of gas and displacement costs.

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In the case of MetroENERGÍA transportation sales, the price is determined by a fixed charge, a maximum daily reserve capacity charge and a variable charge.

#### 4. Distribution of the price of the transaction among the liabilities of the agreement

It consists in allocating the price of the transaction among the different elements based on the sales price of each of the items separately.

In all agreements a one and only liability was determined, as a consequence the price is not distributed.

#### 5. Recognition of Revenues once the organization fulfills liabilities

Revenues are recognized when the Company fulfills the contractual liability. A contractual liability is considered fulfilled when the customer obtains control of the assets or services.

MetroGAS recognizes its revenues when the contractual liability is fulfilled, that is to say once assets and/or services are delivered to the customer; this happens at a specific moment. In the case of the natural gas distribution service, it is a continuous service where the obligation to render this service is fulfilled in a continuous way, for this reason revenues are recognized based on what is accrued upon delivery to customers, including estimated amounts of delivered gas and not invoiced at the end of each fiscal year, its transportation and distribution, if appropriate. Amounts indeed delivered are estimated based on purchased volumes and any other historical information. These volumes are assigned to each type of customer, segment and level of saving for its valorization depending on the applicable tariff according to the estimate made based on the historical information of the segment and level of saving of each invoicing month.

In MetroENERGÍA operations out on behalf and for the account, the revenue is recognized when the gas is delivered at the point of delivery determined in the contract of each client.

It is worth mentioning that MetroENERGÍA acts as the principal and not as an agent in its operation out on behalf and for the account, since it has control of the promised goods and services before transferring them to the client.

The application of the standard has not generated an effect in the accounting recognition of revenues from contracts with customers and therefore there is no effect on the accumulated initial balances.

Additionally, IFRS 15 introduces new requirements to provide new disclosures of information to be disclosed. Based on the analysis performed by the Company on revenues, Note 24 has been broken down by customer category.

#### **4.2 Income recognition from the Resolution MINEM No. 508-E/2017**

The Resolution MINEM No. 508-E/2017, applicable as from January, 2018, is within the scope of IAS 20 “Government Grants” (see Note 2.3 to the condensed interim consolidated financial statements).

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The recognition of this income is carried out based on the amounts effectively invoiced at the end of each period, considering the existence of assurance regarding its collection.

This item has been disclosed in the line "Resolution MINEM No. 508-E/2017" in "Revenues" (see Note 24 to the condensed interim consolidated financial statements).

The difference between the income recognized and the advances received by the MINEM is disclosed as other receivables or other accounts payable, as applicable.

#### **4.3 Impairment of financial assets**

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for the credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

MetroGAS has among its customers a large number of residential users (approximately 2.3 million customers) and some large customers composed of power plants, industrial, commercial, governmental entities and CNG stations.

The Company calculated the impairment of its financial assets applying the simplified model by grouping the assets according to the type of client: i) residential customers, ii) large customers.

To determine the expected credit loss of residential customers, as it is a large number of customers located in the same geographical area and with common credit risk characteristics, the Company has prepared a matrix based on its record of historical default rates at over the expected life of accounts receivable and adjusted for the circumstances related to future economic conditions.

For large customers, the Company carried out an individual analysis of the credits that represent a risk (bankruptcy risk, customers involved in a legal proceeding with the Company) at the end of the period and at December 31, 2017.

Once each group was defined, an expected uncollectible rate was calculated based on historical default rates adjusted to future economic conditions.

The Company determined that the difference between the accounting amounts prior to December 31, 2017 of the allowance for uncollectible receivables and the amounts resulting from the application of the impairment model introduced by the standard is not significant at that date.

#### **4.4 Financial debt**

In order to account the payment of the notes consummated on February 27, 2018, the Company has applied the guidelines established by IFRS 9 – Financial Instruments: Recognition and Measurement.

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IFRS 9 establishes that an entity will eliminate a financial liability (or part of it) in its statement of financial position, and only when, it has been extinguished, that is, when the obligation specified in the corresponding contract has been paid or canceled, or has expired. The difference between the book value of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss of the period. On February 27, 2018, the Company paid the total number of Notes. Therefore, it derecognized the recorded financial debt and charged the difference between the book value of the financial liability and the consideration paid to results in line "Loss due to cancellation of financial debt" within the item "Net financial results" (see Note 27 to the condensed interim consolidated financial statements).

Also, pursuant to IFRS 9 the new debt took on February 8, 2018 (see Note 18 to the condensed interim consolidated financial statements) was initially recognized at fair value, net of incurred transaction costs, and will be subsequently measured at amortized cost.

#### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Preparation of consolidated financial statements as of a specified date requires that the Direction of the Company makes estimates and judgments that affect the amount of recorded assets and liabilities and of contingent assets and liabilities disclosed at such date, as well as expenses and revenues for the period. The Direction of the Company makes estimates in order to be able to calculate at a specified time, for instance, unbilled revenues, the allowance for doubtful accounts, depreciation, and recoverable value of assets, income tax charges and provision for contingencies. Actual future results may differ from the estimates and assessments made at the date of preparation of these condensed interim consolidated financial statements.

For the preparation of these condensed interim consolidated financial statements, the key judgments made by the Company when applying its accounting policies and the sources of information used for the respective estimates are consistent with those that were applied in the consolidated financial statements for the year ended on December 31, 2017, which are detailed in Note 5 to those financial statements.

#### **6. FINANCIAL RISK MANAGEMENT**

The business of the Company exposes it to various financial risks: market risk, credit risk and liquidity risk. No significant changes have occurred during the six month period ended on June 30, 2018 in relation to financial risk factors and management policies with respect thereto, which are detailed in Note 6 to the consolidated financial statements as of December 31, 2017, except as mentioned in Note 18.1 to the condensed interim consolidated financial statements.

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#### 7. FINANCIAL INSTRUMENTS

Financial assets and liabilities are classified and measured entirely at amortized cost, except for Mutual funds that are classified and measured at fair value through profit or loss (see Note 15 to the condensed interim consolidated financial statements).

#### 8. INTERESTS IN SUBSIDIARIES

The table below shows the Company’s controlling interest:

Directly controlled company	Percentage of capital stock and voting rights held	
	06.30.2018	12.31.2017
MetroENERGÍA	95%	95%

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Company.

MetroGAS has used for the calculation of its share in MetroENERGÍA, the latest separate financial statements of such company, as of June 30, 2018. The equity of MetroENERGÍA at June 30, 2018 amounts to 87,489 and a positive result amounts to 87,178.

MetroENERGÍA’s corporate purpose is to carry out purchase and sales transactions and/or transportation services of natural gas for its own account, on behalf of or in association with third parties.

MetroENERGÍA’s General Ordinary Shareholders’ Meeting held on April 29, 2016, decided the distribution of the profit for the year 2015 to 146,030 to the payment of a dividend in cash, in the opportunity that the Boards of Directors is deemed relevant, taking into account cash availability and financial conditions of the business and any other factor deemed the organ of Administration. In this meeting, the representatives of YPF Inversora Energética S.A. (“YPFIESA”) decided to maintain their commitment by means of which they have renounced for the collection of dividends for as long as the financial debt of MetroGAS arising as a result of the restructuring and/or refinancing of the outstanding debt, is cancelled, pursuant to which the dividends approved shall be paid in full to the major shareholder MetroGAS.

MetroENERGÍA’s General Ordinary Shareholders’ Meeting held on April 27, 2017, decided the distribution of the profit for the year 2016 to 51,506 to the payment of a dividend in cash, in the opportunity that the Boards of Directors is deemed relevant, taking into account cash availability and financial conditions of the business and any other factor deemed the organ of Administration. In this meeting, the representatives of YPF decided to maintain their commitment by means of which they have renounced for the collection of dividends for as long as the financial debt of MetroGAS arising as a result of the restructuring and/or refinancing of the outstanding debt, is cancelled, pursuant to which the dividends approved shall be paid in full to the major shareholder MetroGAS.

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MetroENERGÍA's General Ordinary Shareholders' Meeting held on April 27, 2018, decided the distribution of the profit for the year 2017 to 90,181 to the payment of a dividend in cash, in the opportunity that the Boards of Directors is deemed relevant, taking into account cash availability and financial conditions of the business and any other factor deemed the organ of Administration. In this meeting, the representatives of YPF decided to maintain their commitment by means of which they have renounced for the collection of dividends for as long as the financial debt of MetroGAS arising as a result of the restructuring and/or refinancing of the outstanding debt, is cancelled, pursuant to which the dividends approved shall be paid in full to the major shareholder MetroGAS.

As of June 30, 2018, as agreed by the Board of Directors, MetroENERGIA proceeded to dividend payment for the year 2015 as follows: 73,000 in November 2017 and 73,000 in April 2018.

#### **9. SEGMENT REPORTING**

Operating segments are reported in a manner consistent with the internal reporting prepared by the Chief Operating Decision Maker, for the purpose of resource allocation and performance assessment of the segment.

The primarily segments operated by the Company relate to the provision of the service of distribution of gas and, through MetroENERGÍA, of commercialization and/or transportation of natural gas on behalf of or in association with third parties.

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#### 9. SEGMENT REPORTING (Cont.)

	<b>06.30.18</b>			Total
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	
Revenues	8,296,462	2,790,833	(72,717)	11,014,578
Operating income	300,413	110,971	(87,328)	324,056
Results of interest in subsidiaries	87,328	-	(87,328)	-
Finance income	118,074	167,642	-	285,716
Finance cost	(3,573,389)	(154,478)	-	(3,727,867)
Result before income tax	(3,154,902)	124,135	(87,328)	(3,118,095)
Income tax and MPIT	954,807	(36,957)	-	917,850
Total net and comprehensive result for the period	(2,200,095)	87,178	(87,328)	(2,200,245)
Total assets	23,827,837	1,095,620	(268,205)	24,655,252
Total liabilities	17,042,713	1,008,131	(185,091)	17,865,753
Depreciation of properties, plant and equipment, Investment properties and Intangible assets	(328,825)	(223)	-	(329,048)
Increase in Properties, plant and equipment	519,104	-	-	519,104
Increase in Intangible Assets	254,277	-	-	254,277
Investments in subsidiaries	83,114	-	(83,114)	-

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#### 9. SEGMENT REPORTING (Cont.)

	<b>06.30.17</b>			Total
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	
Revenues	4,043,457	1,564,827	(33,963)	5,574,321
Operating income	557,228	70,099	(45,835)	581,492
Results on investments in subsidiaries	45,835	-	(45,835)	-
Finance income	66,666	22,973	-	89,639
Finance cost	(405,058)	(23,482)	-	(428,540)
Result before income tax	218,836	69,590	(45,835)	242,591
Income tax and MPIT	499,530	(24,054)	-	475,476
Total net and comprehensive result for the period	718,366	45,536	(45,835)	718,067
Total assets	19,754,725	872,237	(281,476)	20,345,486
Total liabilities	12,021,970	826,390	(237,921)	12,610,439
Depreciation of Properties, plant and equipment and Investment properties	(187,490)	(242)	-	(187,732)
Increase in Properties, plant and equipment	312,896	-	-	312,896
Increase in Intangible Assets	39,294	383	-	39,677
Investments in subsidiaries	43,555	-	(43,555)	-

The accounting policies for these reporting segments are the same ones followed by the Company detailed in Note 4.



