

METROGAS S.A.

ANNUAL REPORT AND FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

METROGAS S.A.
ANNUAL REPORT

To the Shareholders:

Pursuant to applicable legal provisions and to the Company's bylaws, we submit for your consideration the documentation related to the Company's financial statements for the twentieth fourth fiscal year, ended on December 31, 2015.

1. MACROECONOMIC CONTEXT

Being a company that focuses all of its activities in the Argentine market, MetroGAS runs its business based on the evolution of the main variables of the macroeconomic context of the country. In this setting and according to the latest information published in the Level Progress Report of the Activity made by the National Institute of Statistics and Census (INDEC), the temporary estimate of the economic activity reflected a 2.2% increase in the first semester of 2015 and an 0.5% positive variation for accumulated amounts during 2014, while the same report had shown a 2.9% increase of the GDP (Gross Domestic Product) during 2013.

As of 2014, the Argentine government established a new National and Urban Consumer Price Index ("IPCNU"), including the country's 24 provinces divided in 6 regions. According to the "IPCNU", inflation during the first ten months of 2015 was 11.9%, while this same indicator showed 23.9% inflation for the whole of 2014. The state of administrative emergency of the National Statistic System and of its ruling body, the "INDEC", was declared by Executive Order N° 55/2016 of the National Executive Power ("PEN") on January 7, 2016. As from that moment the "IPCNU" was no longer reported and during the last two months of 2015 an alternative consumer price index was given. These indexes are elaborated by the General Directorate of Statistics and Census of the Autonomous City of Buenos Aires and by the Provincial Directorate of Statistics and Census of the Province of San Luis. They showed a 26.9% and 31.6% increase in consumer prices for the accumulated amount during 2015.

Regarding the financing to the private sector, it is worth mentioning that loans in pesos to this sector had an accumulated increase of around 33.6% during the 12 month period from October 2014 to October 2015. This kind of financing gained strength during the year, nurtured by a 47% increase in private deposits during the 12 month period previously mentioned. The minimum tax rates scheme for retail deposits on behalf of individuals established by the "BCRA" (Central Bank of the Argentine Republic) in 2014 was discontinued during the last days of 2015, at the same time there was an increase of the rates offered for investments made in domestic currency, aiming at decreasing the level of currency on hand.

By the end of 2014 Argentina's exchange rate was 8.55 peso per dollar. During the current year, and considering the devaluation that took place by mid-December, the type of exchange rate peso/dollar increased to 13.04 pesos per dollar by the end of 2015, resulting in an approximate 52.5% more than the quotation given by the end of 2014 and 14.2% higher, in average, than the one registered in 2014.

On December 17, 2015 the Ministry of Treasury and Finance announced the lifting of currency restrictions commonly known as dollar clamp, resulting in an important devaluation of the official exchange rate that converged with other kind of implicit changes up to that moment. Moreover, 94% of the Company's financial debt is denominated in dollars, this same percentage corresponds to a long term debt (Debt that is to come due in a greater than 12 month period).

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2. COMPANY PROFILE

MetroGAS S.A (“MetroGAS” or “the Company”) is the largest gas distribution company in Argentina in terms of number of customers and of delivered gas volumes. MetroGAS distributes approximately 17% (*) of the total natural gas supplied by the nine distribution companies licensed after the privatization of Gas del Estado in late 1992, and currently has approximately 2.3 million customers in its service area (Buenos Aires City and eleven municipalities in the south of Greater Buenos Aires), a densely populated area including major power plants and other industrial and commercial users.

During 2005, due to new rules, (see item 6.2), MetroGAS’ Board decided to constitute MetroENERGÍA S.A (“MetroENERGÍA”); MetroGAS holds 95% of this corporation’s share capital and its social objective is to act as a natural gas trading company and / or a gas transporting company on its own behalf, on third parties behalf or associated to third parties.

Since 1993 natural gas consumption in Argentina increased by approximately 100%. In that year consumption was approximately 21,828 MMm3 (millions of cubic meters) and it increased to 43,557 MMm3 in 2015 (*). This increase is due to natural gas low relative prices compared to other energy sources, an increased capacity of major gas pipelines and the expansion of distribution networks.

Argentina’s proven gas reserves amount to 332,217 MMm3 (***). There are 19 known sedimentary basins in the country, 10 of which are on-shore, 3 are off-shore and 6 are both on and off-shore. Production is concentrated in 5 basins: the Northwest basin; the Neuquén and Cuyo basins in central Argentina; Gulf of San Jorge and Austral basins in the south of the country. The production of natural gas reached 42,973 MMm3 (**) during the period January - December 2015, which 20,277 MMm3 coming from the Neuquén basin. Also, to be able to satisfy the requirements of domestic demand, some 10,739 MMm3 had to be imported from Bolivia, and LNG was regasified at the Escobar and Bahía Blanca plants.

Approximately 57.0% of all gas purchased by MetroGAS during 2015 came from the Neuquén basin and the remaining 43.0% from the Austral and Gulf of San Jorge basins.

Various schemes have been fostered by the National Government to boost the natural gas industry which, although initially do not have any direct impact on MetroGAS or impose any obligations on the company, might actually have favorable consequences considering that one of their main objectives is to increase the injection of natural gas (see item 6.4 of the Annual Report).

(*) According to the latest available information provided by the National Gas Regulatory Authority (“ENARGAS”) – December 2015.

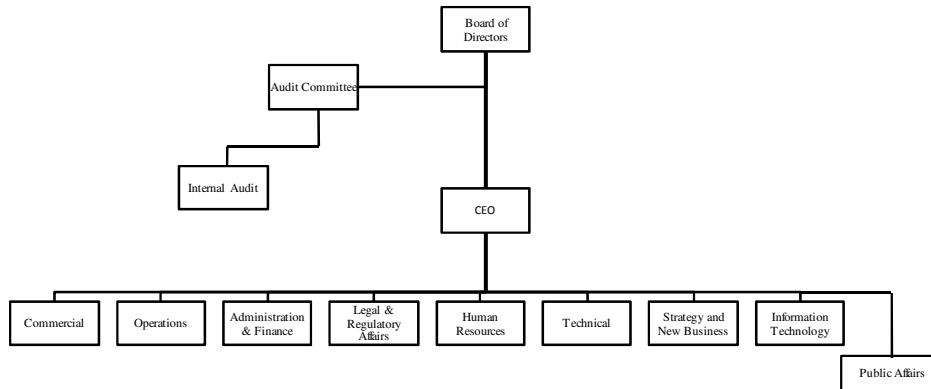
(**) According to the latest available information provided by the Energy Secretariat-December 2015.

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3. ORGANIZATIONAL STRUCTURE

MetroGAS' current organizational structure is as shown below



4. LICENSE CONTRACT RENEGOTIATION

The Emergency Law from January 7, 2002, affected the legal framework in force for license contracts of utility services companies.

The main provisions of the above mentioned Law that have an impact on the License duly granted to MetroGAS by the National Government and that modify express provisions of Law No. 24,076 (the “Gas Law”) are the following: “pesification” of tariffs that were fixed in convertible dollars at the exchange rate specified in the Convertibility Law (Law No. 23,928), the prohibition of tariff adjustments based on any foreign index, thus not allowing the application of the international index specified in the Regulatory Framework (US Producer Price Index-PPI), and the aptitude in order to renegotiate the license granted to the Company in 1992.

Furthermore, the Emergency Law established the beginning of a renegotiation process of utility contracts granted by the National Executive Power (“PEN”) without detriment to the requirements that utility services companies must go on complying with all their obligations.

The Emergency Law, which originally expired in December 2003, it was successively extended until December 31, 2017. Also it was extending the period of renegotiation of public service concessions and licenses.

A Temporary Agreement was signed with the Unit for the Renegotiation and Analysis of Public Services Contracts (“UNIREN”) on October 1, 2008, which was ratified by MetroGAS’ Shareholders Assembly on October 14, 2008 and approved by the PEN on March 26, 2009 through Executive Order No. 234 (B.O. 04/14/2009). Such Temporary Agreement established a Transition Tariff Regime as from September 1, 2008, with a readjustment of prices and tariffs including variations in the price of gas, transportation and distribution. The amounts collected due to the increase of prices and tariffs resulting from the readjustment of distribution tariffs were to be deposited by the Company in a specific trust fund destined to the construction of infrastructure works within the License area. The Temporary Agreement mentioned was not implemented as the corresponding tariff schemes were not issued.

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Additionally, the Company subscribed a Letter of Understanding with the Ente Nacional Regulador del Gas (“ENARGAS”), for applying ENARGAS Resolution No. 2,407/2012, that agrees to establish a fix amount for each invoice, differentiated by category of customer and these amounts which are collected by Distributors, are deposited in a trust fund called FOCEGAS created to such effect, and a Provisional Agreement with the UNIREN, agreeing on a temporary basis a transition tariff regime that shall allow to obtain additional resources to the ones received through ENARGAS Resolution No. 2,407/2012. Moreover, MetroGAS received through ES Resolution No. 263/2015 a temporary economic assistance to be paid in ten consecutive installments to be in force as from March 2015, aiming at affording expenses and investments related to the normal functioning of the rendering of the public service of natural gas distribution through networks and on account of the Comprehensive Tariff Revision to be duly carried out. As follows, there is full detail of all points mentioned above.

4.1 Fund for Gas Distribution Consolidation and Expansion Works (“FOCEGAS”)

On November 21, 2012, the Company subscribed an Agreement Act a fixed amount per invoice is agreed, stating a difference by customer category with the ENARGAS. The amounts for this concept collected by the Distributing Companies shall be deposited in a trust fund called FOCEGAS created to this effect and used to carry out infrastructure works, connection works, re-potentialization, expansion and/or technological modification of the systems of gas distribution through networks, security, reliability of the service and integrity of the network, as well as maintenance and any other related expense that may be necessary to provide the gas distribution public service within the service area. On the other hand, gas distributing companies will have to have the approval of an Execution Committee to be created within the trust fund, to implement a Plan of Consolidation and Expansion Investments expressed in physical and financial terms whose guidelines shall be determined in the trust fund contract entered into between the Company and Nacion Fideicomisos S.A.

On November 29, 2012 ENARGAS Resolution No. 2,407/2012 was published in the Official Gazette, specifying that Resolution No. 2,000/05 of the MPFIPyS had been complied with. As a consequence ENARGAS authorized Distribution Companies to collect the charge previously mentioned.

On December 11, 2012 the ENARGAS sent a model contract of financial trust fund and of private administration (Trust-Fund Agreement) to be subscribed by Gas Distribution Companies and Nación Fideicomisos S.A.

On February 1, 2013, MetroGAS submitted to the ENARGAS the Plan of Consolidation and Expansion Investments for its approval. On March 27, 2013, MetroGAS received notice that the Plan had been approved in its entirety by the Execution Committee at its meeting held on March 21.

On January 6, 2014 the Company submitted the 2014 Works Plan to the ENARGAS, including all information regarding works carried out according to the 2013 Plan and sent to Nación Fideicomisos S.A. the report of all expenses resulting from the alternative methodology of advanced-funds; all of this was approved in March 2014. On July 16, 2015 the 2015 Works Plan corresponding to Reliability, Maintenance and Expansion was introduced, which was approved in December 10, 2015.

On April 8, 2015 the Official Gazette published ENARGAS Resolution No. 3249/2015 that repealed Articles 3 and 4 from ENARGAS Resolution No. 2407/2012, by virtue of which the Company was requested to (i) deposit the fix amounts collected through invoicing into the trust fund created for that purpose, acting MetroGAS as the Trustor and Nación Fideicomisos S.A. as

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the Trustee, and (ii) submit to approval a project investment annual plan for consolidation and extension works.

Consequently, due to the entry into force of ENARGAS Resolution No. 3,249/2015, from April 1, 2015 the fix amounts per invoice established by ENARGAS Resolution No. 2,407/2012 that the Company continues invoicing and collecting shall not be allocated to the Administration and Finance Trust Fund entered into with Nación Fideicomisos S.A., but, on the contrary, they must be allocated by MetroGAS "only to activities related to the expansion and reliability of the systems, operation and maintenance tasks contributing to the compliance of the standards established by the governing code 'Código Argentino de Gas - NAG' and to commercial and administrative activities aimed at effectively providing service to customers within the operation area" and no less than 30% of the fix amounts shall be assigned to investments entailing system expansion within the framework of an investment plan to be authorized by ENARGAS.

4.2 Provisional Agreement

On March 26, 2014, within the process of renegotiation of utilities contracts pursuant to Law No. 25561 and supplementary rules, the Company signed a Provisional Agreement with the UNIREN whereby a provisional tariff regime was agreed in order to obtain additional funds to those resulting from the enforcement of ENARGAS Resolution No. 2,407/2012.

The amounts that gas Licensees shall receive as a consequence of the FOCEGAS and the Resolution referred to in the preceding paragraph will be taken as a payment on account of the tariff adjustments stated in the Temporary Agreement approved by Decree No. 234/09.

The Provisional Agreement, ratified by Decree No. 445/2014 dated April 1, 2014 and published in the Official Gazette on April 7, 2014, establishes a provisional tariff regime as from April 1, 2014, consisting in readjust prices and tariffs considering the guidelines necessary to maintain the continuity of service and also sets forth common criteria applicable to all distribution licensees, in accordance with tariff regulations in force, and including changes in the gas price at the transmission system entry point.

The Provisional Agreement also contemplates the inclusion of pass through to tariffs resulting from changes in tax rules, except for the income tax, in accordance with a currently pending resolution. It also includes clauses related to costs oversight tariff revision based on operation and investment cost structure, and price indexes representative of such costs, which under certain premises triggers a revision procedure through which ENARGAS would assess the actual scale of variations in the licensee's operating and investment costs, and thereby determine whether a distribution tariff adjustment is applicable.

Until December 31, 2015, the Company submitted to the ENARGAS three requests to update its tariffs by applying the Method for Costs Monitoring established in the Provisional Agreement. None of these requirements have resulted in a readjustment of the Distribution tariffs to recognize the highest costs faced by the Company; however, the Energy Secretariat approved through Resolution No. 263/2015 a Temporary Economic Assistance, described in detail in 4.3.

The Provisional Agreement also provides that, from the execution date to December 31, 2015, the date on which Emergency Law 25,561 expires, UNIREN on behalf of the Grantor and the licensee shall reach a consensus with respect to the methodology, terms and timeline for the signing of the "Acta Acuerdo de Renegociación Contractual Integral" (the Comprehensive Contract Renegotiation Memorandum of Understanding). On November 3, 2015 the extension of The Emergency Law was approved until December 31, 2017.

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On March 27, 2014, the National Government announced the reallocation of subsidies and on March 31, 2014 the Energy Secretariat (“ES”) issued ES Resolution No. 226/14 pursuant to which new natural gas prices and a plan to encourage responsible use of the natural gas were established.

Within this framework, new natural gas prices are established for Residential customers and for small general service customers for each of the production basins and user categories. These new prices will be applied by a mechanism of comparing consumption of same two-month/month period of current and previous year. Furthermore, a three-stage price revision is established to take effect on April 1, 2014, June 1, 2014 and August 1, 2014. For those customers that reduce their consumption over 20%, basin prices as of March 31, 2014 as per ES Resolution No. 1,417/2008 will remain the same. Customers whose reduction in consumption is between 5% and 20% will have a special and lower basin natural gas price compared to the price applied to those customers not able to reduce consumption or whose reduction is below 5%.

Through Note ENRG/SD No. 03097 dated April 7, 2014, ENARGAS notified Resolution No. I/2,851, from the same date, wherein new tariff charts are approved and are stated to take effect on April 1, 2014, June 1, 2014 and August 1, 2014. Such charts display changes in the final tariff of residential and full general service customers. These include changes in the gas price at the transmission system entry point, as a result of the application of the new prices per basin established by the aforementioned ES Resolution No. 226/14, the transportation tariff as a consequence of the new tariff chart effective for gas transportation companies that reflect the terms of their 2008 signed provisional agreements establish, and MetroGAS’ distribution margin after the signing of the Provisional Agreement.