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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 10. PROPERTIES, PLANT AND EQUIPMENT

MAIN ACCOUNT	ORIGINAL VALUE							AT END OF PERIOD
	AT BEGINNING OF YEAR	RETIREMENTS BETWEEN JANUARY 1, 2017 AND JUNE 30, 2017	REVALUATION AS OF APRIL 1, 2017	TRANSFER ACCUMULATED DEPRECIATION AS OF MARCH 31, 2017	INCREASES	TRANSFERS	RETIREMENTS	
Essential Assets								
High pressure mains	3,192,557	-	-	-	-	121,410	-	3,313,967
Medium and low pressure mains	10,007,195	-	-	-	-	109,248	-	10,116,443
Pressure regulating stations	705,099	-	-	-	-	3,058	-	708,157
Consumption measurement installations	656,378	-	-	-	-	17,030	(29)	673,379
Distribution network extensions constructed by third parties	426,406	-	-	-	-	2,873	(161)	429,118
Work in progress	686,806	-	-	-	266,898	(253,619)	-	700,085
Allowance for disposal of properties, plant and equipment	-	-	-	-	-	-	-	-
<b>Subtotal Essential Assets</b>	<b>15,674,441</b>	-	-	-	<b>266,898</b>	-	<b>(190)</b>	<b>15,941,149</b>
No Essential Assets								
Land	15,654	-	-	-	-	-	-	15,654
Building and civil constructions	79,986	-	-	-	-	3,825	-	83,811
Other technical installations	61,854	-	-	-	-	11,158	-	73,012
Machinery, equipment and tools	45,836	-	-	-	-	16,082	-	61,918
Computer and telecommunications equipment	272,661	-	-	-	-	5,535	-	278,196
Vehicles	80,715	-	-	-	-	-	(2,056)	78,659
Furniture and fixtures	6,911	-	-	-	-	534	-	7,445
Materials	148,647	-	-	-	225,232	(56,016)	(16,768)	301,095
Gas in pipelines	214	-	-	-	-	-	-	214
Work in progress	155,962	-	-	-	26,974	18,882	-	201,818
<b>Subtotal No Essential Assets</b>	<b>868,440</b>	-	-	-	<b>252,206</b>	-	<b>(18,824)</b>	<b>1,101,822</b>
<b>Subtotal</b>	<b>16,542,881</b>	-	-	-	<b>519,104</b>	-	<b>(19,014)</b>	<b>17,042,971</b>
Allowance for obsolescence of materials	(5,439)	-	-	-	-	-	3,148	(2,291)
Allowance for disposal of properties, plant and equipment	(29,249)	-	-	-	(4,460)	-	26	(33,683)
<b>Total as of June 30, 2018</b>	<b>16,508,193</b>	-	-	-	<b>514,644</b>	-	<b>(15,840)</b>	<b>17,006,997</b>
<b>Total as of December 31, 2017</b>	<b>4,066,661</b>	(7)	12,906,396	(1,312,280)	869,510	-	(22,087)	16,508,193

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 10. PROPERTIES, PLANT AND EQUIPMENT (Cont.)

MAIN ACCOUNT	DEPRECIATION						NET BOOK VALUE 06.30.18	NET BOOK VALUE 12.31.17	
	AT BEGINNING OF YEAR	INCREASES AS OF MARCH 31, 2017	RETIREMENTS AS OF MARCH 31, 2017	TRANSFER ACCUMULATED DEPRECIATION AS OF APRIL 1, 2017	RETIREMENTS	INCREASES			ACCUMULATED AT END OF PERIOD
Essential Assets									
High pressure mains	91,040	-	-	-	-	61,635	152,675	3,161,292	3,101,517
Medium and low pressure mains	254,351	-	-	-	-	171,047	425,398	9,691,045	9,752,844
Pressure regulating stations	48,848	-	-	-	-	32,575	81,423	626,734	656,251
Consumption measurement installations	46,482	-	-	-	(4)	31,299	77,777	595,602	609,896
Distribution network extensions constructed by third parties	9,435	-	-	-	(161)	6,213	15,487	413,631	416,971
Work in progress	-	-	-	-	-	-	-	700,085	686,806
Allowance for disposal of properties, plant and equipment	-	-	-	-	-	-	-	-	(29,249)
<b>Subtotal Essential Assets</b>	<b>450,156</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(165)</b>	<b>302,769</b>	<b>752,760</b>	<b>15,188,389</b>	<b>15,195,036</b>
No Essential Assets									
Land	-	-	-	-	-	-	-	15,654	15,654
Building and civil constructions	32,649	-	-	-	-	1,402	34,051	49,760	47,337
Other technical installations	52,034	-	-	-	-	871	52,905	20,107	9,820
Machinery, equipment and tools	32,213	-	-	-	-	1,863	34,076	27,842	13,623
Computer and telecommunications equipment	224,050	-	-	-	-	8,770	232,820	45,376	48,611
Vehicles	19,407	-	-	-	(2,056)	7,073	24,424	54,235	61,308
Furniture and fixtures	5,710	-	-	-	-	92	5,802	1,643	1,201
Materials	-	-	-	-	-	-	-	301,095	148,647
Gas in pipelines	-	-	-	-	-	-	-	214	214
Work in progress	-	-	-	-	-	-	-	201,818	155,962
<b>Subtotal No Essential Assets</b>	<b>366,063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,056)</b>	<b>20,071</b>	<b>384,078</b>	<b>717,744</b>	<b>502,377</b>
<b>Subtotal</b>	<b>816,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,221)</b>	<b>322,840</b>	<b>1,136,838</b>	<b>15,906,133</b>	<b>15,697,413</b>
Allowance for obsolescence of materials	-	-	-	-	-	-	-	(2,291)	(5,439)
Allowance for disposal of properties, plant and equipment	-	-	-	-	-	-	-	(33,683)	-
<b>Total as of June 30, 2018</b>	<b>816,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,221)</b>	<b>322,840</b>	<b>1,136,838</b>	<b>15,870,159</b>	<b>15,691,974</b>
<b>Total as of December 31, 2017</b>	<b>1,629,682</b>	<b>19,361</b>	<b>(4)</b>	<b>(1,312,282)</b>	<b>(322)</b>	<b>479,784</b>	<b>816,219</b>		<b>15,691,974</b>

As mentioned in Note 2.7.1 to the consolidated financial statements as of December 31, 2017, according to the license a substantial portion of the Properties, plant and equipment are defined as “Essential Assets” and there are certain restrictions over them described in the mentioned note.

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### METROGAS S.A.

#### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 11. INVESTMENT PROPERTIES

MAIN ACCOUNT	ORIGINAL VALUE		DEPRECIATION				NET BOOK VALUE 06.30.18	NET BOOK VALUE 12.31.17
	AT BEGINNING OF YEAR	AT END OF PERIOD	ACCUMULATED AT BEGINNING OF YEAR	ANNUAL RATE	INCREASES	ACCUMULATED AT END OF PERIOD		
Land	729	729	-	-	-	-	729	729
Building	3,049	3,049	1,506	-	30	1,536	1,513	1,543
<b>Total as of June 30, 2018</b>	<b>3,778</b>	<b>3,778</b>	<b>1,506</b>		<b>30</b>	<b>1,536</b>	<b>2,242</b>	
<b>Total as of December 31, 2017</b>	<b>3,778</b>	<b>3,778</b>	<b>1,445</b>		<b>61</b>	<b>1,506</b>		<b>2,272</b>

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### METROGAS S.A.

#### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 12. INTANGIBLE ASSETS

MAIN ACCOUNT	ORIGINAL VALUE					DEPRECIATION					NET BOOK VALUE 06.30.18	NET BOOK VALUE 12.31.17
	AT BEGINNING OF YEAR	INCREASES	TRANSFERS	DECREASE	AT END OF PERIOD	ACCUMULATED AT BEGINNING OF YEAR	ANNUAL RATE	INCREASES	DECREASE	ACCUMULATED AT END OF PERIOD		
Software development in progress	121,036	225,427	(3,222)	0	343,241	0		-	-	-	343,241	121,036
Software	71,537	28,850	3,222	0	103,609	14,949	20%	6,178	-	21,127	82,482	56,588
<b>Total as of June 30, 2018</b>	<b>192,573</b>	<b>254,277</b>	<b>0</b>	<b>0</b>	<b>446,850</b>	<b>14,949</b>		<b>6,178</b>	<b>-</b>	<b>21,127</b>	<b>425,723</b>	
<b>Total as of December 31, 2017</b>	<b>129,372</b>	<b>63,201</b>	<b>0</b>	<b>0</b>	<b>192,573</b>	<b>4,077</b>		<b>10,872</b>	<b>-</b>	<b>14,949</b>		<b>177,624</b>

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 13. TRADE RECEIVABLES

	<u>06.30.18</u>	<u>12.31.17</u>
<b>Current</b>		
Trade receivables - gas distribution and transportation	2,337,763	1,706,562
Trade receivables - gas commercialization and transportation	588,064	246,851
Unbilled revenues - gas distribution and transportation	3,179,923	1,017,327
Unbilled revenues - gas commercialization and transportation	524,967	437,914
Related parties (Note 30)	43,165	49,359
Tax on banking transactions to be recovered	37,778	41,346
Study rate, revision and inspection in the public thoroughfare of the GCABA (Transferable balance)	129,631	61,767
Health and Safety rate (Transferable balance)	17,525	6,970
Allowance for doubtful accounts - gas distribution and transportation	(175,917)	(92,717)
Allowance for doubtful accounts - gas commercialization and transportation	(132,142)	(71,355)
<b>Total Current</b>	<b><u>6,550,757</u></b>	<b><u>3,404,024</u></b>

The aging analysis of the trade receivables is as follows:

	<u>06.30.18</u>	<u>12.31.17</u>
-Past due		
under 3 months	681,961	538,926
from 3 to 6 months	148,843	174,980
from 6 to 9 months	121,783	86,382
from 9 to 12 months	115,239	65,141
from 1 to 2 years	95,548	51,279
more than 2 years	184,468	105,406
Subtotal	<b><u>1,347,842</u></b>	<b><u>1,022,114</u></b>
-Becoming due		
under 3 months	5,335,350	2,445,983
from 3 to 6 months	156,736	79,199
from 6 to 9 months	9,444	10,413
from 9 to 12 months	9,444	10,387
Subtotal	<b><u>5,510,974</u></b>	<b><u>2,545,982</u></b>
Allowance for doubtful accounts	(308,059)	(164,072)
<b>Total</b>	<b><u>6,550,757</u></b>	<b><u>3,404,024</u></b>

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**METROGAS S.A.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

The carrying amount of the Company's trade receivables is denominated in the following currencies:

	<u>06.30.18</u>	<u>12.31.17</u>
Pesos	5,811,882	2,977,434
US Dollars	738,875	426,590
<b>Total</b>	<b><u>6,550,757</u></b>	<b><u>3,404,024</u></b>

The roll forward of the allowance for doubtful accounts for trade receivables and other receivables is as follow:

	<u>06.30.18</u>	<u>12.31.17</u>
<b>Balance at beginning of year</b>	180,603	115,814
Revaluation of foreign currency	45,546	11,621
Increases (*)	85,806	56,898
Decreases	(68)	(3,730)
<b>Balance at end of period</b>	<b><u>311,887</u></b>	<b><u>180,603</u></b>

(\*) Charged to Doubtfull account expenses (see Note 25 - Expenses by nature).