In accordance with the price scheme established by the ES through ES Resolution No. 226/14 and the ENARGAS Resolution No. I/2851/2014, three tariff levels are established for each period, which are to be applied to customers according to their consumption in a month/two-month period in relation to the same period of the previous year.

Customers that register a decrease in consumption of over 20% will continue with the same tariff level as that in effect until March 31, 2014. Customers that achieve a reduction between 5% and 20% will be charged a tariff approximately 50% lower in relation with the actual price variation, which will be applied to customers unable to reduce their consumption or whose reduction is below 5%.

Furthermore, ENARGAS establishes that tariff charts applicable until March 31, 2014 shall still be applied to essential users (health care, public education religious institutions, etc.); and consumers eligible pursuant to Notes MPFIPyS N° 10/2009 from the Ministry of Federal Planning, Public Investment and Services (“MINPLAN”) dated August 13, 2009. Under that mechanism, the Licensee will also have different prices for the gas distribution service according to the customers’ consumption.

Through Note ENRG/SD No. 05747 dated May 13, 2014, ENARGAS notified on Resolution No. I/2904 from same date, whereby the methodology for the determination of user’s category based gas supply as from of April 1, 2014 is approved.

Considering the aforementioned, the real impact will depend on a variable beyond the Company’s control, which is the reduction in consumption customers may have, which also will not only depend on their individual actions aimed at reducing the use of gas, but also on the effects of weather factors among others on the compared periods.

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On June 8, 2015, the Official Gazette published Resolution No. I/3.349 approving the new tariff charts effective as of May 1, 2015. The increase are connected with the rise of the transport component and reaches residential, commercial and industrial customers, with the exception of sub distributors, “waived” customers and those residential or commercial customers that saved more than 20% compared with the same two-month period of the previous year.

On the other hand, the new tariff charts include the amount corresponding to the FOCEGAS as a “Fix amount” in accordance with Resolutions 2,407/2012 and I-3,249/15.

Additionally, the Company hopes to reach a consensus with the National Government through the UNIREN regarding the modalities, terms and timing of the signing of the Letter of Understanding for a Comprehensive Contract Renegotiation, so as to improve its economic-financial situation.

4.3 Transitional Economic Assistance

On June 8, 2015, the Official Gazette published Resolution No. 263/2015 whereby ES approved the allocation of funds as a temporary economic assistance to be paid in ten consecutive installments in benefit of MetroGAS and the rest of the natural gas distributors effective as from March 2015, in order to cover expenditures and investments related to the regular operation of the natural gas public service and in advance for the Comprehensive Tariff Revision to be carried out in due time.

Said Resolution establishes that the beneficiaries shall assign a portion of the funds received by each of the monthly installments to cancel unpaid past due debt as of December 31, 2014 with natural gas producers, moreover, that distributors shall not take more debt resulting from the purchase of natural gas after the mentioned Resolution has become effective.

In the case of MetroGAS, ENARGAS established a need for exceptional for the year 2015 disburseable monthly according to the schedule between the months of March and December. Also was established that the company shall assign a portion of the temporary economic assistance to cancel debt with producers due at December 31, 2014 in 36 monthly, equal and consecutive installments, plus interest, as from January 2015, calculated using the current “Average Active Rate of Banco Nación for Commercial Discount Operations” (2.05 % monthly rate), and starting to pay the installments on March 2015.

Furthermore, ENARGAS considered that distributors will proceed to cancel gas purchase invoices with maturity during 2015, estimating payments within 30, 60 and 90 days in line with the perception of invoices by clients.

At the date of these consolidated financial statements, MetroGAS has received seven of the ten installments provided as a temporary economic assistance, amounting Ps. 561,690 thousand. Also has entered into payment agreements with the majority of producers in terms of ES Resolution No. 263/2015, this subject to availability of the amounts committed.

5. FINANCIAL DEBT

As a consequence of different scenarios that significantly affected the Company’s ability to generate enough fund flows to satisfy payments to its suppliers and financial creditors, on June 17, 2010 MetroGAS’ Board of Directors requested a Call for Creditors’ Meeting

Once all legal steps stipulated by the Bankruptcy Law (“LCQ”) were complied with, on February 2, 2012 the Company presented a total and final reformulation of the preventive

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agreement proposal for unsecured creditors who are verified and declared acceptable consisting in the payment of verified or declared unsecured credits by means of releasement, swap or “dacion en pago” (giving in payment) of such credits, of two kinds of negotiable bonds (the “New Notes”) to be due on December 31, 2018. The New Notes shall be in American dollars and their capital’s amounts at the date of issuance shall be the following: i) a Class A equivalent to 53.2% of the amount of the verified or declared acceptable unsecured credit and ii) a Class B equivalent to 46.8% of the amount of the verified or declared acceptable unsecured credit. In the same way, within each one of the New Notes, two different series shall be issued in order to differentiate unsecured credits originated in previous negotiable bonds (L Series) from the rest of unsecured credits (U Series). Besides, the Company offers to pay on the date of issuance of the New Notes, an amount equivalent to the interest that Class A New Notes previously mentioned, had accrued since January 1, 2011 up to the issuing date, at a nominal interest rate of 8.875%. Pursuant to the proposal and at the Company’s option, such interest accrued until December 31, 2012, has been capitalized. The principal of the New Notes will be repaid in full at maturity on December 31, 2018, in a lump sum payment. Class A New Notes will be payable pursuant to their terms as from their issue date. Class A New Notes shall be callable in accordance to their terms and conditions since their issuance date. Class B New Notes shall only be taken as callable bonds when an acceleration of maturity of Class A New Notes or before June 30, 2014. If an event of default has not occurred as of this date, the Class B New Notes will be automatically canceled.

On September 6, 2012 the intervening court passed resolution approving the meeting of creditors of the Company and declaring it ended on the terms of the bankruptcy legislation, stipulating the constitution of a definite commission of creditors.

The debt exchange and issuance of the New Notes was implemented by the Company on January 11, 2013 with respect to unsecured creditors holding allowed and provisionally admitted claims.

On February 1st and 13, 2013 the Company confirmed in the legal proceedings files that the swap was fulfilled and that the New Negotiable Bonds were released, as well as the capitalization and payment of interests, in order to obtain the removal of all general inhibitions and the legal declaration of the accomplishment of the meeting of creditors within the terms and conditions of Section 59 in fine of the LCQ.

On March 26, 2013, the Board of Directors of MetroGAS resolved by a majority of votes to capitalize 100% of the portion of interest due June 30, 2013 that was subject to capitalization, and to issue Additional Notes for such purpose.

Also, the Board of Directors resolved to issue New Notes to be delivered to any new unsecured creditors after their claims have been allowed pursuant to a judgment entered under the Reorganization Proceedings.

On July 25, 2013, MetroGAS has issued: a) Late Proof-of-Claim Notes Series A-U: US\$ 5,087,459 and Series B-U: US\$ 4,013,541; and b) Capitalization Notes: Additional Series A-L: US\$ 6,756,665 and Additional Series A-U: US\$ 704,581.

On October 9, 2013, the Board of Directors of MetroGAS resolved by a majority of votes to capitalize of interest due December 31, 2013 that were subject to capitalization, and issue Additional Notes for such purpose.

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On November 8, 2013, the acting Court issued a resolution stating that the reorganization proceedings had been satisfactorily completed.

On January 29, 2014, MetroGAS has issued Capitalization Notes Additional Notes Series A-L December 2013: US\$ 3,516,500 and Additional Notes Series A-U December 2013: US\$ 371,456.

On April 28, 2014, the Board of Directors of MetroGAS decided by a majority of votes to pay in cash interest for up to US\$ 4,750,000, capitalize the remaining amount of the portion subject to capitalization of interest due and payable on June 30, 2014 and issue Additional Negotiable Obligations for said capitalization.

On July 17, 2014, MetroGAS issued Notes of Capitalization Additional Series A-L June 2014: US\$ 3,516,500 and Additional Series A-U June 2014: US\$ 371,044.

Having the limit date, June 30, 2014, been reached, and given the fact that no triggering events occurred, Class B Notes were cancelled and the company does not owe anything in relation to them.

Under the terms and conditions for the issue of New Notes, the Company and its subsidiaries shall comply with a series of restrictions which, among others, and in general terms, are those listed below. A detailed description of them, as well as their implementation details and specifications, have been included in the corresponding Prospect.

- Incur or guarantee any debt;
- Make any restricted payments, including any payment of dividends;
- Effect any sale of assets;
- Make investments of any kind;
- Carry out sale and leaseback transactions;
- Carry out transactions with related companies;
- Create or assume any liens;
- Make any mergers or consolidations; and
- Make any sale or lease all or substantially all their respective assets.

No event of default has occurred as of December 31, 2015. During fiscal year 2015 the Company has complied with the terms and covenants established under the Offering Circular.

During the fiscal year ended 2015 and 2014, the Company paid semiannual interest under the terms and conditions of issuance of the New Notes maturing on December 31, 2014, on June 30, 2015 and December 31, 2015.

On December 12, 2013, the Board of Directors of MetroGAS unanimously approved an agreement that contemplated the opening of a credit facility with YPF. YPF's credit facility proposal has a BADLAR cost plus an annual 6% spread. YPF makes available to MetroGAS a "Non-Committed" credit facility for up to Ps. 180,000 thousand for a period of 180 days as from the date of the proposal. MetroGAS may require such drawdowns as it may deem advisable according to its needs up to the maximum amount of the credit facility and for the above mentioned period, and may make partial or total advance payments without penalty. Finally, an annual 10% default interest will be applied in the event of default. On February 26, 2016 an extension of 365 days as from their corresponding maturity date and with the same terms and conditions was established, limiting the amount to Ps. 140,000 thousand. As of December 31,

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2015, the Company has taken Ps. 90,000 thousand and has capitalized interest by Ps. 24,115 thousand of this facility.

6. REGULATORY FRAMEWORK

Natural gas distribution is an activity regulated by the ENARGAS. Its jurisdiction is extended to transportation, sale, storage and distribution of natural gas. Within its sphere of responsibilities, according to what is expressed in the Gas Law, the ENARGAS has to protect customers, pay attention to competition in the natural gas supply and demand and encourage long-term investments in the industry.

6.1 Bankruptcy petition

On September 18, 2015 MetroGAS was aware of the existence of bankruptcy petitions promoted by Pan American Sur S.A., Pan American Fuego S.A. and Pan American Energy LLC Sucursal Argentina pending before National Commercial Court No. 26, Clerk's Office No. 51, Ciudad Autónoma de Buenos Aires. To date, the Company has not received any notification concerning the aforementioned records, notwithstanding which will carry out all actions necessary for the appropriate defense of their rights.

6.2 Unbundling of Natural Gas

Due to regulatory changes that have been made to the natural gas sector since 2005, the so called "natural gas unbundling" process took place, by which the different categories of customers (except for residential customers and small commercial customers, as well as non-profit civil associations, labor unions, trade associations or mutual benefit associations, health institutions and private or public educational institutions) had to purchase natural gas volumes at the point of entry into the transportation system directly from producers and/or sellers of natural gas, leaving the regional distribution companies limited to exclusively give transportation and or distribution services of natural gas.

Additionally and in the same year, a Mechanism for Assigning Natural Gas to CNG stations was established, by which CNG stations get natural gas by means of a mechanism of periodic assignments of natural gas volumes in the Electronic Gas Market ("EGM").

In this context, in 2005 MetroENERGÍA was created as a natural gas trading company with the aim of keeping the highest amount of customers possible and count on a proper tool in accordance with the new scenario where the Company had to perform.

MetroENERGÍA was authorized by the ENARGAS to act as a natural gas trading company and or gas transportation company, and registered as agent of the EGM.

Actions taken by MetroENERGÍA since its formation made it possible to retain most of the industrial and commercial customers duly contemplated in the "unbundling" process of the Company's area, thus being able to maintain the participation of these categories of customers within MetroGAS' sales portfolio.

6.3 Complementary Agreement with Natural Gas Producers

On June 14, 2007, Resolution No. 599/07 of the ES was published in the Official Gazette. This resolution officially approved the proposal for an "Agreement with Natural Gas Producers 2007-2011" ("2007-2011 Agreement"), which was subsequently ratified by some natural gas

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producers, with which the Agreement became enforceable. Basically, the 2007-2011 Agreement establishes the volumes of gas to be injected by natural gas producers at the point of entry into the transmission system for the benefit of residential users, commercial users, industries, power plants and CNG selling stations until December 31, 2011 (although subject to different contractual periods according to user segments). Also, the Agreement sets criteria for a staggered and specific price adjustment for such user segments. On the other hand, the Resolution that officially approved the 2007-2011 Agreement (ES Resolution No. 599/07) established the procedures for a reorientation and additional injections of natural gas in order to meet domestic market demand, in case this were necessary in the event of a shortage of supply.

The volumes injected by gas producers may be delivered to power plants, industries and CNG selling stations either directly or through natural gas sales intermediaries, as in the case of MetroENERGÍA. On January 5, 2012, ES Resolution No. 172/12 was published in the Official Gazette. This Resolution extended the effects of Resolution SE No. 599/07 as regards the allocation of natural gas volumes by routes and basins on the basis of different customer categories until such time as new regulations are issued in this respect, which does not happen on the date of the date of issuance of these consolidated financial.

6.4 Incentive Policies

Various schemes have been fostered by the National Government called Total Energy Plans, Program for the Promotion of Surplus Natural Gas Injection and Scheme for the Promotion of Hydrocarbon Exploitation Investments, to boost the natural gas industry which, although initially do not have any direct impact on MetroGAS or impose any obligations on the company, might actually have favorable consequences considering that one of their main objectives is to increase the injection of natural gas.

6.5 Trust Fund

At the date of issuance of these financial statements, MetroGAS is compelled to invoice, collect and settle three specific charges, allocated differently, the Company carries this out on behalf and order of Nación Fideicomisos S.A. as trustee of three different trust fund contracts.

The so called specific charge I (ruled by PEN Executive Order No. 180/04 and related regulations) and the specific charge II (ruled by Law No. 26,095 and related regulations) are covered by the whole pool of users of the natural gas service different from the residential segment and are intended for paying infrastructure works for the expansion of the natural gas system of transportation.

Meanwhile, specific charge III (ruled by PEN Executive Order No. 2,067/08 and related regulations, then included in Law No. 26,095 as stipulated by Law No. 26,784 of the 2013 Budget for the National Administration) is covered by the same customers that pay the previous charges, including in this case the majority of subcategories of residential users, being intended for paying the import of additional natural gas volumes that may be necessary to meet the residential demand.

It is important to point out that none of these three specific charges invoiced and collected by MetroGAS are incorporated to the Company's assets. On the contrary, one received, the Company is compelled to deposit them into the trust fund accounts duly designated by the Trustee, thus ending MetroGAS actions to this respect.

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6.6 Municipal rates

The regulatory framework in force and duly applicable to gas distribution, contemplate the reallocation on tariffs of all new taxes or levies or rate increases, as well as and, under certain conditions, the free use of public space concerning the laying of natural gas pipelines.

As of the date of issuance of these financial statements, the Company has not been able to reallocate on tariffs the payments made to different municipalities of the Province of Buenos Aires and to the Autonomous City of Buenos Aires for these concepts. As of December 31, 2015 the total aggregate amount as of the date of issuance of this annual report amounted to Ps. 280 million.

The Company continues to manage that they are part of the tariff renegotiation, such as it approved in the Provisional Agreement described in detail in 4.2.

6.7 Regulatory Authority

The ENARGAS intervention originally stipulated by Executive Order No. 571/07 for a term of 180 days running was extended for equal periods; the last one being through Executive Order No. 164/16 from January 14, 2016.

7. CORPORATE GOVERNANCE

MetroGAS complies with good practices of corporate governance, respecting principles such as total and full information, transparency, efficiency, protection of the investment parties, equal treatment among investors and protection of the stability of the entities and financial brokers.

Within the Company's Board of Directors, MetroGAS has an Audit Committee, composed of three independent Directors, thus the Company complies with local and international provisions in force related to this matter. The Board approved, among other measures related to the Corporate Governance, the Conduct Code, the Fraud and Dishonest Practices Policy and the channel of anonymous complaints.

7.1 Authorities

At MetroGAS' Shareholders Meeting and Board Meeting, on April 28, 2015, Mr. David José Tezanos González was appointed Company President, being an independent member. Mr. Marcelo Adrián Núñez was appointed 1st. Vice-president. On January 7, 2016, resigned from his position as owner and Chairman of the Company, Mr. David José Tezanos González, for personal reasons. Mr. Marcelo Adrián Núñez, Vice President of the Company, became President.

7.2 Decision Making and Internal Control System

The Company encourages delegation of authority, thus allowing quick and efficient replies to every activity, at the same time there is a clear and explicit definition of the scopes of such delegation by setting limits of approval implemented in a systematized way, which minimize risks.

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Furthermore, MetroGAS has an Internal Audit area whose mission is to guarantee the Board of Directors, the Audit Committee, the Directorate Committee and the managerial level of the Company that there are effective and efficient processes of internal control to identify and handle the business' risks.

The existence of standardized processes, administrative proceedings, fluid communications, regular issues of reports on management planning and control, performance assessments, within the framework of policies set by the Directorate Committee, consolidate the internal control system, give reasonable certainty of achieving objectives, provide reliable financial information and ensure the compliance of regulations in force.

7.3 Policy of Compensation to the Board of Directors and to Managerial Staff

Compensation to the Board of Directors is fixed by the Ordinary Meeting of Shareholders.

Compensation to the CEO and to Executive Directors who report to him is fixed by the Compensation Committee conformed by three members of the Board, being the majority of them independent, with the aim to look after the fulfillment of policies.

As of December 31, 2015, the compensation policy for managerial staff consists of a monthly fixed payment and a variable payment based on the fulfillment of objectives fixed on annual basis. The compensation policy neither provides for option plans over the Company's shares nor for long-term incentives.

7.4 Comprehensive Risk Management

The Company counts on a Business Risk Management Policy aligned to the best practices of risk management. It has a Management Risk Committee conformed by Executive Directors of the Company and the Internal Audit Director. This Group is the ultimate responsible for the monitoring and implementation of the present policy.

Every three months the Audit Committee analyzes modifications regarding business and fraud risks and reports to MetroGAS Board of Directors on any critical aspects related to risks management.

8. DESCRIPTION OF OPERATIONS**8.1. Commercial Policy, Company Financial and Investment Planning**

According to the economic context and provisions issued by the National Government which include the modification of the standards Regulatory Framework, MetroGAS decides as long as it is financially viable, to focus its efforts on ensuring the business continuity, keeping the quality and reliability of all gas supply, complying with the License's basic rules, and finally based on the results of the renegotiation of the License Agreement, MetroGAS is going to define its new strategy towards the future and matters such as company planning, commercial policy and development of the investment plan.

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In order to satisfy gas supply requirements for full service users, MetroGAS daily requests from all natural gas producers the volumes that are required to supply such users, all in accordance with the provisions of Resolution SE No. 599/07 (as extended by Resolution SE No. 172/12), and ENARGAS Resolution I/1,410, dated September 28, 2010.

The prices that producers charge for delivered gas volumes are regulated and defined by the ES, which has established the prices currently in effect by ES Resolution No. 226/14 of April 7, 2014 for the different categories of customers.

In this manner MetroGAS is ensured a delivery of the gas volumes that it requires to supply its full service customers and at prices that it will subsequently be able to pass on to customers, pursuant to the above mentioned rules.

On April 9, 2014 and April 10, 2014, ENARGAS Resolutions N° I/2,853/14 and N° I/2,852/ 14 were issued respectively, these resolutions established a new tariff scheme to be applied to Transportadora de Gas del Sur S.A. ("TGS") and Transportadora de Gas del Norte S.A. ("TGN") in three stages as from April 1, 2014, June 1, 2014 and August 1, 2014.

As of December 31, 2015, firm transportation capacity contracted up to the City Gate of MetroGAS' service area amounts to 23.78 MMm3/day, being 21.01 MMCM/day over TGS system and 2.77 MMCM/day over TGN system. It is noteworthy that the terms of validity are updated automatically in the case of contracted capacities with TGS, for annual periods, unless either party irrefutably manifested in its desire not to renew.

On June 8, 2015 ENARGAS Resolutions N° I/3,347/15 and N° I/3,348/15 were issued respectively, these resolutions established a new tariff scheme to be applied to TGS and TGN. Besides, the TGN contracts are extended by 2.77 MMCM per day until April 30, 2017.

8.3 Customers and Market

The Company's sales are highly influenced by Argentina's weather conditions. Demands for natural gas and as a result, MetroGAS' sales, are considerably higher during winter time (May to September) due to volumes of gas sold and the tariffs mix that affects sales profits and net margin.

A summary of the Consolidated Statements of Profit and Loss and Other Comprehensive Income for fiscal years ended on December 31, 2015 and 2014 is included below in order to reflect MetroGAS' seasonal variation of sales and its level of annual profitability.

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| 2015 (thousands of pesos) | | | | | |
|---------------------------------|-----------|-----------|-----------|-------------|----------------------|
| For quarters ended on | | | | | Total fiscal year |
| | 03-31 | 06-30 | 09-30 | 12-31 | |
| Net sales | 774,442 | 1,138,100 | 1,481,794 | 1,233,021 | 4,627,357 |
| Gross profits | 178,832 | 83,936 | 294,584 | 316,269 | 873,621 |
| (Loss) Gain Operating income | (13,178) | 221,143 | 241,573 | 204,843 | 654,382 |
| (Loss) Income before income tax | (115,162) | 36,444 | 86,646 | (1,141,142) | (1,133,214) |
| Net (Loss) Income | (119,464) | 25,246 | 78,621 | (545,112) | (560,708) |

| 2014 (thousands of pesos) | | | | | |
|---------------------------------|-----------|---------|-----------|-----------|----------------------|
| For the quarters ended on | | | | | Total fiscal year |
| | 03-31 | 06-30 | 09-30 | 12-31 | |
| Net sales | 454,337 | 916,829 | 1,199,271 | 614,037 | 3,184,474 |
| Gross Profits | 62,973 | 254,678 | 305,186 | (27,769) | 595,068 |
| (Loss) Gain Operating Income | (68,768) | 93,037 | 82,453 | (196,940) | (90,218) |
| (Loss) Income before income tax | (329,998) | 18,839 | (18,063) | (276,136) | (605,358) |
| Net (Loss) Income | (343,024) | 8,990 | (20,510) | (276,635) | (631,179) |

As mentioned above, MetroGAS provides distribution service to approximately 2.3 million customers within its service area, approximately 62% of which are in the Autonomous City of Buenos Aires ("CABA").

Sales to residential customers during 2015 and 2014 totaled 26.9% and 27.3%, of sales volume, respectively, and approximately 42.1% and 44.1% of net sales.

MetroGAS gas sales to residential customers increased by 38.9%, from Ps. 1,402,139 thousand to Ps. 1,947,228 thousand for the year ended on December 31, 2014 and 2015, respectively, mainly due to an increase in tariffs for the year ended December 31, 2014, as compared to the previous fiscal year, according to The Provisional Agreement signed on March, 2014.

MetroGAS strongly depends on its sales to electric power plants to maintain a high utilization of its firm transportation capacity (Load Factor), especially during warmer months, when residential consumption is reduced. Among its customers MetroGAS has electric power plants with 23.9% of the total thermal power generated in the country's wholesale electricity market.

The growth of electric demand initiated in 2003 continued during 2015; however, the gas-based dispatch from MetroGAS's thermal generation park decreased by 5.6% with respect to 2014, due to an increased dispatch on the basis of liquid fuels on the grounds of new criteria adopted by Compañía Administradora del Mercado Mayorista Eléctrico S.A. ("CAMMESA") ended year 2013 in its consideration of actual costs of different fuels, for purposes of obtaining an optimal dispatch and minimizing operating costs.

Sales of the transportation and distribution service to electric power plants accounted for 37.1 % and 39.3% of delivered gas volume in 2015 and 2014, respectively.

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Gas sales and sales of the transportation and distribution service to industrial and commercial customers and to public entities accounted for approximately 17.0% and 18.0% of the Company's sales volume in 2015 and 2014 respectively.

As from July 2013, MetroGAS discontinued the processing of natural gas to obtain hydrocarbons at the General Cerri plant. Subsequently, for the period August-December 2013, an agreement was reached with TGS to assign those hydrocarbons at the head of the TGS gas pipeline in Exchange of a monthly rate. This agreement has been renewed for the period July-April 2014 and was again renewed from May 2015 to April 2016.

During 2015 all supply contracts with industrial customers, which expired during that same year, were renewed. According to preventive measures taken in the face of winter 2015, the policy developed in 2007 was still continued. This policy includes options that allow a more operational flexibility in the face of potential supply difficulties, extending this concept to all contracts to be renewed during that year.

In line with the objectives set for this year, and regardless of existing external conditions that affect MetroGAS' operations, the Company has been able to continue in good terms with big industrial customers as well as in the market of Small and Medium sized Companies ("PYMES") and of commercial customers. Natural gas demand for these clients' segments was maintained as a result of general market conditions.

The CNG market represented approximately 7.7% and 7.6% of the Company's sales volume during 2015 and 2014, respectively.

MetroENERGÍA gas sales during the year ended on December 31, 2015 amounted to Ps. 2,267,888 thousand as compared of the previous fiscal year amounted to Ps. 1,383,993 thousand, represented 49.0% and 43.4% of the Company's sales volume. This increase was mainly due to an increase in delivered volumes by 64.4%.

8.4 Operation of the distribution system

The economic situation of MetroGAS', has still been strongly conditioning the Company's operating activities; for this reason, the Company, has continued managing its resources in order to prioritize the distribution system's security.

During 2015, approximately 9,425 new services were installed, decreasing by 12% compared to 2014. As regards works financed by third parties, the Company controlled the construction of 77.14 Km of distribution networks.

Within the assets integrity program the Company continues to assess the 22 bar pressure system as a consequence of certain incidents that took place in 2007 and 2009, the result of these evaluations of the mentioned pressure system, defining from that results, a strategy for which will make it possible, for the next two years a) to reestablish the operating pressure of the 22 bar system, pressure that in some of its parts that had been reduced between a 15% and a 20% as a preventive measure, b) to solve and replace the necessary parts recommended in the assessment and c) to continue with confirming evaluations for the rest of the system.

Aiming at improving the Company's low-pressure system operation, through a quicker and stricter control of supply pressures, MetroGAS implements the "Tele-control of Profiling Units in Regulating Stations". In this way 80% of the total of the pressure regulating stations of the Company's low-pressure system has telecontrol profiling units to control pressure and besides counts on 64 extreme points with telemeasurement.

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Moreover and complying with the new regulation issued by the ENARGAS for gas transmission lines (Part O NAG 100), MetroGAS continued with the base assessment, of the transmission lines, giving priority according to risks implied, which involved a series of preventive maintenance activities such as: replacement type DCVG (Direct Current Voltage Gradient) and CIS (Close Interval Survey) and a direct inspection of the mains.

Regarding corrective maintenance of the system, approximately 8,772 residential services have been replaced, among other actions intended for short-term maintenance of the distribution system.

The emergency call center registered an annual volume of approximately 64,700 claims, mainly about gas leaks, from which about 5,400 were classified by the Company as high priority.

14,800 Km of our low, medium and high pressure networks have been replaced in compliance with what is required by standards.

8.5 Capital Investment

The Company has optimized its capital investments, reducing them to levels that are compatible with the business continuity and the supply of a safe service in a short term. Detailed information on this issue is found in Notes 10 and 12 Properties, plant and equipment and Intangible Assets, respectively, of these financial statements.

8.6 Customer care and Services

During 2015, the Customer Service area was strongly affected by tariff changes established by ENARGAS Resolution I/2851/14 from April 7, 2014, and by the creation of a Register of Exceptions to the Policy of Redirecting Subsidies from the Government, established by ENARGAS Resolution I/2905.

This situation originated requests from our customers at all of our customer care centers, an increase in the number of paperwork related to the change of ownership, new presentations of Sworn Statements of exemption to new tariffs or renewal of existing ones; besides the fact that customers filed invoice claims for what was supposed to be an invoice or measurement mistake. Although customer care and service demand was not as high as in 2014, interaction with customers remained at higher levels than in previous years. This was especially evident in the number of phone calls at our Call Center that once more grew up to 5% compared to the previous year.

As a consequence of that and in order to comply with requirements regarding customer care , the Company, through different channels (Call Center, Commercial Offices, etc.), took a number of additional measures, involving every necessary area so as to be able to cope with a higher demand. Based on that, the following additional actions to the previous year were taken:

- The opening of new Customer Care and Service Centers to see to all administrative procedures related to exempted customers and other administrative paperwork at municipal offices. During the ongoing year we have nine offices in five municipalities in the south of Buenos Aires and two in the Autonomous City of Buenos Aires (“CABA”).
- The implementation, together with the ENARGAS, of an internet procedure so that customers who already had an exemption related to new tariff schemes, could carry out the renewal through the internet instead of going to a commercial office.

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On the other hand and aiming at improving customer care and service in a near future and the Company's point of view on it; two projects were started that will have a very clear medium term impact on our quality service and on the effectiveness of the rendering of such service. All actions taken that are mentioned below, were started during 2015 and will be ongoing during the next years. These are:

- Launching of the project to change our commercial system regarding customer care and service (involving the Commercial and Operations areas).
- Launching of the project of Customer Care and Service Channels Strategy.

These two activities will bring tangible benefits in the rendering of this service in a medium term.

8.7 Human Resources

A new organizational structure was implemented in the Human Resources Directorate aiming at empowering management by processes, proximity with internal customers and opportunities for professional development for collaborators in this area.

The Company's consolidated staff as of December 31, 2015 amounts to 1,157 employees, 5 of which belong to MetroENERGÍA and 73 are employees with a defined term contract.

During 2015 the Company granted salary raises in accordance with the market's average.

Progress was made regarding the new scheme of Positions Assessment for leading positions started in 2014.

The implementation of a leading computer application was carried out for a comprehensive management of critical processes within the Human Resources Department.

Our Human Resources Department leads the Change Management in the Processes Optimization project (Project M360).

In the area of Internal Communications we can stand out the re-launching of our internal company magazine.

Employment Management incorporated LinkedIn by means of its social network webpage. This is an additional recruiting tool that contributes to refer to MetroGAS as an employment trademark. The activity to search for professionals from the technological, technical and engineering areas has been continued.

Developments activities were oriented to the creation of Individual Development Plans. The Program for Leadership Development 2015/16 was started and it was addressed to Chiefs and Supervisors.

Finally, the 2015/2016 cycle of Educational Continuity started; this is a special program addressed to the Company's collaborators to finish their elementary and high school studies in our Company's premises with teachers specialized in adults education.

METROGAS S.A.**ANNUAL REPORT****8.8 Health, Safety and Environment**

By being committed to our Health, Safety and Environment Policy that is focused on a continuous improvement, we keep it reviewed and aligned to YPF's standards.

Two compulsory Evacuation drills were performed at the premises in CABA in compliance with CABA Law N° 1346, submitting all corresponding reports to Civil Defense.

In compliance with Law N° 1, 4108 and its Resolution N° 801/14 regarding the creation of Mixed Commissions of Security and Health, the Province of Buenos Aires, MetroGAS and the Gas Industry Workers' Union ("STIGAS") have adjusted their regular meetings to the new demands of this regulation conforming their authorities in compliance with requirements therein mentioned.

MetroGAS had an active participation at the stand set up by STIGAS, during the National Security week that took place at Tecnópolis, organized by the Superintendence of Occupational Risks ("SRT").

In April 2015, MetroGAS was a sponsor at the Latin-American meeting of Occupational Security and Health from April 21 to April 24, 2015.