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

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#### 14. OTHER RECEIVABLES

	<u>06.30.18</u>	<u>12.31.17</u>
<b>Non current:</b>		
Social security and tax credits	6,856	12,948
Advances to employees	1,467	1,439
Recoverable expenses	80	25
Public Space Occupation Rates -Transferable balance	92,437	52,797
Expenses paid in advance	5,816	6,279
<b>Total non current</b>	<b><u>106,656</u></b>	<b><u>73,488</u></b>
<b>Current:</b>		
Advances to employees	4,479	2,308
MPIT credit (Note 28)	91,299	95,332
Insurance paid in advance	2,751	1,474
Expenses paid in advance	17,166	6,353
Social security and tax credits	76,185	50,149
Recoverable expenses	28,202	9,019
Related parties (Note 30)	6,657	8,981
Related parties - Resolution MINEM No. 508-E/2017	515,315	-
Advances to suppliers	106,620	71,414
Advances and anticipated purchases of gas	24,858	17,411
Management service for third parties constructions	-	3,449
Miscellaneous	65,985	96,629
Allowance for doubtful accounts - gas distribution and transportation	(3,828)	(16,531)
<b>Total current</b>	<b><u>935,689</u></b>	<b><u>345,988</u></b>
<b>Total</b>	<b><u><u>1,042,345</u></u></b>	<b><u><u>419,476</u></u></b>

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**METROGAS S.A.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

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The aging analysis of the other receivables is as follows:

	<b>06.30.18</b>	<b>12.31.17</b>
-Past due		
under 3 months	19,887	10,864
from 3 to 6 months	1,781	20,280
from 6 to 9 months	5,795	15,451
from 9 to 12 months	19,867	8,328
from 1 to 2 years	37,592	14,557
more than 2 years	2,672	2,114
Subtotal	<b>87,594</b>	<b>71,594</b>
-Without due	4,895	4,901
-Becoming due		
under 3 months	724,378	158,710
from 3 to 6 months	9,315	26,340
from 6 to 9 months	1,828	4,496
from 9 to 12 months	111,507	96,478
from 1 to 2 years	96,779	56,800
more than 2 years	9,877	16,688
Subtotal	<b>953,684</b>	<b>359,512</b>
Allowance for doubtful accounts	(3,828)	(16,531)
<b>Total</b>	<b>1,042,345</b>	<b>419,476</b>

The carrying amount of the Company's other receivables is denominated in the following currencies:

	<b>06.30.18</b>	<b>12.31.17</b>
Pesos	1,011,208	410,387
US Dollars	31,137	9,089
<b>Total</b>	<b>1,042,345</b>	<b>419,476</b>



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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 15. CASH AND CASH EQUIVALENTS

In order to be considered for the statements of cash flow, cash and cash equivalents is as follows:

	<u>06.30.18</u>	<u>12.31.17</u>
Cash and banks	339,008	322,864
Mutual funds (1)	384,702	166,946
Short-term investments (1)	<u>37,641</u>	<u>2,569</u>
<b>Total</b>	<b><u>761,351</u></b>	<b><u>492,379</u></b>

(1) As of June 30, 2018, the Company focused on US\$ forward transactions, guaranteed by government securities (30-day LEBAC) and mutual funds to the amount of 36,393 and 192,611 respectively (See Note 18 of the condensed interim financial statements).

The carrying amount of the Company's cash and cash equivalents is denominated in the following currencies:

	<u>06.30.18</u>	<u>12.31.17</u>
Pesos	750,714	483,549
US Dollars	<u>10,637</u>	<u>8,830</u>
<b>Total</b>	<b><u>761,351</u></b>	<b><u>492,379</u></b>

As of June 30, 2018 and December 31, 2017, funds collected and pending to be deposit for Trust Funds and Resolution I-2,621/2013 amount to 17,073 and 12,614, respectively.

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 16. SHAREHOLDERS' EQUITY AND ISSUED CAPITAL

As of June 30, 2018, the issued capital of MetroGAS amounts to 569,171, which is fully subscribed, registered and paid-in and it is composed of the following classes of shares:

Classes of shares	Subscribed, registered and paid in
Outstanding:	
Common Certified Shares, of Ps. 1 Par Value and 1 Vote each:	
Class "A"	290,277
Class "B"	278,894
<b>Issued Capital at 06.30.18</b>	<b><u>569,171</u></b>

Of the total corporate stock as at June 30, 2018, 70% belongs to YPF S.A.

As of June 30, 2018 and as of December 31, 2017, the Company registered a positive Shareholders' equity attributable to controlling interest of 6,785,124 and 8,985,219, respectively.

On December 28, 2016, MetroGAS received from the ENARGAS a note requesting to adapt the Company's share composition in accordance with the due date stipulated in the Emergency Law and in compliance with article No. 34 of Law No. 24,067. The Company has asked to examine all antecedents of the request from the ENARGAS and, as it considers that what has been requested mainly concerns its controlling shareholder, it has served notice in order to adopt those actions that are deemed appropriate.

On April 6, 2018, MetroGAS was notified that the ENARGAS rejected the appeal for reconsideration submitted by YPF on March 30, 2017. As of the date of issuance of these financial statements YPF is analyzing the following legal steps to the previously mentioned.

On July 26, 2018, the CNV approved to transfer the public offering authorization duly granted to the Company in relation with 3,868 Class C, ordinary, book-entry shares to an equal amount of Class B, ordinary, book-entry shares, due to the conversion of shares requested by MetroGAS and approved by the extraordinary and Special Shareholders Meeting of Classes B and C held on October 16, 2015.

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**METROGAS S.A.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

**17. OTHER TAXES PAYABLES**

	<u>06.30.18</u>	<u>12.31.17</u>
<b>Non current:</b>		
Others taxes	2,146	3,011
<b>Subtotal non current</b>	<u>2,146</u>	<u>3,011</u>
<b>Current:</b>		
Value added tax	144,915	84,109
GCABA study, revision and inspection of works in public space levy	236,935	168,648
GNC Tax	32	4,845
Turnover tax	114,675	76,296
Provincial and municipal taxes	64,660	100,387
Withholding to third parties	15,030	16,312
Others taxes	2,309	2,109
<b>Subtotal current</b>	<u>578,556</u>	<u>452,706</u>
<b>Total</b>	<u><u>580,702</u></u>	<u><u>455,717</u></u>

The carrying amount of the Company's other taxes payables are denominated in pesos.

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

The aging analysis of other taxes payables is as follows:

	<b>06.30.18</b>	<b>12.31.17</b>
-Without due	294,340	235,326
-Becoming due		
under 3 months	280,177	213,967
from 3 to 6 months	357	2,704
from 6 to 9 months	362	352
from 9 to 12 months	3,320	357
from 1 to 2 years	1,617	1,707
more than 2 years	529	1,304
Subtotal	286,362	220,391
<b>Total</b>	<b>580,702</b>	<b>455,717</b>

## 18. FINANCIAL DEBT

	<b>06.30.18</b>	<b>12.31.17</b>
<b>Non current:</b>		
Financial loans	5,560,866	-
<b>Subtotal Non current</b>	<b>5,560,866</b>	<b>-</b>
<b>Current:</b>		
Negotiable Obligations ("Notes")	-	3,330,324
Interest to be paid ("Notes")	-	1,169
Related parties (Interest "Notes") - (Note 30)	-	77,572
Financial loans	1,596,919	-
Interest to be paid - Financial loans	34,101	-
Current account advances	-	20,610
<b>Subtotal Current</b>	<b>1,631,020</b>	<b>3,429,675</b>
<b>Total</b>	<b>7,191,886</b>	<b>3,429,675</b>

As of June 30, 2018, financial debt denominated in U.S. dollars amounted to 7,191,886. As of December 31, 2017, financial debt denominated in U.S. dollars amounted to 3,409,065 thousand and financial debt denominated in pesos amounted to 20,610.

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission ("CNV").  
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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

The table below shows the changes occurred in the balance of financial debt as of June 30, 2018 and December 31, 2017:

	<u>06.30.18</u>	<u>12.31.17</u>
Balance at beginning of year	3,429,675	2,894,594
Accrued interest at effective interest rate - Notes	109,498	453,550
Accrued interest on YPF line of credit	-	15,921
Loss due to cancellation - Notes	173,829	-
Accrued interest on bank loans	102,312	-
Accrued interest on current account advances	4,824	-
Accrued interest for the costs of debt issuance	6,433	-
Exchange difference	2,457,504	502,724
YPF loan payment	-	(126,043)
YPF interest payment	-	(41,255)
Interest payment	(78,076)	(290,426)
Payment for cancellation of Notes	(3,983,649)	-
Proceeds from loans	5,050,000	-
Costs of debt issuance	(59,854)	-
Current account advances	(20,610)	20,610
<b>Balance at end of period</b>	<b><u>7,191,886</u></b>	<b><u>3,429,675</u></b>

The aging analysis of financial debt is as follows:

	<u>06.30.18</u>	<u>12.31.17</u>
-Becoming due		
under 3 months	31,252	20,610
from 3 to 6 months	(2,850)	331,695
from 6 to 9 months	801,309	-
from 9 to 12 months	801,309	3,077,370
from 1 to 2 years	3,181,139	-
more than 2 years	2,379,727	-
Subtotal	<u>7,191,886</u>	<u>3,429,675</u>
<b>Total</b>	<b><u>7,191,886</u></b>	<b><u>3,429,675</u></b>

On February 8, 2018, MetroGAS took a non-guaranteed loan with (i) the Industrial and Commercial Bank of China Limited-Dubai (DIFC) Branch and (ii) the Itaú Unibanco-New York Branch- ("financial creditors"), for a total amount of USD 250 million for a thirty six- month term and amortizable in nine quarterly installments counting as of twelve months since the date of payment ("the Loan").

The Loan considers (i) a quarterly payment interest at a rate determined by LIBOR plus an annual nominal margin of (a) 3% during the first twelve months; (b) 3.50% as of month thirteen up to month eighteen; (c) 3.75% as of month nineteen up to month twenty four; and (d) 4% as of month twenty five up to the loan's due date.

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Once the Loan has been received, the Company allocated these funds: a) to rescue the total number of Notes (see Note 18.2 to the condensed interim consolidated financial statements), b) to refinance current liabilities; and c) to finance working capital.

According to the terms and conditions of the loan, the Company have to comply with a number of financial commitments that are generally stipulated for this kind of transactions, including certain restrictions, that, among others, and in general terms are enumerated as follows:

- a) **Indebtedness:** The Lender will not allow the Company, and shall not allow any of its Subsidiaries to incur, assume or guarantee any indebtedness, other than the indebtedness due to refinancing of the present financial debt or when the indebtedness is not higher than US\$ 50 million, among others.
- b) **Restricted Payments:** the Company shall not be able to make restricted payments, including among others dividends payment, expect after having received the final approval of the License Renegotiation Agreement by the PEN. At the same time, during fiscal year to be ended on December 31, 2018, the amount to be paid for dividends shall not exceed 10% of the Net Income of that year, and 60% for the following years; besides the Debt Indicator/EBITDA shall not be higher than twice the EBITDA.
- c) **Financial Indicators:** the Company shall keep an interest Coverage Indicator understood as EBITDA/Financial interests not lower than 3.00; the Debt indicator/EBITDA shall not be higher than 3.00 until June 30, 2018, and higher than 2.50 as of that date up to the expiration date of the agreement; the company's net income at each quarterly closure up to September 30, 2018 shall not be lower than \$ 8.000 million, as of that date up to September 30, 2019 shall not be lower than \$ 9.200 million, as of that date up to September 30, 2020 shall not be lower than \$ 10.120 million and as of that date up to the end of the agreement shall not be lower than \$ 11.132 million.

Under the original terms and conditions of the loan agreement, some of the financial indicators would not have been met as of June 30, 2018, which could have accelerated the maturities of the financial liabilities.

Notwithstanding this, on June 30, 2018, financial creditors formally agreed to exempt MetroGAS from complying with the mentioned contract-bound financial indicators.

#### 18.1 Derivative Financial Instruments

The Company in mainly exposed to the fluctuation of the US Dollar exchange rate in relation with the Argentine Peso considering that MetroGAS total financial debt is in US\$.

In order to mitigate exchange rate risks, during this period MetroGAS focused on US\$ forward transactions to cover the risk exposure associated to the exchange rate arisen from its financial debt.

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## METROGAS S.A.

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

The derivative financial instruments are initially recognized at its reasonable value as of date of execution of the derivative contract and subsequent changes in that reasonable value are registered in the statement of Profit and Loss and other Comprehensive Income.

The method to recognize the resulting profit or loss depends on whether the derivative acted as a hedge instrument and, in that case, also on the nature of item being covered. To date, MetroGAS has not applied the coverage accounting pursuant to IFRS 9 to none of its derivative financial instruments in force.

The Company does not hire or negotiate derivative financial instruments with speculation purposes.

The US\$ forward contracts are settled on a daily basis and profits and losses on each item are registered under the period result. Therefore, the reasonable value of derivative instruments as of June 30, 2018 is zero.

The daily settlements profit for the six-month period ended on June 30, 2018 was included as "Exchange difference on financial debt" under "Finance costs" in the statement of Profit and Loss and other Comprehensive Income.

Contracts are guaranteed for 229,004 made up of 192,611 in Mutual Funds fair shares, and Government Securities for 36,393, which is detailed under "Cash and cash equivalents". They may be cancelled in advance, and so may the related guarantees.

#### **18.2 Negotiable Obligations**

Information related with negotiable obligations is detailed in Note 18 to the consolidated financial statements as of December 31, 2017.

On February 27, 2018, the total number of Notes at a Rescue Price equal to 100% of the capital amount of the Notes to be rescued, with and plus accrued and unpaid interests, and every other amount owed at the time of the Rescue. Notes shall stop accruing interests on and after Rescue Date. For all intents and purposes under the Fund trust Agreement, Notes shall not be considered valid as of and after Rescue Date, inasmuch as Rescue Price is deposited by the Trustee according to the Trust fund Agreement, and all rights related to the Notes, shall cease on Rescue Date. The payment of the Rescue Price has been made through The Bank of New York Mellon.

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**METROGAS S.A.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

**19. REORGANIZATION LIABILITIES**

	<u>06.30.18</u>	<u>12.31.17</u>
<b>Non current:</b>		
Taxes payable	26,344	8,413
Trade payables	23	23
Salaries and social security	10	10
<b>Total Non current</b>	<u><u>26,377</u></u>	<u><u>8,446</u></u>

The carrying amount of the Company's reorganization liabilities are denominated in pesos and has not maturity.

During the six-month period ended on June 30, 2018, the Company accrued the interest that would correspond to the creditors at the end of the period.



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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 20. PROVISIONS

<b>Provisions</b>	Civil, labor and other claims	Tax claims and other fines	Regulatory claims and interpretation disagreements	Claims against The Government	Total
<b>Balance at 12.31.17</b>	<b>118,084</b>	<b>342</b>	<b>17,481</b>	<b>206,568</b>	<b>342,475</b>
Net increases of the period (*)	39,238	360,131	(6,925)	11,854	404,298
Reclassification to other accounts payable	-	(108)	1,781	-	1,673
Uses of the period	(3,860)	-	-	-	(3,860)
<b>Balance at 06.30.18</b>	<b>153,462</b>	<b>360,365</b>	<b>12,337</b>	<b>218,422</b>	<b>744,586</b>

(\*) Charge to Other income and expenses (see Note 26 to the condensed interim consolidated financial statements).

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 20.1 Tax Claims and other Penalties

On May 11, 2018 the Administración Nacional de Ingresos Públicos (“AFIP”) notified MetroGAS of a debt for Social Security Contributions – Employer corresponding to a difference in the Social Security contributions tax rate declared by the Company, as to the fiscal periods 06/2010 to 12/2016. Said difference arises because AFIP left the Company out of the provisions of section 2, paragraph b) of Decree 814/2001, and thus the contribution tax rate shall not be 17%. The claimed amount is 249,372 made up of 197,736 outstanding capital plus 51,636 penalty.

On June 4, 2018, MetroGAS contested the inspection and infringement records, requesting to revoke claimed contribution differences and the penalty applied, and in turn request AFIP to close the proceedings.

Therefore, on June 30, 2018 the Company registered a provision amounting to 359,056 for these concepts, which includes the debt claimed by the treasury and the tax periods 01/2017 to 06/2018.

#### 21. TRADE PAYABLES

	<u>06.30.18</u>	<u>12.31.17</u>
<b>Non current:</b>		
Related parties (Note 30)	-	71,146
<b>Total Non current</b>	<u>-</u>	<u>71,146</u>
<b>Current:</b>		
Gas and transportation creditors	2,408,179	1,570,416
Provision for daily differences for gas purchases	588,205	-
Other purchases and services creditors	1,030,833	255,907
Trust Fund and Resolution No. I-2,621/2013	17,073	12,614
Related parties (Note 30)	2,884,219	2,018,353
Related parties - provision for daily differences for gas purchases (Note 30)	333,763	-
<b>Total current</b>	<u>7,262,272</u>	<u>3,857,290</u>
<b>Total</b>	<u><u>7,262,272</u></u>	<u><u>3,928,436</u></u>

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

The carrying amount of the Company's trade payables are denominated in the following currencies:

	<u>06.30.18</u>	<u>12.31.17</u>
Pesos	1,641,997	3,272,101
US Dollars	5,618,344	656,183
Euros	1,855	-
Sterling pound	76	152
<b>Total</b>	<b><u>7,262,272</u></b>	<b><u>3,928,436</u></b>

The aging analysis of the trade payables is as follows:

	<u>06.30.18</u>	<u>12.31.17</u>
-Past due		
under 3 months	52,517	634,992
from 3 to 6 months	357	136,272
from 6 to 9 months	1,998	19,542
from 9 to 12 months	14	90,751
from 1 to 2 years	5,116	397,639
more than 2 years	1,275	1,430
Subtotal	<u>61,277</u>	<u>1,280,626</u>
-Becoming due		
under 3 months	6,065,684	2,044,740
from 3 to 6 months	1,135,311	166,334
from 6 to 9 months	-	176,779
from 9 to 12 months	-	188,811
from 1 to 2 years	-	71,146
Subtotal	<u>7,200,995</u>	<u>2,647,810</u>
<b>Total</b>	<b><u>7,262,272</u></b>	<b><u>3,928,436</u></b>

## 22. SALARIES AND SOCIAL SECURITY

	<u>06.30.18</u>	<u>12.31.17</u>
Salaries	7,688	41,505
Social securities	52,897	46,011
Related parties (Note 30)	5,539	16,552
Vacation provision	121,453	89,204
Bonus provision	66,082	59,639
Others	3,114	326
<b>Total</b>	<b><u>256,773</u></b>	<b><u>253,237</u></b>

The carrying amount of the Company's salaries and social security are denominated in pesos.

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

The aging analysis of the salaries and social security is as follows:

	<u>06.30.18</u>	<u>12.31.17</u>
-Becoming due		
under 3 months	145,803	130,430
from 3 to 6 months	22,243	87,386
from 6 to 9 months	77,404	17,451
from 9 to 12 months	11,323	17,970
Subtotal	<u>256,773</u>	<u>253,237</u>
<b>Total</b>	<b><u>256,773</u></b>	<b><u>253,237</u></b>

### 23. OTHER ACCOUNTS PAYABLE

	<u>06.30.18</u>	<u>12.31.17</u>
Payables for works on behalf of third parties	3,538	29,280
ENARGAS' Fines	2,336	2,356
GCBA' Fines	780	542
Miscellaneous	504	503
<b>Total</b>	<b><u>7,158</u></b>	<b><u>32,681</u></b>

The carrying amount of the Company's other accounts payable is denominated in pesos.

The aging analysis of the other accounts payables is as follows:

	<u>06.30.18</u>	<u>12.31.17</u>
-Without due	<u>2,336</u>	<u>2,356</u>
-Becoming due		
under 3 months	4,270	29,920
from 3 to 6 months	276	135
from 6 to 9 months	276	135
from 9 to 12 months	-	135
Subtotal	<u>4,822</u>	<u>30,325</u>
<b>Total</b>	<b><u>7,158</u></b>	<b><u>32,681</u></b>

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 24. REVENUES

	For the six-months period ended,		For the three-months period ended,	
	06.30.18	06.30.17	06.30.18	06.30.17
<i>Gas sales:</i>				
Residential	5,531,850	2,779,543	4,067,892	2,080,257
Industrial, Commercial and Governmental entities	650,855	358,205	384,992	306,947
Compressed Natural Gas	8,671	473,640	4,277	132,006
Subtotal	6,191,376	3,611,388	4,457,161	2,519,210
<i>Transportation and distribution Services:</i>				
Power Plants	543,162	200,926	284,268	107,131
Industrial, Commercial and Governmental entities	296,818	112,073	201,738	28,448
Compressed Natural Gas	190,698	32,400	116,015	32,400
Subtotal	1,030,678	345,399	602,021	167,979
Other sales	91,271	53,550	58,353	33,581
Resolution MINEM No. 508-E/2017	911,771	-	634,041	-
MetroENERGÍA's gas sales and transportation	2,789,482	1,563,984	1,510,564	1,014,082
Total	<b>11,014,578</b>	<b>5,574,321</b>	<b>7,262,140</b>	<b>3,734,852</b>

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 25. EXPENSES BY NATURE

	For the six-months period ended,				06.30.17
	06.30.18			TOTAL	
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	TOTAL
Payroll and other employees benefits	243,525	216,033	132,348	591,906	455,569
Social security contributions	55,738	31,626	30,655	118,019	84,698
Cost of natural gas - gas distribution and transportation	3,996,189	-	-	3,996,189	1,413,170
Transportation of natural gas - gas distribution and transportation	1,714,174	-	-	1,714,174	624,633
Cost and transportation of natural gas - gas commercialization and transportation	2,543,030	-	-	2,543,030	1,421,009
Directors and Supervisory committee fees	-	2,088	-	2,088	1,603
Fees for professional services	288	12,596	3,330	16,214	9,670
Sundry materials	14,053	-	-	14,053	8,533
Fees for sundry services	73,436	24,202	84,662	182,300	122,893
Post and telephone	1,601	6,413	70,150	78,164	47,095
Rent and leases	134	-	3,308	3,442	2,913
Transportation and freight charges	-	11,555	-	11,555	5,432
Office materials	1,152	2,610	2,227	5,989	3,204
Travelling expenses	1,405	670	874	2,949	1,879
Insurance premium	-	15,855	1	15,856	10,556
Properties, plant and equipment maintenance and repair	104,815	76,765	9	181,589	123,804
Properties, plant and equipment, Investment properties and Intangible assets depreciation	312,502	16,546	-	329,048	187,732
Taxes, rates and contributions	2,585	69,022	272,922	344,529	324,187
Publicity	-	-	11,142	11,142	8,345
Doubtful accounts	-	-	85,806	85,806	20,125
Bank expenses and commissions	-	1,007	51,875	52,882	47,925
Others expenses	640	210	7,204	8,054	3,693
<b>Total as of June 30, 2018</b>	<b>9,065,267</b>	<b>487,198</b>	<b>756,513</b>	<b>10,308,978</b>	
<b>Total as of December 31, 2017</b>	<b>4,032,204</b>	<b>380,345</b>	<b>516,119</b>		<b>4,928,668</b>

The expenses included in the above table are net of the Company’s own expenses capitalized in properties, plant and equipment and intangible assets for 48,424 at June 30, 2018 and for 20,607 at June 30, 2017.