So as to continue with a Comprehensive System of Health, Safety and Environment certified under ISO standards 14001: 2004 and OHSAS 18001: 2007, different actions were performed aiming at improving the Management System by means of internal audits. As a result of the level of compliance, it was possible to retain the re-certification of the mentioned standards through the external audit carried out by IRAM Certifying Body on October 7, 8 and 9, 2015.

An annual environmental drill corresponding to standard NAG 153 was performed last December. Its objective was to time how long it took to access the City Gate through alternative routes.

Finally, there were neither fines or sanctions related to environmental issues nor complaints from the Company's customers or the community in general.

8.9 Institutional Relationship

The Company held to its communication strategy oriented to all those sectors of interest, working to consolidate MetroGAS' positive aspects among its key audiences. Within this framework, the Company resumed the public opinion poll performed by "Carlos Fara y Asociados" consultant agency, which had significant results. MetroGAS continues being the Company with the best positive image within public utility service companies. As regards service quality, the company gets 80% of positive answers and, besides, counts on a positive image in different aspects: it is among the companies that renders the best customer care service (18%). If people could choose, almost nobody would choose another company (only 6% would change); and it has a positive rating regarding customer care and service at its commercial offices (81%). In connection to communication, MetroGAS is among the leading companies (13%).

Additionally, during 2015, the relationship with municipal officers corresponding to the service area was intensified. A rapprochement plan was implemented with each Mayor by means of proactive meetings to assess needs. Moreover, the program for training activities was presented at each Municipality. The said program is developed by MetroGAS regarding the prevention of carbon monoxide accidents together with Personnel from the Federal Superintendence of

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Firemen of the Argentine Federal Police, with the ENARGAS and the Metropolitan Police. Throughout 2015 more than 1,000 people from Volunteer Firemen, Civil Defense, Community Police, hospital, schools, among others were trained. In the same way, the schedule for Fire Fighting workshops was coordinated which took place at the Technical Training Center addressed to different areas related to security.

Regarding the institutional framework, it was possible to consolidate the Company's presence at the Circle of Communications Directors ("DirComs"), the Professional Committee of Public Relations of the Argentine Republic, the IDEA Colloquium, the Argentine Business Committee for Sustainable Development ("CEADS") and the Argentine Petroleum and Gas Institute ("IAPG"). Besides, a stand was set up at the Avellaneda Industrial Exposition, counting on the presence of provincial and municipal officers.

8.10 Community Service Activities

In 2015, MetroGAS renewed its Sustainability strategy. By means of specific actions it based its work on three main themes: education, security and environment. These pillars, constituted the foundations of a long term project which, besides, sets the attention on three levels of execution: the person, the family and the community aiming at encouraging cultural changes as regards a Safe Usage and Responsible Consumption of natural gas. When cross-checking these two, there arises a more effective course of action that ensures the integration of each program into the Sustainability strategy and into the business vision of the Company.

Under this new paradigm, the Company developed projects with high impact on a local level:

- Training to Students from Technical Schools: Workshop "Instalando Calor Seguro". Addressed to students at their last year of technical schools, including 8 theoretical-practical working days given by the Company's specialized personnel, who joined the Program as Corporate Volunteers.
- Training to Technical School Teachers. Introductory Workshops to the Oil and Gas Industry carried out together with the IAPG (Argentine Institute of Petroleum and Gas). At the same time, the workshop "Instalando Calor Seguro" was repeated, addressed to technical school teachers, resulting in a multiplier effect and achieving a total coverage of MetroGAS' area.
- Training to Students from Elementary Schools: Workshop "Hogar Cálido Hogar". It is a forum theater project addressed to children between 7 and 9 years old, performed together with the "Asociación Civil Circuito Cultural Barracas" (Barracas Cultural Circuit Civil Association). The plot focuses on the importance of having a proper internal gas connection, it stands out the function of a registered gas installer as a priority to set up gas devices and the general gas network. This activity is complemented with material to be used at the classroom and a web site for interactive online games (www.metrogas.com.ar/hogarcaldohogar).
- Mural. This piece of artwork placed near MetroGAS' building (Barracas) was finally finished. Its design and set up was in collaboration with the "Cátedra de Muralismo del Instituto Superior de Bellas Artes, Manuel Belgrano" (School of fresco painting of the Argentine Institute of Fine Art).

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Additionally, the Volunteer Program was re launched accepting corporate responsibility to support all collaborators' initiatives. In this way, the employees' enthusiasm to participate was combined with the Company's main work areas. All of this was to the community's benefit. During its first year, 17 different projects were received from employees and these were carried out by means of different activities and were combined with different suggestions from the Company. By the end of 2015, more than 10% of MetroGAS population had participated as a Corporate Volunteer in at least one activity.

9. DIVIDEND POLICY

In the past, subject to the Company's results and other relevant factors, the Board of Directors of MetroGAS recommended to pay dividends, during the last quarter of each year on a temporary basis, and in case of the Ordinary Shareholder's Meeting, to pay the final dividend, within the limits set by the General Corporations Law and considering all restrictions established in the debt issue prospectus.

As from fiscal year 2002, and up to this date, the Company has maintained unappropriated accumulated deficit. For this reason, as from that moment on, there has been no distribution of dividends, and in the future, it shall not be possible to distribute them unless all losses from previous fiscal years are covered, in compliance with what is stipulated by the General Corporations Law.

Pursuant to the terms and conditions of issuance of the Notes issued by MetroGAS, the distribution of cash dividends shall be subject to prior redemption, payment or repurchase by the Company of at least U\$S 75 million principal amount of Class A Notes.

10. ISSUED CAPITAL STRUCTURE

Issued Capital as of December 31, 2015 is composed of 569,171,208 common shares classified in three different categories; Class "A", "B" and "C", each having a one peso par value and entitled to one vote per share.

| Classes of shares | subscribed, registered and paid- in Thousands of Ps. |
|--|---|
| Class "A" | 290,277 |
| Class "B" | 275,026 |
| Class "C" | 3,868 |
| Capital Stock as of December 31, 2015 | 569,171 |

The total number of Class "A" shares, representing 51% of the Company's Common Stock is owned by Gas Argentino S.A. ("Gas Argentino"), and their transferability is subject to the approval of the regulatory authority.

As of this date Gas Argentino shareholders are (i) YPF Inversora Energética S.A. ("YIESA") owner of 98%, and (ii) Operadora de Estaciones de Servicios S.A. ("OPESSA") owner of 2%. Accordingly, YIESA owns 54,686,550 Class A shares and 47,060,227 Class B shares, and OPESSA owns 2,075,798 Class A shares.

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YIESA is a subsidiary of YPF S.A. ("YPF"), the direct owner of 99.9998% of YIESA's capital stock, while the remaining equity is owned by A-Evangelista S.A.

OPESSA is a subsidiary of YPF, the direct owner of 99.99995% of OPESSA's capital stock, while the remaining equity is owned by YPF GAS S.A.

Class "B" shares represent 48% of the Common Stock. Of such percentage, 19% has been owned by Gas Argentino since the privatization process. The 29% was sold at public offering and is owned by approximately 1,802 investors.

On November 2, 1994, through Resolution No. 10,706 the CNV authorized the Company to sell at public offer all shares of company common stock up to that date; in the same way, ADSs were issued in the United States of North America and they were registered at the Securities and Exchange Commission ("SEC"). The Company quotes shares on the Buenos Aires Stock Exchange ("BCBA"). On January 21, 2015, MetroGAS started due actions to withdraw their registration from the SEC, which was effective on April 21, 2015 ceasing its duty of disclosure to that body from the date of commencement of the proceeding.

Class "C" shares which represent 10% of the Common Stock, and were assigned during the privatization process to the Employee Stock Ownership Plan (-PPP-Programa de Propiedad Participada); the beneficiaries were employees from Gas Del Estado transferred to MetroGAS who continued working for the Company up to July 31, 1993, and who chose to participate in the above mentioned plan.

At the Class "B" and "C" shares General Extraordinary Meeting of MetroGAS shareholders dated on October 16, 2015 the partial conversion of Class "C" shares into Class "B" shares was approved by a majority of votes.

Pursuant Resolution N° 17,918, on December 4, 2015, the "CNV" decided to transfer the public offering authorization duly granted by MetroGAS to convert 53,049,640 ordinary book-entry Class "C" shares of nominal value Ps. 1.00 each and the right to one vote per share, into the same number of ordinary book-entry Class "B" shares.

11. INCOME ALLOCATION PROPOSAL

The Company's Board of Directors recommends approving as the Board of Directors' fees the amount of Ps. 2,341 thousand, which were allocated to the result of fiscal year 2015.

In the same way, the Company's Board of Directors recommends that the Shareholders' Meeting keeps in Accumulated Results the net loss attributable to the fiscal year ended on December 31, 2015, that amounted to Ps. 564,901 thousand.

On December 31, 2015, the Company registered a negative shareholders' equity attributable to controlling interest of Ps. 775,087 thousand, attributable to the owners of the acquirer, being affected by regulations from Art. 96, S. 5° and Art. 96 of the General Corporations Law.

METROGAS S.A.**ANNUAL REPORT****12. ACKNOWLEDGEMENT**

The Board of Directors would like to express its deepest appreciation to all MetroGAS' personnel for their co-operation in their daily tasks, as well as to its customers, suppliers and creditors for their support and their confidence in MetroGAS.

Autonomous City of Buenos Aires, March 2, 2016.

Marcelo Adrián Núñez
Presidente

METROGAS S.A.**EXHIBIT REQUIRED BY RESOLUTION No. 606/01 ISSUED BY THE NATIONAL SECURITIES COMMISSION – CORPORATE GOVERNANCE****GENERAL SPECIFICATIONS:**

- All those recommendations that led to “Total compliance” are supported by policies, procedures, practices, formal information channels, among other general working schemes of the Company.
- All those recommendations that led to “Partial Compliance “ or “Noncompliance”; the Company is assessing possible action resources to comply, to a greater extent, with the recommendations of this code.

| | Compliance | | Noncompliance ³ | Notify ¹ or Explain ² |
|---|--------------------|----------------------|----------------------------|---|
| | Total ³ | Parcial ³ | | |
| PRINCIPLE I. TRANSPARENCY IN THE RELATIONSHIP AMONG THE ISSUER, THE ECONOMIC GROUP THAT IT LEADS AND/OR COMPOSES AND ITS RELATED PARTS. | | | | |
| Recommendation I.1: The Administrative Body should guarantee to communicate all policies applicable to the relationship among the Issuer with the economic group that it leads and/or composes and with its related parts | X | | | |
| Recommendation I.2: To ensure the existence of mechanisms for the prevention of conflicts of interest | X | | | |
| Recommendation I.3: To prevent misuse of privileged information. | X | | | |
| PRINCIPLE II. TO LAY THE FOUNDATIONS FOR A SOLID ADMINISTRATION AND SUPERVISION OF THE ISSUER. | | | | |
| Recommendation II. 1: To guarantee that the Administrative Body accepts responsibility for managing and supervising the Issuer and its strategic guidance. | | | | |
| II.1.1 The Administrative Body approves: Provided it counts on these policies, to make a description of their main aspects. | | | | |
| II.1.1.1 the strategic or business plan, as well as management objectives and annual budgets. | X | | | |
| II.1.1.2 investments policy (in financial assets and capital goods) , and financial policy | | X | | The Company counts on policies related to this recommendation approved by the Senior Management, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Administrative Body. |
| II.1.1.3 policy of corporate | | X | | Although the Company does not |

¹ In the case of total compliance, communicate in which way the Issuer complies with the principles and recommendations of the Corporate Governance Code.

² In the case of partial compliance or noncompliance, justify the reasons and state which the actions are planned by the Issuer's Administrative Body to incorporate those recommendations that are not taken in the next fiscal year or in subsequent actions.

³ Checkmark if it corresponds.

METROGAS S.A.**EXHIBIT REQUIRED BY RESOLUTION No. 606/01 ISSUED BY THE NATIONAL SECURITIES COMMISSION – CORPORATE GOVERNANCE**

| | Compliance | | Noncompliance ³ | Notify ¹ or Explain ² |
|---|--------------------|----------------------|----------------------------|--|
| | Total ³ | Parcial ³ | | |
| governance (compliance with the Corporate Governance Code) | | | | count on a Corporate Governance Code, it has a number of policies aimed at strengthening the practices of good corporate governance, such as: the Code of Conduct, the Policy of Conflicts of interest, the Policy of Information Security, among others. |
| II.1.1.4 policy of selection, assessments and compensation of first line managers. | | X | | The Company counts on policies related to this recommendation approved by the Senior Management and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not approved by the Administrative Body. Moreover the Company counts on a Compensation Committee composed of 5 members of the Board, being 3 of them independent members who aim at safeguarding the compliance with the policies related to this recommendation. |
| II.1.1.5 policy of responsibility assignment to first line managers. | | X | | The Company counts on policies related to this recommendation approved by the Senior Management, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Administrative Body. |
| II.1.1.6 la supervision of replacement plans for first line managers. | | X | | Among the responsibilities of the Compensation and Appointment Committee is this role. The update of the plan in question will be completed in 2016. |
| II.1.1.7 policy of enterprise social responsibility. | | X | | The Company counts on policies related to this recommendation approved by the Senior Management, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Administrative Body. |
| II.1.1.8 policy of comprehensive risk management and internal control, and policy of prevention of fraud and dishonest practices. | | X | | The Company counts on policies related to this recommendation approved by the Senior Management, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Administrative Body. The Board of Directors quarterly monitors the Company's risk. |
| II.1.1.9 policy of ongoing training for members of the Administrative Body and for | | X | | The Company counts on policies related to this recommendation approved by the Senior Management, |

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| | Compliance | | Noncompliance ³ | Notify ¹ or Explain ² |
|---|--------------------|----------------------|----------------------------|---|
| | Total ³ | Parcial ³ | | |
| first line managers. | | | | and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Administrative Body. The Audit Committee has an annual training plan and invites the Board of Directors and the Senior Management to participate in it. |
| II.1.2 If relevant, add other policies applied by the Administrative Body which have not been mentioned and describe in detail the most important points. | | | | NOT APPLICABLE |
| II.1.3 The Issuer counts on a policy that aims at guaranteeing the availability of relevant information for its Administrative Body to take decisions and on a channel of direct enquiries for managerial levels, in a way that it is equally symmetrical for all of its members (executives, external or independent) and done in good time, so as to allow a proper assessment of its contents. Specify . | | X | | Although there is no specific policy related to this recommendation, the Company has as a good corporate practice, the submittance of relevant information to all the members of the Administrative Body, in good time. |
| II.1.4. All issues to be considered by the Administrative Body come together with an assessment of risks related to decisions that may be taken, taking into account the Enterprise risk level defined as acceptable by the Issuer. Specify. | X | | | The Company's Senior Management has internalized a strong risk management culture. As a consequence of this, every relevant decision to be approved by the Administrative Body entails an assessment of the risks involved. |
| Recommendation II.2: To ensure an effective Enterprise Management Control. The Administrative Body verifies : | | | | |
| II.2.1 the compliance with the annual budget and with the business plan, | X | | | |
| II.2.2 The performance of first line managers and the fulfillment of objectives set to them (the level of expected profits versus the level of achieved profits, financial qualification, quality of the accounting report, market share, etc.). Make a description of the relevant aspects of the Issuer's policy of Management Control, specifying all techniques applied and the frequency of the | X | | | The Senior Management performance is assessed on an annual basis. This assessment and the variable compensation resulting from such assessment are approved by the Compensation Committee. |