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### METROGAS S.A.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

	For the three-months period ended,				06.30.17
	06.30.18			TOTAL	
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	TOTAL
Payroll and other employees benefits	138,264	119,220	72,952	330,436	258,207
Social security contributions	31,407	20,288	17,041	68,736	48,756
Cost of natural gas - gas distribution and transportation	3,234,279	-	-	3,234,279	1,059,428
Transportation of natural gas - gas distribution and transportation	1,028,449	-	-	1,028,449	388,489
Cost and transportation of natural gas - gas commercialization and transportation	1,385,434	-	-	1,385,434	919,931
Directors and Supervisory committee fees	-	1,174	-	1,174	847
Fees for professional services	170	5,266	2,151	7,587	4,990
Sundry materials	6,878	-	-	6,878	6,853
Fees for sundry services	39,049	14,101	45,214	98,364	66,358
Post and telephone	653	3,390	39,454	43,497	24,689
Leases	68	-	1,748	1,816	1,262
Transportation and freight charges	-	6,257	-	6,257	2,656
Office materials	548	1,758	1,330	3,636	1,792
Travelling expenses	843	377	677	1,897	1,177
Insurance premium	-	7,864	1	7,865	5,343
Properties, plant and equipment maintenance and repair	57,541	40,140	-	97,681	75,572
Properties, plant and equipment and Investment properties depreciation	156,838	8,346	-	165,184	160,091
Taxes, rates and contributions	1,417	35,242	157,167	193,826	178,106
Publicity	-	-	7,299	7,299	5,881
Doubtful accounts	-	-	13,171	13,171	7,940
Bank expenses and commissions	-	551	27,212	27,763	27,860
Others expenses	-	(4,989)	5,035	46	2,866
<b>Total as of June 30, 2018</b>	<b>6,081,838</b>	<b>258,985</b>	<b>390,452</b>	<b>6,731,275</b>	
<b>Total as of June 30, 2017</b>	<b>2,739,032</b>	<b>200,690</b>	<b>309,372</b>		<b>3,249,094</b>

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 26. OTHER INCOME AND EXPENSES

	For the six-months period ended,		For the three-months period ended,	
	06.30.18	06.30.17	06.30.18	06.30.17
Leases	13,182	-	13,182	-
GCBA' Fines	(539)	(226)	(99)	(153)
Contractors penalties	8,035	2,196	6,625	1,501
Management service for third parties constructions	107	2,802	43	1,392
Other income	1,969	5,181	948	3,009
Increases in provisions for claims and contingencies and others	(404,298)	(74,114)	(382,444)	154
<b>Total</b>	<b>(381,544)</b>	<b>(64,161)</b>	<b>(361,745)</b>	<b>5,903</b>



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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 27. NET FINANCIAL RESULTS

##### Finance income

	For the six-months period ended,		For the three-months period ended,	
	06.30.18	06.30.17	06.30.18	06.30.17
Financial assets at fair value	72,175	48,228	42,320	31,798
Interest income	70,525	28,063	42,675	17,431
Exchange difference on cash and cash equivalents	100	237	13,515	344
Exchange difference on commercial operations	140,456	12,950	127,603	13,816
Other financial expenses	2,460	161	(1,467)	662
	<b>285,716</b>	<b>89,639</b>	<b>224,646</b>	<b>64,051</b>

##### Finance costs

	For the six-months period ended,		For the three-months period ended,	
	06.30.18	06.30.17	06.30.18	06.30.17
Exchange difference on financial debt (*)	2,010,566	138,335	1,738,172	225,923
Exchange difference on commercial debt	1,030,345	12,211	996,680	19,446
Accrued interest on financial debt	223,067	210,708	84,324	107,455
Accrued interest on YPF line of credit (Note 30)	-	13,110	-	5,406
Accrued interest on commercial debt	183,707	40,486	41,149	19,081
Loss due to cancellation - Notes	173,829	-	-	-
Other financial expenses	106,353	13,690	69,380	6,816
	<b>3,727,867</b>	<b>428,540</b>	<b>2,929,705</b>	<b>384,127</b>

(\*)As of June 30, 2018, it includes 446,938 corresponding to the profit for US\$ forward transactions carried out by the Company (See Note 18 of the condensed interim financial statements).

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

#### 28. INCOME TAX AND MINIMUM PRESUMED INCOME TAX

The following table shows the changes and breakdown of deferred income tax assets and liabilities:

##### MetroGAS

##### Deferred income tax assets

##### Deferred tax assets

	Tax losses	Trade receivables and Other receivables	Provisions	Total deferred tax assets
Balances at 12.31.17	535,663	16,851	73,240	625,754
Movements of the period	688,610	18,691	99,963	807,264
<b>Balances at 06.30.18</b>	<b>1,224,273</b>	<b>35,542</b>	<b>173,203</b>	<b>1,433,018</b>

##### Deferred income tax liabilities

	Properties, plant and equipment revaluation	Properties, plant and equipment	Financial debt	Cash and cash equivalents	Others	Total deferred tax liabilities	Total net deferred tax liabilities
Balances at 12.31.17	(3,173,328)	(137,384)	(65,736)	-	-	(3,376,448)	(2,750,694)
Movements of the period	80,042	3,711	65,736	(1,946)	-	147,543	954,807
<b>Balances at 06.30.18</b>	<b>(3,093,286)</b>	<b>(133,673)</b>	<b>-</b>	<b>(1,946)</b>	<b>-</b>	<b>(3,228,905)</b>	<b>(1,795,887)</b>

##### MetroENERGÍA

##### Deferred income tax assets (liabilities)

	Investments	Total
Balances at 12.31.17	(342)	(342)
Movements of the period	230	230
<b>Balances at 06.30.18</b>	<b>(112)</b>	<b>(112)</b>

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

Below is the reconciliation between the income tax charged to results and the amount resulting from the application of the corresponding tax rate to the accounting result before income tax:

	For the six-months period ended,		For the three-months period ended,	
	06.30.18	06.30.17	06.30.18	06.30.17
Income tax expense on result before income tax	935,429	(84,907)	760,782	(60,055)
<u>Tax effect due to:</u>				
Net non deductible expenses and non taxable income	(17,579)	(1,593)	(23,761)	(1,048)
Tax loss carry forwards recognized / (not recognized)	-	492,903	-	90,001
<b>Total income tax credit to results</b>	<b>917,850</b>	<b>406,403</b>	<b>737,021</b>	<b>28,898</b>

Below is the reconciliation between the income tax charged to results and the income tax determined for fiscal purposes:

	For the six-months period ended,		For the three-months period ended,	
	06.30.18	06.30.17	06.30.18	06.30.17
Income tax determined for fiscal purposes MetroGAS	688,610	(85,801)	627,423	(10,528)
Current income tax MetroENERGÍA	(37,187)	(23,140)	(24,717)	(16,171)
Temporary differences	266,427	22,441	134,315	(34,404)
Tax loss carry forwards recognized / (not recognized)	-	492,903	-	90,001
<b>Total income tax credit to results</b>	<b>917,850</b>	<b>406,403</b>	<b>737,021</b>	<b>28,898</b>

The credit for tax losses registered as of June 30, 2018 amounts to 1,224,273 and the credit for MPIT to 91,299.

The table below sets forth the years in which the credits for tax losses as of June 30, 2018 expire:

Expiration year	Deferred tax losses assets
2019	190,513
2020	218,310
2021	126,840
2023	688,610
<b>TOTAL</b>	<b>1,224,273</b>

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

The charge for income tax and minimum presumed income tax for the six-month period ended June, 2018 and 2017 is as follows:

	For the six-months period ended,		For the three-months period ended,	
	06.30.18	06.30.17	06.30.18	06.30.17
Income tax deferred MetroGAS	954,807	430,457	761,012	45,539
MetroENERGÍA income tax	(36,957)	(24,054)	(23,991)	(16,641)
Minimum presumed income tax recognized in the period (before years)	-	69,073	-	-
<b>Total income tax and MPIT charged</b>	<b>917,850</b>	<b>475,476</b>	<b>737,021</b>	<b>28,898</b>

The table below shows the years in which credits for MPIT expire as of June 30, 2018:

Expiration year	Credit at end of period
2018	10,399
2020	14,211
2023	15,179
2027	51,510
<b>TOTAL</b>	<b>91,299</b>

## 29. NET RESULT PER SHARE

The following table shows the net results and the number of shares that have been used to calculate the net basic result per share:

	For the six-months period ended,		For the three-months period ended,	
	06.30.18	06.30.17	06.30.18	06.30.17
Net and comprehensive result for the period attributable to controlling interest	(2,200,095)	718,366	(1,797,247)	201,446
Average of common shares outstanding	569,171	569,171	569,171	569,171
<b>Net basic and diluted result per share</b>	<b>(3,87)</b>	<b>1,26</b>	<b>(3,16)</b>	<b>0,35</b>

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## **METROGAS S.A.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

#### **30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

MetroGAS carries out operations and transactions with related parties according to general market conditions, which are part of the normal operation of the Company, with respect to their purposes and conditions.

The sale of transportation from MetroGAS to MetroENERGÍA was made on the basis of the tariffs applicable by MetroGAS for its commercial operations with third parties, in compliance with the regulations in force.

There are, at the same time, agreements for the Rendering of Professional Services provided by MetroGAS to MetroENERGÍA related to administrative, accounting, tax, financial, and legal aspects and all those that contribute to the common turn and operations of MetroENERGÍA.

The information described in the following charts shows the balances with related companies as of June 30, 2018 and December 31, 2017, as well as operations with these companies for the six months periods ended on June 30, 2018 and 2017.

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### METROGAS S.A.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

The transactions shown below have been made with related parties:

	For the six-months period ended,								
	06.30.18								
	Gas & transportation sales	Resolution MINEM No. 508-E/2017	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
<b>Controlling company:</b>									
YPF	1,950	-	1,826,356	3,795	6,371	-	93,820	-	-
<b>Other related parties:</b>									
Central Dock Sud S.A.	103,067	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	4,249	-	-	-	-	-	-	-	-
A-Evangelista S.A.	1,390	-	-	-	-	-	-	-	-
ENARSA	2	-	170,163	-	-	-	83,883	-	-
Profertil S.A.	12,515	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A.	-	-	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	5,347	-	-	-
Correo Argentino S.A.	130	-	-	-	-	-	-	296	-
Banco de la Nación Argentina	668	-	-	-	-	-	-	-	-
MINEM	-	911,771	-	-	-	-	-	-	-
Compañía Administradora del Mercado									
Mayorista Eléctrico S.A.	7,805	-	-	-	-	-	-	-	-
Others (1)	2,073	-	-	-	-	-	-	-	-
<b>Key directors and management:</b>	-	-	-	-	-	-	-	-	35,770
	<b>133,849</b>	<b>911,771</b>	<b>1,996,519</b>	<b>3,795</b>	<b>6,371</b>	<b>5,347</b>	<b>177,703</b>	<b>296</b>	<b>35,770</b>

(1) Includes balances with Aerolíneas Argentinas S.A.

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## METROGAS S.A.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

	For the six-months period ended,								
	06.30.17								
	Gas & transportation sales	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs on loans	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
<b>Controlling company:</b>									
YPF	2,573	509,982	2,027	3,435	-	13,110	10,449	-	-
<b>Other related parties:</b>									
Central Dock Sud S.A.	39,939	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	16,435	-	-	-	-	-	-	-	-
A-Evangelista S.A.	832	-	-	-	-	-	-	-	-
ENARSA	-	65,986	-	-	-	-	19,598	-	-
Profertil S.A.	97,733	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	26,282	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	3,479	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	437	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	4,206	-	-	-	-	-	-	-	-
Others (1)	639	-	-	-	-	-	-	-	-
<b>Key directors and management:</b>	-	-	-	-	-	-	-	-	24,599
	<b>162,357</b>	<b>602,250</b>	<b>2,027</b>	<b>3,435</b>	<b>3,479</b>	<b>13,110</b>	<b>30,047</b>	<b>437</b>	<b>24,599</b>

(1) Includes balances with Aerolíneas Argentinas S.A. and the Ministerio del Interior y Transporte.

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### METROGAS S.A.

#### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

	For the three-months period ended,								
	06.30.18								
	Gas & transportation sales	Resolution MINEM No. 508-E/2017	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
<b>Controlling company:</b>									
YPF	(132)	-	1,217,324	1,760	3,186	-	-	-	-
<b>Other related parties:</b>									
YSUR Energía Argentina S.R.L.	-	-	-	-	-	-	-	-	-
Central Dock Sud S.A.	45,002	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	2,446	-	-	-	-	-	-	-	-
A-Evangelista S.A.	929	-	-	-	-	-	-	-	-
ENARSA	1	-	170,163	-	-	-	35,863	-	-
Profertil S.A.	-	-	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	3,259	-	-	-
Correo Argentino S.A.	116	-	-	-	-	-	-	131	-
Banco de la Nación Argentina	474	-	-	-	-	-	-	-	-
MINEM	-	634,041	-	-	-	-	-	-	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	6,250	-	-	-	-	-	-	-	-
Others (1)	1,767	-	-	-	-	-	-	-	-
<b>Key directors and management:</b>	-	-	-	-	-	-	-	-	12,527
	<b>56,853</b>	<b>634,041</b>	<b>1,387,487</b>	<b>1,760</b>	<b>3,186</b>	<b>3,259</b>	<b>35,863</b>	<b>131</b>	<b>12,527</b>

(1) Includes balances with Aerolíneas Argentinas S.A.



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### METROGAS S.A.

#### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

	For the three-months period ended,								
	06.30.17								
	Gas & transportation sales	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs on loans	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
<b>Controlling company:</b>									
YPF	1,001	332,467	906	3,085	-	5,406	4,618	-	-
<b>Other related parties:</b>									
Central Dock Sud S.A.	15,387	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	7,346	-	-	-	-	-	-	-	-
A-Evangelista S.A.	660	-	-	-	-	-	-	-	-
ENARSA	-	48,662	-	-	-	-	9,583	-	-
Profertil S.A.	31,774	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	5,188	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	1,864	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	307	-
Compañía Administradora del Mercado Mayor	1,043	-	-	-	-	-	-	-	-
Otros (1)	409	-	-	-	-	-	-	-	-
<b>Key directors and management:</b>	-	-	-	-	-	-	-	-	12,135
	<b>57,620</b>	<b>386,317</b>	<b>906</b>	<b>3,085</b>	<b>1,864</b>	<b>5,406</b>	<b>14,201</b>	<b>307</b>	<b>12,135</b>

(1) Includes balances with Aerolíneas Argentinas S.A. and the Ministerio del Interior y Transporte.

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### METROGAS S.A.

#### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

The balances shown below are outstanding with related parties:

	<b>06.30.18</b>			
	Trade receivables	Other receivables	Trade payable	Salaries and social securities
	Current	Current	Current	Current
<b>Controlling company:</b>				
YPF	16	4,162	2,619,428	-
<b>Other related parties:</b>				
Central Dock Sud S.A.	35,111	-	-	-
Operadora de Estaciones de Servicio S.A.	12	-	-	-
A-Evangelista S.A.	478	-	-	-
ENARSA	-	-	597,232	-
Profertil S.A.	-	-	-	-
Nación Seguros S.A.	-	2,495	1,146	-
MINEM	-	515,315	-	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	7,420	-	-	-
Correo Argentino	129	-	176	-
Others (1)	(1)	-	-	-
<b>Key directors and management:</b>	-	-	-	5,539
	<b>43,165</b>	<b>521,972</b>	<b>3,217,982</b>	<b>5,539</b>

(1) Includes balances with Aerolíneas Argentinas S.A.

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### METROGAS S.A.

#### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION

(amounts in thousands of pesos, except where expressly stated otherwise)

	12.31.17					
	Trade receivables	Other receivables	Trade payable		Financial debt	Salaries and social securities
	Current	Current	Current	Non current	Current	Current
<b>Controlling company:</b>						
YPF	1,511	4,186	1,315,399	-	77,572	-
<b>Other related parties:</b>						
Central Dock Sud S.A.	33,653	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	-	-	-	-	-	-
A-Evangelista S.A.	88	-	-	-	-	-
ENARSA	-	-	702,056	71,146	-	-
Profertil S.A.	13,607	-	-	-	-	-
Nación Seguros S.A.	-	4,795	663	-	-	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	487	-	-	-	-	-
Correo Argentino	-	-	235	-	-	-
Others (1)	13	-	-	-	-	-
<b>Key directors and management:</b>	-	-	-	-	-	16,552
	<b>49,359</b>	<b>8,981</b>	<b>2,018,353</b>	<b>71,146</b>	<b>77,572</b>	<b>16,552</b>

(1) Includes balances with Aerolíneas Argentinas S.A. and the Ministerio del Interior y Transporte.

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## **METROGAS S.A.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

Outstanding amounts have not been guaranteed and will be paid in cash. No guarantees have been given or received. No expenses have been recognized in the current or former periods with respect to uncollectible or doubtful accounts in relation to amounts owed by related parties.

Additionally, in the ordinary course of business, and considering that the Licensee operates the gas distribution service within the south and east area of the Great Buenos Aires, including the City of Buenos Aires, the Company's customer/supplier portfolio includes entities of the private as well as of the national, provincial and municipal sectors.

Pursuant to Resolution No. I-2,621/2013 of ENARGAS, MetroGAS is invoicing on behalf and for the account of ENARSA the injected volumes in relation to CNG as from June 2013. Furthermore, as explained in Note 2.6 to the consolidated financial statements as of December 31, 2017, MetroGAS must invoice, collect and settle two specific charges, with different appropriations, which is done for the order and account of Nación Fideicomisos S.A. Balances of this operation are stated in Note 21 to the condensed interim consolidated financial statements.

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## **METROGAS S.A.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2018 AND COMPARATIVE INFORMATION**

(amounts in thousands of pesos, except where expressly stated otherwise)

#### **31. CONTRACT COMMITMENTS**

##### **31.1 Gas Purchase**

On June 21, 2018, MetroGAS sent notifications to gas producers according to the Terms and Conditions to inform them that given the unforeseen, public and significant variations in the AR\$/US\$ exchange rate parity altered the circumstances in force both at the moment of execution of the Terms and Conditions and at the moment of perfecting the Natural Gas Trading Offer signed with each of them, causing that the costs of gas acquisition at city gate [“PIST” as per its acronym in Spanish] become extremely expensive for the Company, resulting in significant economic damage while being unable to pass it through to the tariff in due time to lower the impact. For this reason, MetroGAS asked to immediately continue with the negotiations to reach a mutual understanding to be able to balance the extraordinary change of the circumstances given at the time signing of the contracts, arisen by causes beyond our responsibility and assumed risk, thus preventing the application of the early termination clause as established in the third assumption of Clause 6 of the Terms and Conditions (textually received in the Reference Offer). On July 5, 2018 MetroGAS sent a note to ENARGAS and MINEM including the notifications delivered to gas producers.

For the gas supplied from January to March 2018, the payments carried out by the Company considered the exchange rate as per the trading offer.

However, given the circumstances described hereinabove, the payment to gas producers for the gas supplied in April 2018 was cancelled at a AR\$/US\$ 20.345 exchange rate, that agrees with the value of the gas component included in the tariff and approved by Resolution No. 300/2018 applicable as from April 1, 2018. The adopted criterion arises from the need to safeguard the payment chain in relation with the operation and maintenance of the natural gas distribution public service and guarantee the continuity of the service provision (See Note 2 of the condensed interim financial statements).

Marcelo Adrián Núñez  
Chairperson

**METROGAS S.A.****INFORMATIVE SUMMARY OF ACTIVITY**

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

**Argentine Economic Context and its impact on the Company**

Note 2 to the consolidated financial statements as of December 31, 2017, include a detailed description of the economic and regulatory context on MetroGAS S.A. (“MetroGAS” or the “Company”).

Significant developments during the six-month period ended on June 30, 2018 are described in Note 2 to these condensed interim consolidated financial statements.

These circumstances have been taken into account by the Management of the Company when making any significant accounting estimates included in these condensed interim consolidated financial statements. See Note 5.

**General considerations**

Company’s sales have been highly influenced by weather conditions prevailing in Argentina. Natural gas demand, and consequently sales, are considerably higher during winter months (from May to September) due to the gas volumes sold and the rates mix affecting sales revenues and gross margin.

On account of regulatory changes (see Note 2.3 to the consolidated financial statements as of December 31, 2017), on April 20, 2005 the Board of Directors of MetroGAS resolved to create MetroENERGÍA S.A. (“MetroENERGÍA”), a corporation whose equity is owned 95% by MetroGAS and whose corporate purpose is to engage, on its own account and on behalf of or in association with third parties, in the sale and purchase and/or transportation of natural gas.

Under the Provisional Agreement 2017, on March 31, 2017 ENARGAS Resolution No. 4,356/2017 was published in the Official Gazette, approved, as from April 1, 2017, the tariff schedules resulting from the MetroGAS Integral Tariff Review and transition tariff schedules to be applied to MetroGAS customers. Through differentiated tariffs, ENARGAS Resolution No. 4,356/2017 determined tariff schedules for the residential customers with savings in consumption of or above 15% with respect to the same period of 2015, as well as those that would be applied to beneficiaries of the “Social Tariff” (MINEM Resolution No. 28/2016 and ENARGAS Resolutions No. I-2,905/2014 and No. 3,784/2016) and Welfare Institutions (Law 27,218).

The tariff schedules for beneficiaries of the “Social Tariff” were corrected by Resolution ENARGAS No. 4,369/2017. The invoicing resulting from the application of the new temporary tariff schedules shall respect the limits established in Article 10 of MINEM Resolution No. 212/2016, so the criteria of ENARGAS Resolution No. I-4,044/2016 applies.

Additionally, ENARGAS Resolution No. 4,356/2017 approved (i) the technical-economic studies of the Company’s ITR, (ii) the non-automatic Six-Month Adjustment Methodology, and (iii) MetroGAS Investment Plan for the next five years.

On October 24, 2017, through ENARGAS Resolution No. 74/2017, a public hearing was called for November 15, 2017, in order to consider the temporary tariff adjustment, valid as of December 1, 2017, for MetroGAS.

On December 1, 2017 the Official Gazette published: (i) ENARGAS Resolution No. 131/2017 in order to (a) declare valid the Public Hearing, convened through ENARGAS Resolution No. 74/2017, (b) approve MetroGAS’ temporary tariff scheme applicable as from December 1, 2017 and (c) approve new values for Rates and Charges collected by MetroGAS for Additional Services

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; and (ii) ENARGAS Resolution No. 132/2017 that states a discount to be applied by MetroGAS in favor of users who (a) register a reduction in their gas consumption or (b) have the Social Tariff benefit.

On January 31, 2018, Ente Nacional Regulador del Gas (“ENARGAS”) Resolution No. 249/2018 was published in the Official Gazette, convening a public hearing to be held on February 22, 2018, to consider (i) the enforcement of the Methodology of the biannual Tariff Adjustment, if it corresponds, for MetroGAS’ tariff adjustment; (ii) the enforcement of the allocation on tariffs of purchased gas and (iii) alternative methodologies to come up with a more foreseeable invoicing of consumptions from residential users.

On March 28, 2018 the Official Gazette published ENARGAS Resolution No. 300/2018 in order to (i) declare valid the aforementioned Public Hearing, (ii) approve MetroGAS’ temporary tariff scheme applicable as from April 1, 2018 and (iii) approve new values for Rates and Charges collected by MetroGAS for additional services.

Also, on December 29, 2017, MINEM Resolution No. 508-E/2017 was published; it establishes the procedure to compensate minor revenues that Licensees of the Natural Gas Distribution Service through networks receive from their users.

This procedure establishes that the Distributor shall be entitled to compensation due to a revenue reduction resulting from those measures in order to maintain the payment chain related to the operation and maintenance of the public service of natural gas distribution through networks among others, the payment of invoices related to the purchase of natural gas and the guarantee to continue supplying such public service.

To date of approval of these financial statements, MetroGAS has received in time and form from the National Government the provisional payment of the economic compensations corresponding to the first five months of the year 2018. (See Note 2.3 to the condensed interim consolidated financial statements).

Through Resolution No. 218/2018 (later on enforced by ENARGAS through Resolution No. 86/2018), MINEM ordered to suspend the application of the subsidy criteria to Social Tariff customers pursuant to sections 4 and 5 of MINEM Resolution No. 474/2017 for consumptions of said customers done during May and June 2018, being applicable for the invoicing of said consumptions the social tariff regime pursuant to section 5 of MINEM Resolution No. 28/2016, where a 100% discount on the price of natural gas shall be considered.

On the other hand, on November 29, 2017, at the request of the MINEM, MetroGAS subscribed the “Bases and Conditions for the Supply of Natural Gas through Networks to Gas Distributors” (the “Bases and Conditions”) together with the rest of the distributors and a group of gas producers. These Bases and Conditions set the guidelines for contracting gas volumes to meet the demand from distributors for the period included between January 1, 2018 and December 31, 2019. (See Note 2.4 to the condensed interim consolidated financial statements).

**Analysis of transactions for the six months periods ended June 30, 2018 and 2017**

The sales of the Company for the six months period ended on June 30, 2018 increased by 97.6%, and operating costs rose by 124.6% as compared with the same period in previous fiscal year, as a result of which gross profit increased by 407,194, amounted to 1,949,311 during the six-month period ended on June 30, 2018, as compared with 1,542,117 shown for the same period in the preceding fiscal year.

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Administrative expenses increased by 28.1%, from 380,345 during the six-month period ended on June 30, 2017, as compared with 487,198 shown for the same period of the present fiscal year, and selling expenses increased by 46.6%, from 516,119, during the six months period ended June 30, 2017, to 756,513 shown for the same period of the present fiscal year.

Other income and expenses went from a loss 64,161 in the period of six months ended on June 30, 2017 respect to a loss of 381,544 in the same period of the present fiscal year.

Consequently, during the six-month period ended on June 30, 2018 an operating income of 324,056 was recorded, as compared to an operating gain of 581,492 for the same period in previous fiscal year.

During the six months period ended on June 30, 2018 net financial results was a loss of 3,442,151, as compared with a loss of 338,901 in the same period in previous fiscal year.

Consequently, the Company's net loss for the six months period ended on June 30, 2018 amounted to 2,200,245, as compared to a net income of 718,067 for the same period in previous fiscal year.

On the meeting held on June 30, 2017, the Board of Directors of MetroGAS approved the valuation of core assets by means of the revaluation method effective from April 1, 2017, which produced a total of other integral results amounting to 183,101 during the six month period ended on June 30, 2018 in relation with the total of 8,304,557 for the same period in previous fiscal year.

**Results of operations and financial condition****Sales**

Total consolidated sales increased by 97.6% during the six months period ended on June 30, 2018, amounted to 11,014,578, as compared with 5,574,321 shown for the same period in previous fiscal year.

The increase in sales for the six months period ended on June 30, 2018, was mainly due to increase in MetroGAS sales to residential customers and to industrial and commercial customers and governmental entities and to power stations and an increase in MetroENERGÍA's sales.

During the six months period ended on June 30, MetroGAS earned revenue from the application of Resolution No. 508-E/2017 mentioned above.

MetroGAS gas sales to residential customers increased by 99%, from 2,779,543 to 5,531,850 for the six months period ended on June 30, 2017 and 2018, respectively, mainly due to the increase in tariffs for the Resolution No. 131/2017 and Resolution No. 300/2018, effective as of December 1, 2017 and April 1, 2018, respectively and, an increase of the volumes delivered to this customer category by 6.7%.

MetroGAS gas sales to industrial and commercial customers and governmental entities increased by 81.7%, to 650,855 during the six months period ended on June 30, 2018 from 358,205 during the same period in previous fiscal year, mainly due to the increase in tariffs for the Resolution No. 131/2017 and Resolution No. 300/2018, effective as of December 1, 2017 and April 1, 2018, respectively, partially offset by a decrease of the volumes delivered to this customer category by 4.5%.



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Gas sales to CNG stations decreased by 98.2% from 473,640 during the six months period ended on June 30, 2017 to 8,671 generated for the same period of the present fiscal year, with a decrease of the volumes delivered to this customer category by 99.3% due to as from May 1, 2017, and under the terms of No. 4,407/2017 there has been an extension of the purchase options of natural gas by the owners of CNG stations, who can buy gas through Distribution Companies or directly via gas producers or marketers. Most of the CNG stations that operate in the MetroGAS area chose to purchase the gas directly from MetroENERGÍA.

Sales of transportation and distribution services to power stations increased by 170.3%, from 200,926 during the six months period ended on June 30, 2017 to 543,162 for the same period of the present fiscal year, due to the increase in tariffs and increase in volumes delivered to this customer category by 10%.

On the other hand, sales of transportation and distribution services to industrial and commercial customers and governmental entities increased by 164.8%, from 112,073 during the six months period ended on June 30, 2017 to 296,818 for the same period in the present fiscal year, due to the increase in tariffs and increase in volumes delivered to this customer category by 6.8%.

MetroENERGÍA gas sales during the six months period ended on June 30, 2018 amounted to 2,789,482 increasing by 78.4% as compared of the same period in previous fiscal year amounted to 1,563,984, mainly due to the increase in average tariffs, increase in sales to CNG according to Resolution No. 4,407/2017 mentioned above, effective as of May 1, 2017 and increase by 27,9 % in delivered volumes.

The table below shows the consolidated sales of the Company by type of service and customer categories for the six months periods ended on June 30, 2018 and 2017, in thousands of pesos:

	<b>Revenues</b>			
	For the six months period ended June 30,			
	2018		2017	
Thousands of	% of Total	Thousands of	% of Total	
Ps.	Sales	Ps.	Sales	
<b>MetroGAS</b>				
<i>Gas sales:</i>				
Residential	5,531,850	50.2%	2,779,543	49.9%
Industrial, Commercial and Governmental entities	650,855	5.9%	358,205	6.4%
Compressed Natural Gas	8,671	0.1%	473,640	8.5%
Subtotal	<u>6,191,376</u>	<u>56.2%</u>	<u>3,611,388</u>	<u>64.8%</u>
<i>Transportation and Distribution Services</i>				
Power Plants	543,162	4.9%	200,926	3.6%
Industrial, Commercial and Governmental entities	296,818	2.7%	112,073	2.0%
Compressed Natural Gas	190,698	1.7%	32,400	0.6%
Subtotal	<u>1,030,678</u>	<u>9.3%</u>	<u>345,399</u>	<u>6.2%</u>
Other sales	91,271	0.8%	53,550	1.0%
Resolution MINEM No. 508-E/2017	911,771	8.3%	-	0.0%
MetroENERGÍA's gas sales and transportation	<u>2,789,482</u>	<u>25.4%</u>	<u>1,563,984</u>	<u>28.0%</u>
<b>Total of Sales</b>	<b><u>11,014,578</u></b>	<b><u>100%</u></b>	<b><u>5,574,321</u></b>	<b><u>100%</u></b>

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The table below presents the volumes of sales of natural gas and transportation and distribution services by MetroGAS by customer category for the six months periods ended on June 30, 2018 and 2017, in millions of cubic meters:

	<b>Volumes</b>			
	For the six months period ended June 30,			
	2018		2017	
MMC	% of Volumes of gas delivered	MMC	% of Volumes of gas delivered	
<b>MetroGAS</b>				
<i>Gas sales:</i>				
Residential	739,2	19.6%	692,5	19.3%
Industrial, Commercial and Governmental entities	176,7	4.7%	185,0	5.2%
Compressed Natural Gas	1,0	0.0%	153,0	4.3%
Subtotal	916,9	24.3%	1,030,5	28.8%
<i>Transportation and Distribution Services:</i>				
Power Plants	2,057,9	54.6%	1,870,5	52.2%
Industrial, Commercial and Governmental entities	353,2	9.4%	330,8	9.2%
Compressed Natural Gas	215,2	5.6%	77,1	2.1%
Subtotal	2,626,3	69.6%	2,278,4	63.5%
Other Gas Sales and Transportation and Distribution Services	228,6	6.1%	277,5	7.7%
<b>Total delivered volume by MetroGAS</b>	<b>3,771,8</b>	<b>100.0%</b>	<b>3,586,4</b>	<b>100.0%</b>
<b>Total gas volumes delivered and transported by MetroENERGÍA</b>	<b>706,9</b>	<b>100.0%</b>	<b>552,6</b>	<b>100.0%</b>

**Operating costs**

Operating costs increased by 124.6% amounting to 9,065,267 during the six months period ended on June 30, 2018, respect to 4.032,204 registered during the same period in previous fiscal year. This variation was mainly due to increase in gas purchase costs, in gas transportation cost, in depreciation of properties, plant and equipment, investment properties and intangible assets, in payroll and other employees' benefits, in fixed assets maintenance and fees for sundry services, partially offset by a decrease in taxes, rates and contributions.

The costs of natural gas purchases for gas distribution and transportation increased by 182.8%, from 1,413,170 for the six months period ended on June 30, 2017 to 3,996,189 during the same period in present fiscal year, mainly due to the increase in average purchased price MetroGAS. During the six months period ended on June 30, 2018, MetroGAS purchased 1,110 million cubic meters, representing a 16.1% decrease with respect to gas volumes purchased in the same period in previous fiscal year.

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The costs of natural gas purchases and transport for gas commercialization and transportation increased by 79.0%, from 1,421,009 for the six months period ended on June 30, 2017 to 2,543,030 during the same period in present fiscal year, mainly due to the increase in average purchased price MetroENERGÍA and the increase in volumes purchased. During the six months period ended on June 30, 2018, MetroENERGÍA purchased 706.9 million cubic meters, representing a 27.9% increase with respect to gas volumes purchased in the same period in previous fiscal year.

The costs of gas transportation for gas distribution and transportation increased by 174.4% during the six months period ended on June 30, 2018 compared with the same period in previous fiscal year, mainly due to the increase in average prices of transportation of MetroGAS, as a consequence the application of ENARGAS Resolutions No. 121/2017 and No. 311/2018 for TGN transporter and Resolution No. 120/2017 and No. 310/2018 for TGS transporter to power plants, industries and CNG customers.

The table below shows the operating costs of the Company by type of expenses for the six month periods ended on June 30, 2018 and 2017, in thousands of pesos:

	<b>Operating costs</b>			
	For the six months period ended June 30,			
	2018		2017	
Thousands of Ps.	% of Total Operating Costs	Thousands of Ps.	% of Total Operating Costs	
Cost of natural gas - gas distribution and transportation	3,996,189	44.1%	1,413,170	35.0%
Cost and transportation of natural gas - gas commercialization and transportation	1,714,174	18.9%	624,633	15.5%
Transportation of natural gas - gas distribution and transportation	2,543,030	28.1%	1,421,009	35.2%
Depreciation of properties, plant and equipment, investment properties and intangible assets	312,502	3.4%	173,013	4.3%
Payroll and other employees benefits	299,263	3.3%	209,395	5.2%
Maintenance and repair	104,815	1.2%	75,745	1.9%
Sundry materials	14,053	0.2%	8,533	0.2%
Fees for sundry services	73,436	0.8%	48,693	1.2%
Taxes, rates and contributions	2,585	0.0%	53,401	1.3%
Other operating expenses	5,220	0.0%	4,612	0.2%
<b>Total</b>	<b>9,065,267</b>	<b>100.0%</b>	<b>4,032,204</b>	<b>100.0%</b>

**Administrative expenses**

Administrative expenses increased by 28.1%, from 380,345 for the six months period ended on June 30, 2017 to 487,198 for the same period of the present fiscal year. This increase was mainly due to the increase in payroll and other employee's benefits, in fixed assets maintenance and fees for sundry services, fees for professional services, transportation and freight charges and insurance premiums.

**Selling expenses**

Selling expenses increased by 46.6%, from 516,119 for the six months period ended on June 30, 2017 to 756,513 for the same period in present fiscal year. This increase was mainly due to the increase in taxes, rates and contributions, in the doubtful account charge, in payroll and other employee's benefits, in post and telecommunication expenses and in fees for sundry services.

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**Other income and expenses**

Other income and expenses amounted to a loss of 64,161 for the six months period ended June 30, 2017 and a loss of 381,544 in the same period in present fiscal year. This variation was mainly due to the increase in the provision for contingencies during for the six months period ended on June 30, 2018 - (See Note 20.1 to these condensed interim consolidated financial statements)

**Net financial results**

During the six months period ended on June 30, 2018 net financial results was a loss of 3,442,151, as compared to a loss of 338,901 for the same period in previous fiscal year. The variation in financial and holding results was mainly due to the loss from the exchange difference on financial and commercial debt, to the increase in the interest of commercial debt and the loss by the payment of ONs.

**Income tax**

During the six months period ended on June, 2018 the Company accrued income of 917,850, as compared to a gain of 475,476 shown for the same period in previous fiscal year. This variation is mainly due to the Company has acknowledged, higher credits for tax losses and for transitory differences during the six months period ended on June 30, 2018 whit respect to the same period of the previous fiscal years.

**Net cash flows generated by operating activities**

Net cash flows generated by operating activities for the six months period ended on June 30, 2018 amounted to 820,941, as compared with 983,746 generated in for the same period in previous fiscal year. This variation was mainly due to lower cash funds generated from working capital, partially offset by the higher funds generated from operating results.