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| | Total ³ | Parcial ³ | | |
| Administrative Body's monitoring. | | | | |
| Recommendation II.3: To inform about the Administrative Body's performance assessment process and its impact. | | | | |
| II.3.1 Each member of the Administrative Body complies with the Company Bylaws and, with the Administrative Body's Rules of procedure. Give detail of the main guidelines of the Rules of Procedure. Indicate the level of compliance with the Company Bylaws and the Rules of Procedure. | X | | | The Company Bylaws and the Board of Directors' Rules of Procedure are complied with; both agree with the legislation in force. |
| II.3.2 The Administrative Body shows the results of its management taking into account the objectives set at the beginning of the term, so that shareholders may assess the fulfillment level of those objectives that contain both financial and nonfinancial aspects. Moreover, the Administrative Body presents a diagnosis about the level of compliance with the policies mentioned in Recommendation II, item II.1.1 and II.1.2: Give detail of the main aspects of the Shareholders' General Assembly assessment of the Administrative Body's level of fulfillment of objectives set and of its compliance with the policies mentioned in Recommendation II, items II.1.1 and II.1.2, indicating the date when the General Assembly was held where such assessment was presented. | | X | | The Board of Directors records the results of the fiscal year in the Annual Report which is duly considered by the annual Assembly. The Board of Directors does not provide the Shareholders a formal diagnosis on the implementation of policies. The Annual Meeting approves the Management Board of Directors. |
| Recommendation II.4: That the number of external and independent members constitute a significant proportion in the Administrative Body. | | | | |
| II.4.1 The proportion of executive members, external and independent (the latter defined according to regulations of this Committee) of the Administrative Body is related to the Issuer's capital structure. Specify | X | | | The Company's Board of Directors is currently composed of 11 Directors appointed by the Shareholders' Assembly, within the limits set by the Company Bylaws; the number of members is considered suitable according to the given present circumstances. The Board of Directors includes 5 independent Directors and counts on the necessary Committees to carry out its mission in an effective and |

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|---|--------------------|----------------------|----------------------------|---|
| | Total ³ | Parcial ³ | | |
| | | | | efficient way There are no Executive Directors in the Board of Directors. |
| II.4.2 During the current year, at a General Assembly, shareholders agreed on a policy aimed at keeping a proportion of at least 20% of independent members over the total number of members of the Administrative Body. Make a description of the relevant aspects of the said policy and of any shareholders' agreement that allows understanding the way in which members of the Administrative Body are appointed and for how long. Indicate if independence of the members of the Administrative Body was questioned during the year and if there has been any abstention due to conflicts of interest | | X | . | Although the Company does not count on a policy related to this recommendation, the Company complies with the standards of the CNV (Argentine National Securities and Exchange Commission). |
| Recommendation II.5: To commit to provide regulations and procedures related to the selection and appointment of members of the Administrative Body and first line managers. | | | | |
| II.5.1.The Issuer counts on an Appointments Commission | X | | | The Company counts on a Compensation and Appointment Committee whose role is to deal with all matters related to compensations and appointments. |
| II.5.1.1 composed of at least three members of the Administrative Body, being their majority independent members, | X | | | The said Committee is composed of three members of the Directorate; 2 are non-independent ones. |
| II.5.1.2 chaired by an independent member of the Administrative Body, | X | | | Its chairman is an independent Director. |
| II.5.1.3 that counts on members who are qualified enough and who have the necessary experience on issues about human capital policies. | X | | | The members of the Committee are competent and experienced in human resources matters. |
| II.5.1.4 that meets at least twice a year. | X | | | |
| II.5.1.5 whose decisions are not necessarily binding on the Shareholders' General Assembly but have an advisory purpose as regards the selection of the Administrative Body's | | | X | The Compensation and Appointment Committee does not appoint or select members of the Board of Directors. |

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|--|--------------------|----------------------|----------------------------|---|
| | Total ³ | Parcial ³ | | |
| members. | | | | |
| II.5. 2 Provided there is an Appointments Commission, it : | | | | |
| II.5.2.1 verifies the annual revision and assessment of its rules of procedure and suggests changes to the Administrative Body for its approval, | X | | | It is explicitly considered in the Regulations in force of the Compensation and Appointment Committee. |
| II.5.2.2 suggests the criteria development (qualification, experience, professional reputation and ethics, among others) for selecting new members of the Administrative Body and first line managers, | | X | | The Compensation and Appointment Committee does not recommend any criteria to select members of the Board of Directors. The criteria to be considered for first line managerial level are analyzed at time of each incorporation. |
| II.5.2.3 Identifies candidates for members of the Administrative Body ,to be proposed by the Committee to the Shareholders' General Assembly, | | | X | The Compensation and Appointment Committee does not appoint members of the Board of Directors. |
| II. 5.2.4 suggests members of the Administrative Body who will compose the different Committees of the Administrative Body according to their background, | | | X | The Compensation and Appointment Committee does not appoint members of the Board of Directors. |
| II. 5.2.5 recommends the President of the Board of Directors not to be the General Manager of the Issuer, | X | | | |
| II. 5.2.6 ensures that the curriculum vitae from members of the Administrative Body and first line managers will be available on the Issuer's web site, where there will be explicit record of the length of their term of office in the case of members of the Administrative Body, | | X | | The names of the members of the Board of Directors are published on the web page. Their curricula vitae are not included for confidentiality reasons. |
| II.5.2.7 confirms the existence of a replacement plan for members of the Administrative Body and for fist line managers. | | X | | The Compensation and Appointment Committee's sole function is to deal with succession planning of first line managers. This succession planning for first line managers will be completed in 2016. |
| II.5. 3 If relevant, add implemented policies carried out by the Issuer's Appointments Commission which have not been mentioned in the previous point. | | | | NOT APPLICABLE |

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|--|--------------------|----------------------|----------------------------|---|
| | Total ³ | Parcial ³ | | |
| Recommendation II.6: To assess the convenience that members of the Administrative Body and/or members of the Supervisory Committee and/or of the Oversight Board work for different Issuers. | X | | | It is explicitly considered in the Regulations in force of the Compensation and Appointment Committee. |
| Recommendation II.7: To ensure Training and Development for the Issuer's Administrative Body members and first line managers. | | | | |
| II.7.1 The Issuer counts on a program of ongoing training related to the Issuer's existing needs for members of the Administrative Body and first line managers, which includes issues about their roles and responsibilities, comprehensive enterprise risks management, specific business knowledge and its rules, the dynamic of Enterprise governance and issues on Enterprise social responsibility. In the case of members of the Audit Committee, international accounting standards, audit and internal control standards and specific regulations of the capital market. Describe all programs carried out during the year and their level of compliance. | | X | | <p>The Audit Committee has an annual Training Plan and invites the Board of Directors and the Senior Management to participate in its activities. Within the training activities developed during the year we can mention the following issues:</p> <ul style="list-style-type: none"> • Regulatory framework and tariffs • Functioning of the distribution system • Information systems • Commercial strategy • Fire prevention • Governance and transparency • Internal Audit • Human Resources |
| II.7.2. The Issuer encourages, by other means not mentioned in II.7.1, members of the Administrative Body and first line managers to keep a permanent training to supplement their education level so as to add value to the Issuer. Specify how it is done. | | X | | The Company's policies related to this recommendation refer to Managers. Members of the Administrative Body are not included. |
| PRINCIPLE III. TO SUPPORT AN EFFECTIVE POLICY OF IDENTIFICATION, MEASUREMENT, ADMINISTRATION AND COMMUNICATION OF ENTERPRISE RISKS | | | | |
| Recommendation III: The Administrative Body has to count on a comprehensive Enterprise risk management policy and monitor its proper implementation. | | | | |
| III.1 La The Issuer has Comprehensive Enterprise risk management policies (of fulfillment of strategic, operative and financial objectives, and objectives regarding accounting report, laws and regulations, among others). Give a description of the most relevant aspects of | X | | | The Company has a Business Risk Management Policy that is aligned with the best practices of risk management. It also counts on a Risk Management Committee, composed of the Company's Executive Directors and the Internal Audit's Director. This group is responsible for monitoring and implementing this policy. On a quarterly basis. MetroGAS' Board of |

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|---|--------------------|----------------------|----------------------------|--|
| | Total ³ | Parcial ³ | | |
| these policies. | | | | Directors is notified of any critical issues related to risk management. |
| III.2 There is a Risk Management Committee within the Administration Body or the General Management. Notify of the existence of procedure manuals and give detail of the main risk factors which are specific to the Issuer and its activities and of implemented mitigating actions. If there is no such Committee, describe the supervision role of the Audit Committee as regards risks management. Moreover, specify the level of interaction between the Administrative Body or its Committees and the Issuer's General Management regarding comprehensive enterprise risk management. | X | | | See previous point. |
| III.3 There is an independent function within the Issuer's General Management that implements the comprehensive risk management policy (Function of the Risk Management Officer or equivalent) Specify | X | | | The Controller Directorate is responsible for the communication and follow- up of the Risk Management process. |
| III.4 Comprehensive risk management policies are permanently updated according to known recommendations and methodologies in this matter. Indicate them: (Enterprise Risk Management according to COSO-Committee of sponsoring organizations of the Treadway Commission-ISO 32000, IRAM standard 17551, section 404 of the Sarbanes-Oxley Act, among others). | X | | | The Policies are regularly evaluated, considering the best practices. |
| III.5 The Administrative Body informs in the financial statements and in the Annual Report, of the results of the supervision of risks management performed together with the General Management. Specify the main points of the concepts | X | | | A note was include in the Financial Statements and an item in the Annual Report referred to comprehensive Risk Management. |

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|--|--------------------|----------------------|----------------------------|--|
| | Total ³ | Parcial ³ | | |
| described above. | | | | |
| PRINCIPLE IV. TO SAFEGUARD THE INTEGRITY OF FINANCIAL INFORMATION WITH INDEPENDENT AUDITS. | | | | |
| Recommendation IV. To guarantee the Independence and transparency of the functions of the Audit Committee and the External Auditor. | | | | |
| IV.1. At the time of selecting the members of the Audit Committee and taking into account that the majority has to be independent, the Administrative Body assesses if it is convenient to have an independent member as its president. | X | | | |
| IV.2 Within Internal Audit there is a function that reports to the Audit Committee or to the President of the Administrative Body and it is responsible of assessing the internal control system. Specify if the Audit Committee or the Administrative Body perform an annual assessment of the performance of the internal audit area and of the degree of independence of its professional practice, being understood that the professionals in charge of such function are independent from the rest of the operative areas and besides they comply with the requirements of independence as regards control shareholders or related entities who have a significant influence on the Issuer. In addition, specify if the Internal Audit's function performs in compliance with the International Standards for the professional practice of internal auditing issued by the Institute of Internal Auditors. (IIA). | X | | | There is an Internal Audit's function that reports to the Audit Committee and is responsible for assessing the Internal Control system. On an annual basis the Audit Committee assesses the performance of Internal Audit and its degree of independence. Internal Audit complies with the international standards for the professional practice of internal auditing issued by the Institute of Internal Auditors ("IIA") |
| IV.3 Members of the Audit Committee make an annual assessment as regards competence, independence and performance of External Auditors, appointed by the Shareholders' Assembly. Describe the relevant aspects of all procedures involved to carry out the said assessment. | X | | | The Audit Committee annually assesses the external auditor's competence, independence and performance. In order to assess the external auditor's competence, work methodology and performance, the Audit Committee takes into account the following: a) Background of the Auditing Company, b) The sworn statement by |

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| | | | | <p>public accountant submitted by the Partner in charge of the audit in compliance with the regulations of sect. 12 of Executive Order 677/2001.</p> <p>c) The guidelines of work methodology.</p> <p>d) The quality control policies submitted by the Auditing Company, including the working team who gives support in specific areas.</p> <p>e) The presentations made on main risks that were identified and assessed and their impact on the general planning of the audit and on the tasks performed by the said company.</p> <p>In order to assess the external auditor's Independence, the Audit Committee has:</p> <p>a) obtained a statement from auditors as regards their independence.</p> <p>b) made an assessment of the services rendered by the external auditor, verifying that none of these services compromises his independence.</p> |
| IV.4 The Issuer counts on a policy related to the rotation of members of the Supervisory Committee and/or of the External Auditor; and in relation to the latter, if the rotation includes the auditing company or if it only affects the auditors. | | X | | The Company counts on a policy regarding the rotation of partners of the auditing company, which conforms to the rules of the CNV policy. |
| PRINCIPLE V. TO RESPECT THE RIGHTS OF THE SHAREHOLDERS. | | | | |
| Recommendation V.1: To ensure that shareholders have access to the Issuer's information. | | | | |
| V.1.1 The Administrative Body encourages regular informative meetings with the shareholders coinciding with the presentation of intermediate financial statements. Specify the frequency and number of meetings held during the year. | X | | | Meetings are held with majority shareholders on a quarterly basis. Minority shareholders get the information by means of the Relevant Information communications to the Stock Exchange. |

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|---|--------------------|----------------------|----------------------------|---|
| | Total ³ | Parcial ³ | | |
| V.1.2 The Issuer counts on mechanisms of information to investors and on a specialized area to take care of their concerns. Moreover, it counts on a web site that can be accessed by shareholders, and that provides an access channel so that they can make contact with one another. Give details. | X | | | <p>The Company has a specific office to receive shareholders in order to respond to their concerns and questions, except for the ones that may affect the strategy or future plans of the Company</p> <p>The Company issues reports on those matters it considers relevant so that shareholders, social bodies and control authorities may be well-informed.</p> <p>The Company has its own Website (www.metrogas.com.ar); it is of free access and provides updated information and information of interest to different users (customers, suppliers, investors and public in general) in an easy way. Through this same channel the Company also receives questions and concerns from these users.</p> |
| Recommendation V.2: To encourage an active participation of all shareholders. | | | | |
| V.2.1. The Administration Body adopts measures to encourage the participation of all shareholders in the Shareholders' General Assemblies. Specify, making a difference between measures imposed by law from the ones voluntarily offered by the Issuer to its shareholders. | X | | | <p>The Company adopts the necessary measures to encourage attendance and participation of minority shareholders in assemblies. Among other measures taken, the announcement for calling shareholders' meetings is published in several newspapers with national circulation, a copy of which is distributed among holders of ADS's (American Depositary Shares) and the accounting information to be considered by shareholders is made available to them, not only in writing but also through the Web page. These measures are the ones imposed by law.</p> |
| V.2.2 The Shareholders' General Assembly counts on Rules of Procedure that ensure information to be available in good time to shareholders, for decision taking. Describe the main guidelines of the Rules of Procedure | | | X | <p>Although the Assembly does not have its Rules of Procedure up to this date, the Company is considering writing them.</p> |
| V.2.3 Mechanisms implemented by the Issuer are applicable so that minority shareholders put forward different issues to be discussed at the Shareholders' General | X | | | <p>The Company accepts the participation of minority shareholders in accordance to regulations in force.</p> |

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|--|--------------------|----------------------|----------------------------|--|
| | Total ³ | Parcial ³ | | |
| Assembly in compliance with what is stipulated by the regulations in force. Specify the results. | | | | |
| V.2.4 the Issuer counts on stimulus policies to increase the participation of the most relevant shareholders, such as institutional investors. Specify. | | | X. | The participation previously mentioned includes institutional investors once it is complied with the requirements set forth by regulations in force as regards the publicizing related to the participation and access to the information. Notwithstanding that, the Company counts on specific stimulus policies |
| V.2.5. At Shareholders' Assemblies where members of the Administrative Body are proposed to be appointed, and prior to the voting, the following is informed: (i) the opinion of each of the candidates as regards the adoption or not of a Corporate Governance Code; and (ii) the reasons to support such opinion. | | | X | Its compliance will be assessed at appointing the next Board of Directors. |
| Recommendation V.3: to guarantee the principle of equality between share and vote. | X | | | The Company Bylaws guarantee equality as each share gives the right to one vote. |
| Recommendation V.4: To establish protection mechanisms for all shareholders in face of take overs. | X | | | Resolutions of regulations in force are applied (sect 90 of the Law Nº 26,831) |
| Recommendation V.5: To increase the percentage of shares in circulation over the capital. | X | | | The Company has 29% of shares in the market complying with the recommended market share dispersion. |
| Recommendation V.6: To ensure that there is a transparent dividend policy | | | | |
| V.6.1 The Issuer has a dividend distribution policy established in the Company Bylaws and approved by the Shareholders' Assembly, and it sets forth the conditions to distribute dividends in cash or in shares. Provided there is a policy, indicate criteria, frequency and conditions that have to be complied with for paying dividends. | | | X | The Company does not have a written policy as regards dividend distribution. However, until 2001 the Company paid dividends based on the results of each fiscal year, subject to investment plans, financial commitments undertaken by the Company, all these within a context of financial prudence At present the Company has unappropriated accumulated deficit, for this reason and given these circumstances, the |

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| | Total ³ | Parcial ³ | | |
| | | | | Board of Directors considers that it is not necessary to elaborate a policy on dividends payment.. |
| V.6.2 The Issuer counts on documented processes to prepare the income allocation proposal; income accumulated by the Issuer, which results in constituting legal, statutory and voluntary reserves, allocation to new fiscal year and/or payment of dividends. Explain these processes and give detail of the Shareholders' General Assembly Minute where the distribution of dividends was approved (in cash or in shares) or not, if it is not set forth in the Company Bylaws. | X | | | The Board of Directors makes up the proposal and takes it to the Annual Assembly for its approval. |
| PRINCIPLE VI. TO MAINTAIN A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY. | | | | |
| Recommendation VI: To provide the community with information related to the Issuer and a direct communication channel with the Company. | | | | |
| VI.1 The Issuer counts on an updated free access web site which not only provides information related to the Company (Company Bylaws, economic group, composition of the Administrative Body, financial statements, Annual Report, among others) but also receives questions and concerns from customers in general. | X | | | |
| VI.2 The Issuer issues a Corporate Social and Environmental Responsibility Assessment on an annual basis, verified by an external independent auditor. Provided there is such assessment, indicate its scope or legal or geographical coverage and its availability. Specify which rules or initiatives have been adopted to carry out the Enterprise Social Responsibility Policy (Global Reporting Initiative and/or United Nations Global Compact, ISO 26,000, SA 8000, Millennium Development Goals, SGE 21- Foretica, AA 1000, Equator | | | X | The Company performs activities related to the ESR (Enterprise Social Responsibility), it has not been considered necessary to make an assessment of the ESR. Moreover, the Company gives account, in the Annual Report, of its Community Service activities during the year. |

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| | Total ³ | Parcial ³ | | |
| Principles, among others). | | | | |
| PRINCIPLE VII. TO GIVE FAIR AND RESPONSIBLE COMPENSATIONS. | | | | |
| Recommendation VII: To set forth clear policies of compensation to the members of the Administrative Body and first line managers, specially paying attention to conventional or statutory limitations depending on the existence or nonexistence of profits. | | | | |
| VII.1. The Issuer counts on a Compensation Committee: | | | | |
| VII.1.1 composed of at least three members of the Administrative Body, and has a majority of independent members. | X | | | The Board of Directors constituted a Compensation Committee composed of 3 independent Directors and 2 majority shareholders' representatives. |
| VII.1.2 chaired by an independent member of the Administrative Body. | X | | | It is chaired by the President of the Audit Committee. |
| VII.1.3 counts on members who are qualified enough and who have the necessary experience on issues about human capital policies. | X | | | Counts on the permanent personal advice of the Human Resources Director and, if necessary, it may hire specialized consulting agencies. |
| VII.1.4 that meets at least twice a year. | X | | | |
| VII.1.5. whose decisions are not necessarily binding on the Shareholders' General Assembly or on the Oversight Board but have an advisory purpose as regards the compensation of the Administrative Body's members | X | | | |
| VII. 2 Provided there is a Compensation Committee, it : | | | | |
| VII.2.1 ensures a clear relationship between the performance of key personnel and their fixed and variable compensation, taking into account all risks taken and how they are handled. | X | | | The Compensation Committee assesses and approves the variable compensation and the fulfillment of business objectives and evaluates salaries depending on the market's values. |
| VII.2.2 Supervises that the variable portion of the compensation to the members of the Administrative Body and to first line managers ,is related to the medium and/or long term performance of the Issuer, | | X | | The Compensation Committee is only in charge of first line Managers' variable compensations |

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| VII.2.3 examines the competitiveness of the Issuer's policies and practices regarding compensations and benefits of similar Enterprises, and recommends or not, some changes, | X | | | The Compensation Committee analyzes issues related to compensations and benefits by means of market surveys requested to specialized consultants, in accordance to the guidelines of the Compensation Policy. |
| VII.2.4 defines and communicates the policy of retention, promotion, dismissal and suspension of key personnel. | X | | | The Compensation Committee's Rule of Procedure stipulates that the Committee is in charge, among other functions, of evaluating, revising and approving individual benefits including retirement agreements. |
| VII.2.5 Communicates the guidelines to establish retirement plans for the members of the Administrative Body and for first line managers of the Issuer. | | | | NOT APPLICABLE |
| VII.2.6 Regularly reports to the Administrative Body and the Shareholders' Assembly on actions taken and on all issues analyzed at those meetings. | | X | | It finds out information (suggests/ advices) each time it is considered necessary and without any pre-established regularity. |
| VII.2.7 guarantees the presence at the Shareholders' General Assembly of the President of the Compensation Committee who approves compensations to the Administrative Body so that he explains the Issuer's policy as regards the redistribution of the members of the Administrative Body and first line managers. | X | | | The president of the Compensation Committee always attends the Shareholders' Assembly although it is not compulsory for him as he is not the President of the Company. He always attends meetings of the Board of Directors and of the Committees he chairs: the Compensation Committee and the Audit Committee |
| VII. 3 If relevant, indicate the policies applied by the Issuer's Compensation Committee that have not been mentioned in the previous point. | | | | NOT APPLICABLE |
| VII. 4 In case there is no Compensation Committee; explain how functions described in VII.2 are carried out within the Administration Body itself. | | | | NOT APPLICABLE |
| PRINCIPLE VIII. TO ENCOURAGE ENTERPRISE ETHICS | | | | |
| Recommendation VIII: To guarantee ethical behavior within the Issuer. | | | | |

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|---|--------------------|----------------------|----------------------------|---|
| | Total ³ | Parcial ³ | | |
| VIII.1 The Issuer has an Enterprise Code of Conduct. Indicate the main guidelines and if it is known by the public in general. The said Code is signed, at least, by the members of the Administrative Body and first line managers. Indicate if its application is extended to suppliers and customers. | X | | . | The Company has a Code of Ethic and Conduct that stipulates that MetroGAS S.A. will, without exceptions, run its businesses in the most ethical way not only at an internal level but also as regards its relationship with customers, suppliers, registered gasfitters, contractors and government organizations complying with all the laws and regulations in force, with a total and absolute transparency towards its shareholders, investors, creditors, employees, customers, suppliers, registered gasfitters, contractors and the community. This Code of Conduct is applicable to the members of MetroGAS S.A. Board of Directors, the members of MetroGAS S.A. Supervisory Commission, Executive Directors, Managers and to all MetroGAS S.A. employees. In the same way, it is applicable to suppliers, contractors, representatives and any third party acting on behalf and /or order of MetroGAS S.A. In strengthening the detailed above, in the year 2015 the Company has created the figure of the Ethics and Compliance Officer. |
| VIII.2 The Issuer counts on mechanisms to receive complaints for every illicit or unethical conduct, which can be made in person or through electronic means guaranteeing that all information given is subject to the highest standards of confidentiality and integrity, for registration and conservation purposes. Indicate if the service of reception and evaluation of complaints is rendered by the Issuer's personnel or by external and independent professionals in order to offer a higher degree of protection to the complainant. | X | | | The Company counts on different mechanisms to receive complaints, including an outsourced anonymous and confidential complaint line. |
| VIII.3. The Issuer counts on policies, processes and systems for the management and solution of complaints mentioned in VIII.2. Make a | X | | | The Company counts on a detailed protocol for the reception, management and disposition of all complaints received. |

METROGAS S.A.**EXHIBIT REQUIRED BY RESOLUTION No. 606/01 ISSUED BY THE NATIONAL SECURITIES COMMISSION – CORPORATE GOVERNANCE**

| | Compliance | | Noncompliance ³ | Notify ¹ or Explain ² |
|---|--------------------|----------------------|----------------------------|--|
| | Total ³ | Parcial ³ | | |
| description of their most relevant aspects and indicate the degree of involvement of the Audit Committee as regards these solutions, especially of those complaints related to issues of internal control for accounting reports and to the behavior of members of the Administrative Body and first line managers. | | | | |
| PRINCIPIO IX: TO EXTEND THE SCOPE OF THE CODE | | | | |
| Recommendation IX: To encourage the inclusion of provisions that lead to the best practices of a good governance in the Company Bylaws. | | | X | <p>The Board of Directors does not plan to incorporate the provisions of the Corporate Governance Code in the Company Bylaws, as both the above mentioned provisions as well as the general and specific responsibilities of the Board of Directors are included in the Company's policies and in the Board of Directors' Rules of Procedure.</p> <p>The Company Bylaws do not contain rules regarding conflicts resulting from personal interests of the Directors. However, the Company counts on a Code of Conduct and a Policy of Conflicts of Interests which ensure that directors are obliged to inform of their personal interests related to decisions that are under their responsibility, in order to avoid conflicts of interests.</p> |

Marcelo Adrián Núñez
Chairperson

METROGAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND 2014

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METROGAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND COMPARATIVE INFORMATION

LEGAL INFORMATION

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

Fiscal Year: No. 24 (initiated on January 1, 2015).

Financial Statements Consolidated: as of December 31, 2015 and comparatives.

Company's Principal Business: provision of natural gas distribution 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 in Common Stock as of 12.31.15:

| 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" | 275,026 |
| Class "C" | 3,868 |
| Issued Capital as of 12.31.15 | 569,171 |

Marcelo Adrián Núñez
Chairperson

METROGAS S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2015 AND 2014 *(stated in thousands of pesos)*

| | Notes | 12.31.15 | 12.31.14 |
|--|-------|------------------|------------------|
| Assets | | | |
| Non current Assets | | | |
| Properties, plant and equipment | 10 | 2,076,672 | 1,950,718 |
| Intangible assets | 12 | 69,899 | - |
| Deferred tax assets | 28 | 9,375 | 4,620 |
| Other investment | | - | 1,066 |
| Investment properties | 11 | 2,394 | 2,455 |
| Other receivables | 14 | 9,519 | 9,821 |
| Total Non current assets | | 2,167,859 | 1,968,680 |
| Current assets | | | |
| Trade receivables | 13 | 1,031,403 | 658,855 |
| Other receivables | 14 | 230,012 | 80,046 |
| Cash and cash equivalents | 15 | 596,223 | 97,586 |
| Total Current assets | | 1,857,638 | 836,487 |
| Total assets | | 4,025,497 | 2,805,167 |
| Shareholders' Equity | | | |
| Issued capital | 16 | 569,171 | 569,171 |
| Accumulated results (losses) | | (1,344,258) | (779,357) |
| Equity attributable to the owners of the parent | | (775,087) | (210,186) |
| Non-controlling interest | | 7,317 | 3,124 |
| Total Shareholders' Equity | 16 | (767,770) | (207,062) |
| Liabilities | | | |
| Non current Liabilities | | | |
| Trade payable | 21 | 172,055 | - |
| Financial debt | 18 | 2,135,949 | 1,336,709 |
| Deferred tax liabilities | 28 | 223,161 | 219,917 |
| Reorganization liabilities | 19 | 13,642 | 16,313 |
| Other taxes payable | 17 | 5,647 | 6,732 |
| Provisions | 20 | 116,258 | 69,518 |
| Total Non current Liabilities | | 2,666,712 | 1,649,189 |
| Current Liabilities | | | |
| Trade payable | 21 | 1,611,215 | 1,014,456 |
| Salaries and social securities | 22 | 128,329 | 100,581 |
| Income tax and minimum presumed income tax ("MPIT") | | 43,113 | 7,196 |
| Other taxes payable | 17 | 176,217 | 102,838 |
| Financial debt | 18 | 144,858 | 109,067 |
| Other accounts payable | 23 | 22,823 | 28,902 |
| Total Current Liabilities | | 2,126,555 | 1,363,040 |
| Total Liabilities | | 4,793,267 | 3,012,229 |
| Total Liabilities and Shareholders' Equity | | 4,025,497 | 2,805,167 |

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.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(stated in thousands of pesos)

| | Notes | For the years ended, | |
|---|---------|----------------------|------------------|
| | | 12.31.15 | 12.31.14 |
| Revenues | 24 | 4,627,357 | 3,184,474 |
| Operating costs | 25 | (3,753,736) | (2,589,406) |
| Gross profit | | 873,621 | 595,068 |
| Administration expenses | 25 | (426,317) | (335,371) |
| Selling expenses | 25 | (499,754) | (356,615) |
| Other income and expenses | 26 | (4,168) | 6,700 |
| Result before Temporary Economic Assistance Resolution ES 263/15 | | (56,618) | (90,218) |
| Temporary Economic Assistance Resolution ES 263/15 | 2.2.2.3 | 711,000 | - |
| Operating income (loss) | | 654,382 | (90,218) |
| Finance income | 27 | 50,294 | 18,310 |
| Finance cost | 27 | (1,183,508) | (533,450) |
| Net financial results | | (1,133,214) | (515,140) |
| Result before income tax and MPIT | | (478,832) | (605,358) |
| Income tax and MPIT | 28 | (81,876) | (25,821) |
| Net result for the year | | (560,708) | (631,179) |
| Other comprehensive result | | - | - |
| Net and comprehensive result for the year | | (560,708) | (631,179) |
| Net and comprehensive result for the year attributable to controlling interest | | (564,901) | (631,420) |
| Net and comprehensive result for the year attributable to non-controlling interest | | 4,193 | 241 |
| Net and comprehensive result for the year | | (560,708) | (631,179) |
| Net result per share | | | |
| Basic and diluted | 29 | (0.99) | (1.11) |

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").
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METROGAS S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 *(stated in thousands of pesos)*

| | Issued capital | Adjustment to issued capital | Legal reserve | Accumulated results | Equity attributable to the owners of the parent | Non-controlling interest | Total Shareholders' Equity |
|---|-------------------|---------------------------------|---------------|------------------------|---|-----------------------------|----------------------------------|
| Balance as of December 31, 2013 | 569,171 | 684,769 | 45,376 | (878,082) | 421,234 | 2,883 | 424,117 |
| Mandatory issued capital reduction, as decided by the General Shareholders' Meeting of April 28, 2014 | - | (684,769) | (45,376) | 730,145 | - | - | - |
| Net and comprehensive result for the year ended December 31, 2014 | - | - | - | (631,420) | (631,420) | 241 | (631,179) |
| Balance as of December 31, 2014 | 569,171 | - | - | (779,357) | (210,186) | 3,124 | (207,062) |
| Net and comprehensive result for the year ended December 31, 2015 | - | - | - | (564,901) | (564,901) | 4,193 | (560,708) |
| Balance as of December 31, 2015 | 569,171 | - | - | (1,344,258) | (775,087) | 7,317 | (767,770) |

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.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (stated in thousands of pesos)

| | 12.31.15 | 12.31.14 |
|---|------------------|------------------|
| Cash flows generated by operating activities | | |
| Net result for the year | (560,708) | (631,179) |
| Adjustments to arrive to the net cash flow from operating activities | | |
| Income tax and MPIT | 81,876 | 25,821 |
| Income from sales of investment properties | - | (8,067) |
| Temporary Economic Assistance Resolution ES 263/15 | (711,000) | - |
| Depreciation of properties, plant and equipment and investment properties and intangible assets | 93,985 | 87,014 |
| Net book value of disposals of properties, plant and equipment and investment properties | 5,730 | 11,335 |
| Net charge on provisions | 54,843 | 27,144 |
| Net financial results | 1,136,530 | 511,854 |
| Changes in assets and liabilities | | |
| Trade receivables | (434,631) | (333,463) |
| Other receivables | 558,127 | (55,101) |
| Other non current investments | 1,066 | - |
| Trade payable | 740,160 | 552,867 |
| Salaries and social securities | 27,748 | 39,571 |
| Income tax and MPIT liability | - | (34,510) |
| Other taxes payable | 59,424 | 7,515 |
| Provisions | (10,792) | (468) |
| Other accounts payable | (7,789) | 18,151 |
| Reorganization liabilities | - | (516) |
| Income tax and MPIT paid in the year | (7,893) | (24,719) |
| Interest paid | (57,804) | - |
| Net cash flows generated by operating activities | 968,872 | 193,249 |
| Cash flows used in investing activities | | |
| Increase in properties, plant and equipment | (231,297) | (200,344) |
| Increase in intangible assets | (70,157) | - |
| Proceeds from sales of investment properties | 2,908 | 8,295 |
| Net cash flows used in investing activities | (298,546) | (192,049) |
| Cash flows used in financing activities | | |
| Proceeds from loans | - | 90,000 |
| Payments of interests | (175,414) | (111,724) |
| Net cash flows used in financing activities | (175,414) | (21,724) |
| Net increase (decrease) in cash and cash equivalents | 494,912 | (20,524) |
| Cash and cash equivalents at the beginning of year | 97,586 | 116,592 |
| Exchange differences on cash and cash equivalents | 3,725 | 1,518 |
| Cash and cash equivalents at the end of the year (1) | 596,223 | 97,586 |
| Net increase (decrease) in cash and cash equivalents | 494,912 | (20,524) |

(1) As of December 31, 2015 and 2014, funds collected and pending to be deposited for Trust Funds, Resolution I-2,621/2013 and Trust Fund Resolution No. 2,407 amount to 59,593 and 135,106, respectively.