**Net cash flows used in investing activities**

Net cash flows used in investment activities amounted to 773,381 for the six months period ended on June 30, 2018 mainly due to increases in properties, plant and equipment and intangible assets, as compared with 352,573 used in the same period in previous fiscal year.

**Net cash flows generated by (used in) financing activities**

Net cash flows generated in financing activities amounted to 221,312 for the six months period ended on June 30, 2018 as compared with 256,418 cash flows used in the same period in previous fiscal year. This variation was mainly due to the Company took a non-guaranteed loan and allocate these funds to rescue the total number of Notes with and plus accrued and unpaid interests (see Note 18 to the condensed interim consolidated financial statements), partially offset by increase in payments for refinancing commercial debt.

**Liquidity and capital resources****Financing**

As of June 30, 2018, the financial debt accounted for by Company amounted to 7,191,886.

**METROGAS S.A.****INFORMATIVE SUMMARY OF ACTIVITY**

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**Comparative structure of condensed interim consolidated statement of financial position <sup>(1)</sup>**

Condensed Interim Consolidated Statement of Financial Positions as of June 30, 2018, 2017, 2016, 2015 and 2014.

	06.30.18	06.30.17	06.30.16	06.30.15	06.30.14
	Thousands of Ps.				
Non current Assets	16,404,780	15,746,799	2,299,471	2,046,182	1,891,847
Current assets	8,250,472	4,598,687	2,281,944	1,543,601	937,692
Total assets	<u>24,655,252</u>	<u>20,345,486</u>	<u>4,581,415</u>	<u>3,589,783</u>	<u>2,829,539</u>
Non current Liabilities	8,129,862	7,497,663	3,027,725	1,749,254	1,562,563
Current Liabilities	9,735,891	5,112,776	3,003,116	2,141,809	1,176,893
Total Liabilities	<u>17,865,753</u>	<u>12,610,439</u>	<u>6,030,841</u>	<u>3,891,063</u>	<u>2,739,456</u>
Non-controlling interest	4,375	2,292	2,414	3,144	2,054
Equity attributable to the owners of the parent	6,785,124	7,732,755	(1,451,840)	(304,424)	88,029
Total Liabilities and Shareholders' Equity	<u>24,655,252</u>	<u>20,345,486</u>	<u>4,581,415</u>	<u>3,589,783</u>	<u>2,829,539</u>

<sup>(1)</sup> Information covered by the Independent auditors' report.

**METROGAS S.A.****INFORMATIVE SUMMARY OF ACTIVITY**

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

**Comparative condensed interim consolidated structure of results <sup>(1)</sup>**

Condensed Interim Consolidated Statements of Profit and Loss and Other Comprehensive Income for the six months periods ended on June 30, 2018, 2017, 2016, 2015 and 2014.

	<b>06.30.18</b>	<b>06.30.17</b>	<b>06.30.16</b>	<b>06.30.15</b>	<b>06.30.14</b>
	Thousands of Ps.				
Revenues	11,014,578	5,574,321	3,074,229	1,896,041	1,361,683
Operating costs	(9,065,267)	(4,032,204)	(2,503,286)	(1,640,699)	(1,036,637)
<b>Gross profit</b>	<b>1,949,311</b>	<b>1,542,117</b>	<b>570,943</b>	<b>255,342</b>	<b>325,046</b>
Administration expenses	(487,198)	(380,345)	(281,778)	(210,368)	(148,456)
Selling expenses	(756,513)	(516,119)	(313,086)	(204,629)	(146,537)
Other income and expenses	(381,544)	(64,161)	(23,479)	4,090	690
<b>Result before Temporary Economic Assistance</b>	<b>324,056</b>	<b>581,492</b>	<b>(47,400)</b>	<b>(155,565)</b>	<b>30,743</b>
Temporary Economic Assistance	-	-	-	355,500	-
<b>Operating income (loss)</b>	<b>324,056</b>	<b>581,492</b>	<b>(47,400)</b>	<b>199,935</b>	<b>30,743</b>
Finance income	285,716	89,639	85,297	28,989	19,318
Finance cost	(3,727,867)	(428,540)	(715,648)	(307,642)	(361,220)
<b>Net financial results</b>	<b>(3,442,151)</b>	<b>(338,901)</b>	<b>(630,351)</b>	<b>(278,653)</b>	<b>(341,902)</b>
<b>Result before income tax</b>	<b>(3,118,095)</b>	<b>242,591</b>	<b>(677,751)</b>	<b>(78,718)</b>	<b>(311,159)</b>
Income tax and minimum presumed income tax	917,850	475,476	(3,905)	(15,500)	(22,875)
<b>Net result for the period</b>	<b>(2,200,245)</b>	<b>718,067</b>	<b>(681,656)</b>	<b>(94,218)</b>	<b>(334,034)</b>
<b>Other comprehensive income (1)</b>					
Essential assets revaluation	263,143	12,776,242	-	-	-
Income tax	(80,042)	(4,471,685)	-	-	-
<b>Total other comprehensive income</b>	<b>183,101</b>	<b>8,304,557</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net and comprehensive result for the period</b>	<b>(2,017,144)</b>	<b>9,022,624</b>	<b>(681,656)</b>	<b>(94,218)</b>	<b>(334,034)</b>

<sup>(1)</sup> Information covered by the Independent auditors' report.

**METROGAS S.A.****INFORMATIVE SUMMARY OF ACTIVITY**

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**Comparative condensed interim consolidated structure of cash flow <sup>(1)</sup>**

Condensed Interim Consolidated Statements of cash flow for the six months periods ended on June 30, 2018, 2017, 2016, 2015 and 2014.

	06.30.18	06.30.17	06.30.16	06.30.15	06.30.14
	Miles de \$				
Cash flows generated by operating activities	820,941	983,746	358,198	216,870	45,430
Cash flows used in investing activities	(773,381)	(352,573)	(197,281)	(124,713)	(66,824)
Cash flows generated by (used in) financing activities	221,312	(256,418)	(241,053)	(78,068)	52,113
<b>Net increase in cash and cash equivalents</b>	<b>268,872</b>	<b>374,755</b>	<b>(80,136)</b>	<b>14,089</b>	<b>30,719</b>
Cash and cash equivalents at the beginning of year	492,379	357,904	596,223	97,586	116,592
Exchange differences on cash and cash equivalents	100	237	184	470	1,238
Cash and cash equivalents at the end of the period	761,351	732,896	516,271	112,145	148,549
<b>Net increase in cash and cash equivalents</b>	<b>268,872</b>	<b>374,755</b>	<b>(80,136)</b>	<b>14,089</b>	<b>30,719</b>

<sup>(1)</sup> Information covered by the Independent auditors' report.

**METROGAS S.A.****INFORMATIVE SUMMARY OF ACTIVITY**

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**Comparative statistical data**

The information shown below makes reference to the six months periods ended on June 30, 2018, 2017, 2016, 2015 and 2014.

	06.30.18	06.30.17	06.30.16	06.30.15	06.30.14
	Volumes				
	In millions of cubic meters				
Gas purchased by MetroGAS	1,110	1,323	1,481	1,098	1,237
Gas contracted by third parties	2,993	2,630	2,277	2,722	2,570
	4,103	3,953	3,758	3,820	3,807
Volume of gas withheld:					
- Transportation	(218)	(235)	(225)	(231)	(231)
- Loss in distribution	(113)	(132)	(167)	(141)	(150)
- Transportation and processing of natural gas	-	-	-	-	-
Volume of gas delivered by MetroGAS	3,772	3,586	3,366	3,448	3,426
Volume of gas purchased and delivered by MetroENERGÍA	707	553	607	670	467

**Comparative ratios <sup>(1)</sup>**

The information below makes reference to the six months periods ended on June 30, 2018, 2017, 2016, 2015 and 2014.

	06.30.18	06.30.17	06.30.16	06.30.15	06.30.14
Liquidity	0.85	0.90	0.76	0.72	0.80
Solvency	0.38	0.61	(0.24)	(0.08)	0.03
Inmobilization	0.67	0.77	0.50	0.57	0.67

<sup>(1)</sup> Information covered by the Independent auditors' report.



**METROGAS S.A.****INFORMATIVE SUMMARY OF ACTIVITY**  
RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION**Additional information****Changes in MetroGAS shares and ADS prices:**

		Share Price on the Buenos Aires Stock Exchange (1)
		\$
June	2014	3,74
June	2015	3,57
June	2016	7,60
January	2017	14,50
February	2017	21,90
March	2017	24,40
April	2017	25,80
May	2017	25,65
June	2017	23,00
January	2018	82,00
February	2018	64,35
March	2018	60,30
April	2018	45,05
May	2018	39,30
June	2018	29,85

(1) Prices on the last business day of each month.

**Perspectives**

MetroGAS intends to focus its efforts to be a gas distribution role model and leader in commercializing energy related products, contributing to the development of the country and to the life quality of the argentine people besides placing its customers as a priority. It is worth mentioning that MetroGAS started implementing the new strategy, making a strong commitment with business ethics and with each of its commercial, professional and communitarian relationships.

Autonomous City of Buenos Aires, August 6, 2018

Marcelo Adrián Núñez  
Chairperson

English translation of the report originally issued in Spanish, except for the omission of certain disclosures related to formal legal requirements for reporting in Argentina and the addition of the last paragraph.

## **INDEPENDENT AUDITORS' REVIEW REPORT**

(of condensed interim consolidated financial statements)

To the President and Directors of  
**METROGAS SOCIEDAD ANÓNIMA**  
Gregorio Aráoz de Lamadrid 1360  
Buenos Aires City, Argentina

### **Review report of the condensed interim consolidated financial statements**

#### **1. Identification of the condensed interim consolidated financial statements subject to review**

We have reviewed the accompanying condensed interim consolidated financial statements of METROGAS SOCIEDAD ANÓNIMA (an Argentine corporation, hereinafter mentioned as "METROGAS S.A." or the "Company"), which comprise the condensed interim consolidated statement of financial position as of June 30, 2018, the condensed interim consolidated statements of profit and loss and other comprehensive income, of changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information included in their notes 1 to 31.

The figures and other information corresponding to the year ended on December 31, 2017 and for the six-month period ended June 30, 2017, are an integral part of the condensed interim consolidated financial statements above mentioned and are intended to be read only in relation to the amounts and other disclosures relating to those financial statements.

#### **2. Company's Board of Directors' responsibility for the condensed interim consolidated financial statements**

The Company's Board of Directors is responsible for the preparation and fair presentation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") adopted by the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE") as accounting professional standards as they were approved by the International Accounting Standards Board ("IASB"), and incorporated by the Argentine Securities Commission ("CNV") to its regulations, and therefore, is responsible for the preparation and presentation of these accompanying condensed interim consolidated financial statements in accordance with the International Accounting Standard 34 "Interim Financial Reporting". Moreover, the Company's Board of Directors is responsible of an internal control system that deems necessary to enable the preparation of financial statements that are free of material misstatements.

### 3. Auditors' responsibility

Our responsibility is to issue a conclusion on the accompanying condensed interim consolidated financial statements based on our review. We conducted our review in accordance with International Standards on Review Engagements ("ISRE") adopted by the FACPCE through its Technical Resolution No. 33, as they were approved by the International Auditing Accounting Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"). Those standards require that we comply with ethical requirements.

A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### 4. Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of METROGAS S.A. corresponding to the six-month period ended on June 30, 2018 are not presented, in all material respects, in accordance with International Accounting Standard 34.

### **English translation of statutory condensed interim consolidated financial statements**

This report and the condensed interim consolidated financial statements referred to in section 1, have been translated into English for the convenience of English-speaking readers. The accompanying condensed interim consolidated financial statements are the English translation of those originally issued by METROGAS SOCIEDAD ANÓNIMA in Spanish and presented in accordance with International Accounting Standard 34.

Buenos Aires City, Argentina  
August 6, 2018

Deloitte & Co. S.A.

Ricardo C. Ruiz  
Partner