The main transactions that do not generate cash movements are described in Note 18.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2015 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 formed in 1992 and on December 1, 1992 it was registered as a corporation pursuant the laws of the Republic of Argentina 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 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. Also, American Depositary Shares ("ADSs") were issued in the United States and were registered with the Securities and Exchange Commission ("SEC"). Its ADSs were listed on the New York Stock Exchange ("NYSE"), until June 17, 2010, date when the NYSE informed that MetroGAS ADSs had been suspended from trading as a result of the Company's filing for reorganization proceeding. On January 21, 2015, MetroGAS started due actions to withdraw their registration from the SEC, which was effective on April 21, 2015 ceasing its duty of disclosure to that body from the date of commencement of the proceeding.

MetroGAS' controlling shareholder is Gas Argentino S.A. ("Gas Argentino") whose principal business is the investment. As of December 31, 2015, the controlling shareholder of Gas Argentino S.A. is YPF S.A. through its subsidiary YPF Inversora Energética S.A ("YIESA").

MetroGAS controls MetroENERGÍA S.A. ("MetroENERGÍA") a *sociedad anónima* formed under the laws of Argentina, whose principal business is the purchase and sale of natural gas and/or transport on its own behalf or on account of 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 POSITION AND REGULATORY FRAMEWORK

As from December 2001, the National Government adopted a number of measures designed to act in the face of the difficult economic, financial and social conditions prevailing in the country, which entailed a significant change in the economic policies then being applied.

The most salient of those measures included: (1) implementing a floating rate of exchange, which resulted in a significant devaluation of the Argentine peso during the first months of 2002, (ii) the conversion to Argentine pesos of some foreign-exchange denominated assets and liabilities kept within the country, and (iii) the conversion to Argentine pesos of the rates and tariffs of public services.

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METROGAS S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2015 AND COMPARATIVE INFORMATION

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

As part of the above measures, Public Emergency and Foreign-Exchange System Law No. 25,561 (the “Emergency Law”) was enacted on January 9, 2002. This law was subsequently supplemented by other statutes, executive decrees and regulations issued by different governmental agencies. This set of rules involved a substantial change in the terms of MetroGAS License under which the Company had been operating, and in the relationship between the Company and the National Government, as it modified the tariff system established under Law No. 24,076 (the “Gas Law”) and supplementary regulations.

The Argentine Executive Power (“PEN”) has been authorized to renegotiate public service agreements on the basis of the following factors: a) the impact of service rates on economic competitiveness; b) the quality of services and any investment plans contemplated in the relevant agreements; c) users’ interests and service accessibility; d) the safety of any systems involved; and e) the profitability of the companies involved.

Note 2.2.2 describes the evolution of the tariff renegotiation process carried out between the Company and the National Government.

Since 2001 up to the present, the Company’s operation costs have increased much more than the increases of MetroGAS’ distribution margin established in the agreements mentioned in Note 2.2.2 not turning them enough to restore the company’s economic-financial situation.

Additionally, the Company was unable to generate sufficient liquid funds to make payments under its financial debt which were due on June 30, 2010, and some trade payables and tax obligations. Consequently on June 17, 2010, the Board of Directors decided to rely on the protection afforded under these circumstances by Argentine Law No. 24,522, and filed a petition for Reorganization Proceedings on behalf of MetroGAS. The Company on February 1 and February 13, 2013, submitted before the intervening Court the compliance of the debt exchange and the issuance of the new notes. On November 8, 2013, the intervening Court issued a resolution stating that the reorganization proceedings had been completed upon the debtor’s compliance with its arrangement with creditors.

Note 2.1 describes the MetroGAS’ Reorganization Proceeding.

Changes in the country’s economic conditions and the amendments introduced by the Emergency Law by the end of 2001, have impacted on the Company’s economic - financial position, affected by the suspension of the original regime of tariff adjustment, added to the increase of operation costs in order to maintain the quality of service and the responsibilities assumed in the process of the debt reorganization exchange. Funds corresponding to the Letter of Understanding subscribed on November 21, 2012 with the Ente Nacional Regulador del Gas (“ENARGAS”) and the Provisional Agreement subscribed on March 26, 2014 with the Unit for the Renegotiation and Analysis of Public Services Contracts (“UNIREN”) and the Temporary Economic Assistance granted by the National Energy Secretariat (“SE”) through Resolution No. 263/2015 on June 8, 2015, have not allowed, up to this date, to restore the economic and financial position of the Company.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2015 AND COMPARATIVE INFORMATION

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

The Provisional Agreement subscribed on March 26, 2014, established the distribution tariffs adjustment every six months based on the Method of Costs Monitoring stipulated therein. Those adjustments were not implemented by the ENARGAS, however ES Resolution N° 263/2015 stipulated to approve a disbursement of a temporary financial assistance for 2015, to be paid in ten consecutive installments as from March 2015. Detailed information on the mentioned financial assistance is provided in 2.2.2.3.

As of December 31, 2015, the Company recorded accumulated losses for 1,344,258 and kept a consolidated negative working capital of 268,917. As a consequence of the magnitude of accumulated losses registered as of that date, the Company registered a negative Shareholders' equity attributable to controlling interest of 775,087, being subject to the provisions of Article 94, paragraph 5, and Article 96 of the General Corporations Law.

The Company estimates that during the next year MetroGAS' economic-financial situation will gradually improve through the implementation of the Provisional Agreement subscribed on March 26, 2014 with the UNIREN or the Provisional Complementary Agreement. Additionally, the Company expects to reach a consensus with the National Government, regarding the conditions, terms and opportunity for the subscription of an "Acta Acuerdo de Renegociación Contractual Integral" (Comprehensive Letter of Understanding of Contractual Renegotiation), in order to facilitate the recomposition of the economic-financial situation of the Company. However as mentioned above, the Company cannot ensure that its estimates, previously mentioned, finally will be implemented or be implemented in the provided terms.

Additionally, if the conditions as of the date of issuance of these consolidated financial statements continue, the situation will continue to deteriorate, for this reason, the Company is analyzing a number of measures to mitigate the impact of the current financial situation, including:

- continuing the Company claims to Argentine authorities on the approval of tariff increases (including the pass-through of municipal levies);
- procuring the strict management of cash-flow and control our expenditures;
- requiring additional capital contributions from the Company shareholders;
- evaluate payment conditions with our principal suppliers; and
- analyze eventual financing from third parties.

These consolidated financial statements have been prepared using accounting standards applicable to a going concern. As of the date of issuance of these consolidated financial statements, is not possible to foresee the outcome of the tariff negotiation process nor to determine its final implications on the Company's results and operations.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2015 AND COMPARATIVE INFORMATION

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

2.1 MetroGAS Reorganization Proceeding

On account of various circumstances that significantly affected the Company's ability to generate sufficient cash flows in order to meet its obligations as to suppliers and financial creditors, on June 17, 2010 the Board of Directors of MetroGAS filed a petition for reorganization proceedings in National Commercial Court No. 26, Clerk's Office No. 51, and file No. 056,999. A Shareholders' Meeting of the Company held on August 2, 2010 ratified this decision of the Board of Directors.

After the different procedural steps prescribed by the Argentine Bankruptcy Law ("ABL") had been completed, on February 2, 2012 the Company filed a complete and final proposal for an arrangement with unsecured creditors holding allowed and provisionally admitted claims. On May 22, 2012, the Company filed a revised proposal, including certain amendments that involved minor changes in the dates established for the occurrence of certain events (capitalization of interest and determination of Deadline, among others), and suppressed the purchase offer that the issuer was required to make upon the occurrence of a change of control. The proposal which contemplated payment of any allowed and provisionally admitted unsecured claims by means of a delivery, in exchange for and lieu of payment of those claims, of two classes of notes (the "New Notes") due December 31, 2018.

On September 6, 2012, the acting court issued an order by which it approved the Company's reorganization proceedings and declared it terminated under the ABL. Also, it ordered the creation of the final committee of creditors.

The debt exchange and issuance of the New Notes were implemented by the Company on January 11, 2013 with respect to unsecured creditors holding allowed and provisionally admitted claims.

The Company on February 1 and February 13, 2013, submitted before the intervening Court the compliance of the debt exchange and the issuance of the New Notes as well as capitalization and interest payments in order to obtain the removal of all general inhibitions and the legal declaration of the accomplishment of the proceeding within the terms and conditions of Section 59 of the ABL.

On September 9, 2013, MetroGAS made a formal presentation in the reorganization file requesting the reorganization proceedings be declared complied with.

On November 8, 2013, the acting Court issued a resolution stating that the reorganization proceedings had been satisfactorily completed upon the debtor's compliance with its arrangement with creditors. Court notices were published as evidence that the order restraining the debtor's disposition of party had been lifted, and fees were assessed for the bankruptcy syndics.

Also, the Company is currently holding negotiations with preferred creditors in relation to the payment of their respective claims, which are registered as of December 31, 2015 in "Reorganization liabilities", along with certain litigious reorganization liabilities or late verification debts pending of resolution by the bankruptcy judge.

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In case of discrepancy, the financial statements filed with the CNV prevail over this translation.

METROGAS S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2015 AND COMPARATIVE INFORMATION

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

2.2 Regulatory framework

The natural gas distribution system is regulated by the Gas Law which, together with Decree No. 1,738/92 issued by the Executive Power, other regulatory decrees, the specific bidding rules (“Pliego”), the Transfer Agreement and the License, establishes the regulatory framework for the Company’s business.

The License, the Transfer Agreement and the regulations promulgated pursuant to the Gas Law contain certain requirements regarding the quality of service, capital expenditures, restrictions on transfer and encumbrance of assets, restrictions on cross ownership among gas production, transportation and distribution companies and restrictions on transfers of common stock of MetroGAS.

The Gas Law and the License establish ENARGAS as the regulatory entity to administer and enforce the Gas Law and the applicable regulations. ENARGAS’ jurisdiction extends to transportation, marketing, storage and distribution of natural gas. Its mandate, as stated in the Gas Law, includes the protection of consumers, the fostering of competition in the supply of and demand for gas, and the encouragement of long-term investments in the gas industry.

Tariffs for gas distribution services were established in the License and are regulated by ENARGAS.

2.2.1 Distribution License

Under the License, MetroGAS is entitled to render the public service of gas distribution for a term of 35 years. The Gas Law provides that MetroGAS may, upon expiration of the original 35-year term, apply to ENARGAS for a renewal of the License for an additional 10-year term. ENARGAS is required at that time to evaluate the Company’s performance and make a recommendation to the PEN. MetroGAS is entitled to such extension of its License unless ENARGAS can prove that MetroGAS is not in substantial compliance with all its obligations stated in the Gas Law and applicable regulations and decrees and the License.

At the end of the 35-year or 45-year term, as the case may be, the Gas Law requires that a new competitive bidding be held for said license, in which MetroGAS will have the option, in case it has complied with its obligations, to match the best bid offered to the Argentine Government by any third party.

As a general rule, upon termination of all periods of the License, MetroGAS will be entitled to receive the lower of the value of specified assets of MetroGAS or the proceeds paid by the successful bidder in a new competitive bidding process (Note 2.7.1).

MetroGAS has various obligations under the Gas Law, including the obligation to comply with all reasonable requests for service within its service area. A request for service is not considered reasonable if it would be uneconomic for a distribution company to undertake the requested extension of service. MetroGAS also has the obligation to operate and maintain its facilities in a safe manner. Such obligation may require certain investments for the replacement or improvement of facilities as set forth in the License.

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The License details other obligations of MetroGAS, which include the obligation to provide distribution service, to maintain continuous service, to operate the system in a prudent manner, to maintain the distribution network, to carry out a Mandatory Investment program, to keep certain accounting records and to provide periodic reports to ENARGAS.

The License may be revoked by the Argentine Government upon the recommendation of ENARGAS under the following circumstances:

- Serious and repeated failure by the Company to meet its obligations.
- Total or partial interruption of not interruptible service for reasons attributable to the Company of duration in excess of the periods stipulated in the License within a calendar year.
- Sale, disposition and transfer of the Company’s Essential Assets or encumbrances thereon without ENARGAS’ prior authorization, unless such encumbrances serve to finance extensions and improvements to the gas pipeline system.
- Bankruptcy, dissolution or liquidation of the Company. Therefore, the reorganization proceeding did not affect the normal course of the operations of the Company or, consequently, would a cause of revocation of the Company’s license.
- Ceasing and abandoning the provision of the licensed service, attempting to assign or unilaterally transfer the License in full or in part (without ENARGAS’ prior authorization) or giving up the License, other than as permitted therein.
- Transfer of the Technical Assistance Agreement or delegation of the functions granted in said Agreement without ENARGAS’ prior authorization, during the first ten years from license granting.

Regarding the restrictions, the License stipulates that the Company cannot assume the debts of Gas Argentino or grant loans or encumber assets to secure debt of, or grant any other benefit to creditors of Gas Argentino.

2.2.2 Tariff Renegotiation

The Emergency Law dated January 7, 2002, affected the legal framework in force for license contracts of public services.

The main provisions of the above mentioned Law that have an impact on the License duly granted to MetroGAS by the National Government and that modify express provisions of the Gas Law are the following: “pesification” of tariffs that were fixed in convertible dollars at the exchange rate specified in the Convertibility Law (Law No. 23,928), the prohibition of tariff adjustments based on any foreign index, thus not allowing the application of the international index specified in the Regulatory Framework (US Producer Price Index-PPI) and the renegotiation of the License granted to the Company in 1992.

Moreover, the Emergency Law established the beginning of a renegotiation process of public utility services agreements granted by the PEN without detriment to the requirements that utility services companies must go on complying with all their obligations.

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The Emergency Law, which was originally to be due in December 2003, was extended several times until December 31, 2017. The terms for renegotiating licenses and public services concessions were also extended.

In the framework of the renegotiation process, on October 1st, 2008, MetroGAS signed a Provisional Agreement with the UNIREN which was ratified by its Shareholder's Meeting on October 14, 2008 and approved by the PEN on March 26, 2009 by Decree No. 234 (published in the Official Gazette on April 14, 2009). The mentioned Provisional Agreement establishes a Transitional Tariff Regime as from September 1, 2008, with a readequacy of prices and tariffs including price variation of gas, transportation and distribution services. The amounts resulting from the increase effectively received in distribution tariffs must be deposited by the Company in a specific trust fund created to carry out infrastructure works in the License area. The Provisional Agreement had not been applied, due to the fact that rate schedules have not been issued.

That context, on December 29, 2011, MetroGAS filed a complaint to interrupt the status of limitation of damages resulting from the breakdown of the economic financial equation contemplated in the gas distribution License as well as an administrative claim for same purposes. The complaint was extended on February 13, 2013, and, at that time, the claimed amount was stipulated.

Additionally, the Company subscribed a Letter of Understanding with the Ente Nacional Regulador del Gas ("ENARGAS"), for applying ENARGAS Resolution No. 2,407/2012, that agrees to establish a fix amount for each invoice, differentiated by category of customer and these amounts which are collected by Distributors, are deposited in a trust fund called FOCEGAS created to such effect, and a Provisional Agreement with the UNIREN, agreeing on a temporary basis a transition tariff regime that shall allow to obtain additional resources to the ones received through ENARGAS Resolution No. 2,407/2012. Moreover, MetroGAS received through ES Resolution No. 263/2015 a temporary financial assistance to be paid in ten consecutive installments to be in force as from March 2015, aiming at affording expenses and investments related to the normal functioning of the rendering of the public service of natural gas distribution through networks and on account of the Comprehensive Tariff Revision to be duly carried out. As follows, there is full detail of all points mentioned above.

2.2.2.1 Fund for Gas Distribution Consolidation and Expansion Works ("FOCEGAS")

On November 21, 2012, the Company, as well as the other gas Distribution Companies, except for Litoral Gas, subscribed an Agreement with ENARGAS, which in accordance with ENARGAS' letter ENRG/SD/I 13,352 received on November 29, 2012, is in full force and effect. In such agreement a fixed amount per invoice is agreed, stating a difference by customer category. The amounts collected in respect thereof by the Distribution Companies will be deposited in a trust fund called FOCEGAS created to this effect and used to carry out infrastructure works, connection works, repowering, expansion and/or technological modification of the systems of gas distribution through network, security, reliability of the service and integrity of the network, as well as maintenance and any other related expense that may be necessary to provide the gas distribution public service, up to the amount of the funds actually available so as to be applied within the service area. On the other hand, gas distribution companies shall obtain the approval of the Execution Committee created under the trust fund to implement an Investment Plan of

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Consolidation and Expansion expressed in physical and monetary terms which guidelines shall be determined in the trust fund agreement to be entered into between the Company and Nación Fideicomisos S.A. The amounts that gas Licensees shall receive will be taken as a payment on account of the tariff adjustments stated in the License renegotiation agreements signed.

On November 29, 2012 ENARGAS Resolution No. 2,407/2012 was published in the Official Gazette, specifying that Resolution No. 2000/05 of the Ministry of Federal Planning, Public Investment and Services ("MPFIPyS") had been complied with. As a consequence ENARGAS authorized Distribution Companies to collect the charge previously mentioned.

The Company has been invoicing this tariff charge since December 3, 2012. Such fixed amounts per invoice has not been modified as a consequence of the signing of the New Provisional Agreement, ratified by Decree No. 445/2014, ENARGAS Resolution No. I/2851/2014 and the ES Resolution No. 226/14.

On December 11, 2012 a financial trust fund and private administration contract was signed by MetroGAS, Nación Fideicomisos S.A and the ENARGAS.

On January 16, 2013 the Operative Manual was executed with ENARGAS in accordance with the form duly sent by the regulatory authority.

The Trust Fund Contract and the Operative Manual provided the general guidelines for the management of the deposited funds. Distribution Companies had to deposit, on a monthly basis, the amounts collected from customers together with a Sworn Statement which must be filed with ENARGAS and Nación Fideicomisos S.A. In addition, an annual Investment Plan of Consolidation and Expansion would had to be submitted to the Execution Committee for its approval. Upon obtaining approval thereof and of any modifications thereto, and once the Sworn Statement shall have been examined together with the progress of improvement works, the Execution Committee was responsible for approving the funds availability in order that Nación Fideicomisos S.A. may make the corresponding payments to suppliers for and on behalf of the Distribution Companies.

Furthermore, it is important to point out that the trust fund contract executed by MetroGAS contemplated the possibility of financing by Nación Fideicomisos S.A., provided that all those works that needed financing shall had been stated in detail and approved by the Execution Committee. Such works shall be financed only with the Trust Fund Capital and only certain percentage of the collected net fixed amounts may be applied by the Distribution Company.

On February 1, 2013, MetroGAS submitted to ENARGAS the Investment Plan of Consolidation and Expansion for its approval. On March 27, 2013, MetroGAS received notice that the Plan had been approved in its entirety by the Execution Committee at its meeting held on March 21.

In order to expedite the implementation of the administrative processes contemplated in the Operative Manual the Execution Committee has authorized, as from July 18, 2013, an alternative system pursuant to which any collected amounts are advanced to MetroGAS so that the Company might use them for purposes of effecting payment to contractors performing works under the approved FOCEGAS plan. This system, which was in operation until December 31, 2013, allowed the projects included in Works Plan 2013 to be performed on a regular basis.

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On December 18, 2013, the ENARGAS issued Resolution ENARGAS No. 1-2767/13 by means of which stipulated that aiming at optimizing the processes of approval, execution, control and follow up of projects included in the "INVESTMENTS PLAN OF CONSOLIDATION AND EXPANSION", each project will be under the category of "Works for Follow-up Protocol" or "Works by Certification of Advance", being the latter ones executed and managed by Nación Fideicomisos S.A. in compliance with the FOCEGAS Trust Contract and its corresponding Operative Manual, and the "Works for follow-up Protocol" managed by MetroGAS, setting the payments to contractors who carried out tasks of the approved plan.

Moreover, it stipulated that the Distribution company should deposit in the Trust Fund, those amounts corresponding to Fix Amounts that are necessary to cover expenses resulting from the Investments Plan in force of all those projects managed under the category of "Works by Certification of Advance", as well as the necessary amounts to cover payments of financial services, taxes, rates and other expenses incurred for its proper functioning.

This modality allowed the normal development of the projects that compose the 2014 Works Plan.

On January 6, 2014 the Company submitted the 2014 Works Plan to the ENARGAS, including all information regarding works carried out according to the 2013 Plan and sent to Nación Fideicomisos S.A. the report of all expenses resulting from the alternative methodology of advanced-funds; all of this was approved in March 2014. On July 16, 2015 the 2015 Works Plan corresponding to Reliability, Maintenance and Expansion was introduced, which was approved in December 10, 2015.

On April 8, 2015 the Official Gazette published ENARGAS Resolution No. 3,249/2015 that repealed Articles 3 and 4 from ENARGAS Resolution No. 2,407/2012, by virtue of which the Company was requested to (i) deposit the fix amounts collected through invoicing into the trust fund created for that purpose, acting MetroGAS as the Trustor and Nación Fideicomisos S.A. as the Trustee, and (ii) submit to approval a project investment annual plan for consolidation and extension works.

Consequently, due to the entry into force of ENARGAS Resolution No. 3,249/2015, from April 1, 2015 the fix amounts per invoice established by ENARGAS Resolution No. 2,407/2012 that the Company continues invoicing and collecting shall not be allocated to the Administration and Finance Trust Fund entered into with Nación Fideicomisos S.A., but, on the contrary, they must be allocated by MetroGAS "only to activities related to the expansion and reliability of the systems, operation and maintenance tasks contributing to the compliance of the standards established by the governing code 'Código Argentino de Gas - NAG' and to commercial and administrative activities aimed at effectively providing service to customers within the operation area" and no less than 30% of the fix amounts shall be assigned to investments entailing system expansion within the framework of an investment plan to be authorized by ENARGAS.

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2.2.2.2 Provisional Agreement

On March 26, 2014, within the process of renegotiation of utilities contracts pursuant to Law No. 25,561 and supplementary rules, the Company signed a Provisional Agreement with the UNIREN, whereby a provisional tariff regime was agreed in order to obtain additional funds to those resulting from the enforcement of ENARGAS Resolution No. 2,407/2012 dated November 27, 2012, that established the collection of a fixed amount per invoice depending on the customers' category, which should be transferred to a trust fund especially created for the execution of works.

The Provisional Agreement, ratified by Decree No. 445/2014 dated April 1, 2014, published in the Official Gazette on April 7, 2014, establishes a provisional tariff regime as from April 1, 2014, consisting in readjust prices and tariffs considering the guidelines necessary to maintain the continuity of service and also sets forth common criteria applicable to all distribution licensees, in accordance with tariff regulations in force, including changes in the gas price at the transmission system entry point.

The Provisional Agreement also contemplates the inclusion of pass through to tariffs resulting from changes in tax rules, except for the income tax, pending of resolution and it also includes clauses related to costs oversight tariff revision based on operation and investment cost structure, and price indexes representative of such costs, which under certain premises triggers a revision procedure through which ENARGAS would assess the actual scale of variations in the licensee's operating and investment costs, and thereby determine whether a distribution tariff adjustment is applicable.

Until December 31, 2015, the Company submitted to the ENARGAS three requests to update its tariffs by applying the Method for Costs Monitoring established in the Provisional Agreement. None of these requirements have resulted in a readjustment of the Distribution tariffs to recognize the highest costs faced by the Company; however, the Energy Secretariat approved through Resolution No. 263/2015 a Temporary Economic Assistance, described in detail in 2.2.2.3.

The Provisional Agreement also provides that, from the execution date to December 31, 2015, the date on which Emergency Law expired, the National Government through the UNIREN on behalf of the Grantor and the licensee shall reach a consensus with respect to the methodology, terms and timeline for the signing of the Comprehensive Letter of Understanding of Contractual Renegotiation. On November 3, 2015 the extension of The Emergency Law was approved until December 31, 2017.

On March 27, 2014, the National Government announced the reallocation of subsidies and on March 31, 2014 the ES issued ES Resolution No. 226/14 pursuant to which it considers necessary to determine a set of new prices for natural gas and a scheme that seeks rational use of it, encouraging savings to generate a responsible use.

Within this framework, new natural gas prices are established for Residential customers and for small general service customers for each of the production basins and user categories. These new prices will be applied by a mechanism of comparing consumption of same two-month/month period of current and previous year. Furthermore, a three-stage price revision is established to take effect on April 1, 2014, June 1, 2014 and August 1, 2014. For those customers that reduce their consumption over 20%, basin prices as of March 31, 2014 as per ES Resolution No. 1417/2008

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will remain the same. While customers whose reduction in consumption is between 5% and 20% will have a special and lower basin natural gas price compared to the price applied to those customers not able to reduce consumption or whose reduction is below 5%.

Through Note ENRG/SD No. 03097 dated April 7, 2014, ENARGAS notified Resolution No. I/2,851, from the same date, wherein new tariff charts are approved and are stated to take effect on April 1, 2014, June 1, 2014 and August 1, 2014. Such charts display changes in the final tariff of residential and full general service customers. These include changes in the gas price at the transmission system entry point, as a result of the application of the new prices per basin established by the aforementioned ES Resolution No. 226/14, the transportation tariff as a consequence of the new tariff chart effective for gas transportation companies that reflect the terms of their 2008 signed provisional agreements establish, and MetroGAS' distribution margin after the signing of the Provisional Agreement.

In accordance with the price scheme established through ES Resolution No. 226/14 and the ENARGAS Resolution No. I/2851, three tariff levels are established for each period, which are to be applied to customers according to their consumption in a month/two-month period in relation to the same period of the previous year.

Customers that register a decrease in consumption of over 20% will continue with the same tariff level as that in effect until March 31, 2014. Customers that achieve a reduction between 5% and 20% will be charged a tariff approximately 50% lower in relation with the actual price variation, which will be applied to customers unable to reduce their consumption or whose reduction is below 5%.

Furthermore, ENARGAS resolution establishes that the tariff charts applicable until March 31, 2014 shall still be applied to essential users (health care, public education religious institutions, etc.); and consumers eligible pursuant to Notes MPFIPyS No. 10/2009 from the MPFIPyS dated August 13, 2009. Under that mechanism, the Licensee will also have different prices for the gas distribution service according to the customers' consumption.

Through Note ENRG/SD No. 05747 dated May 13, 2014, ENARGAS notified on Resolution No. I/2,904 from same date, whereby the methodology for the determination of user's category based gas supply as from of April 1, 2014 is approved.

On June 8, 2015, the Official Gazette published Resolution No. I/3,349 approving the new tariff charts effective as of May 1, 2015. The increase are connected with the rise of the transport component and reaches residential, commercial and industrial customers, with the exception of sub distributors, "waived" customers and those residential or commercial customers that saved more than 20% compared with the same two-month period of the previous year.

On the other hand, the new tariff charts include the amount corresponding to the FOCEGAS as a "Fix amount" in accordance with Resolutions I-2,407/12 and I-3,249/15.

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Considering the aforementioned, the real impact will depend on a variable beyond the Company's control, which is the reduction in consumption customers may have, which also will not only depend on their individual actions aimed at reducing the use of gas, but also on the effects of weather factors among others on the compared periods.

Additionally, the Company estimate to reach a consensus with the National Government as regards the conditions, terms and opportunity of subscribing the Comprehensive Letter of Understanding of Contractual Renegotiation, so as to facilitate the recovery of the Company's economic-financial situation.

2.2.2.3 Transitional Economic Assistance

On June 8, 2015, the Official Gazette published Resolution No. 263/2015 whereby ES approved the allocation of funds as a temporary economic assistance to be paid in ten consecutive installments in benefit of MetroGAS and the rest of the natural gas distributors effective as from March 2015, in order to cover expenditures and investments related to the regular operation of the natural gas public service and in advance for the Comprehensive Tariff Revision to be carried out in due time.

Said Resolution establishes that the beneficiaries shall assign a portion of the funds received by each of the monthly installments to cancel unpaid past due debt as of December 31, 2014 with natural gas producers, moreover, that distributors shall not take more debt resulting from the purchase of natural gas after the mentioned Resolution has become effective.

In the case of MetroGAS, ENARGAS established a need for exceptional funds for the amount of 711,000 for the year 2015 disbursable monthly according to the schedule between the months of March and December. Also was established that the company shall assign a portion of the temporary economic assistance to cancel debt with producers due at December 31, 2014 in 36 monthly, equal and consecutive installments, plus interest, as from January 2015, calculated using the current "Average Active Rate of Banco Nación for Commercial Discount Operations" (2.05 % monthly rate), and starting to pay the installments on March 2015.

Furthermore, ENARGAS considered that distributors will proceed to cancel gas purchase invoices with maturity during 2015, estimating payments within 30, 60 and 90 days in line with the perception of invoices by clients.

At the date of these consolidated financial statements, MetroGAS has received seven of the ten installments provided as a temporary economic assistance, amounting 561,690. Also has entered into payment agreements with the majority of producers in terms of ES Resolution No. 263/2015, this subject to availability of the amounts committed.

In addition, as described in Note 4.5.1 of these consolidated financial statements, it has recognized in the line Temporary Economic Assistance Resolution. ES 263/15 of Statements of Profit and Loss and Other Comprehensive Income the amount of 711,000 and a credit for the amount of 149,310 for the amounts pending of collection has been registered in the line "Other current credits".

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2.2.3 Injunctions

On October 9, 2014, notice was served on MetroGAS of an injunction ordered by the Judge of First Instance of Avellaneda, which provided for the urgent, unfailing and immediate suspension within the jurisdiction of Avellaneda of the tariff increases mentioned in Resolution SE No 226/2014 and ENARGAS Resolution No. I/2,851, and further instructed that future invoices should consider rates effective at March 31, 2014.

On October 10, 2014, MetroGAS filed a document with the intervening court claiming partial notification in detriment of the defense in court, incompetence and lack of legitimacy, and requested the interruption of the deadlines to make appeals and the dismissal of the action as inadmissible.

On October 15, 2014, MetroGAS filed an appeal against the injunction and raised for the nullity of the process.

On October 21, 2014, MetroGAS filed a claim with the Administrative Court of Appeals in La Plata against the resolution that admitted the appeal without suspension of judgment.

On October 24, 2014, the Ombudsman of Avellaneda submitted a document to the Court of First Instance No. 9 in which he withdrew the injunction and requested the injunction, ordered on October 8, 2014, to be dismissed. That same day both MetroGAS and the MPFIPyS agreed to the Ombudsman's request.

Since the file had already been sent to the Administrative Court of Appeals in La Plata, the Court informed MetroGAS that, prior to ruling on this dismissal, the parties should wait for the file to be returned by the Court.

On October 27, 2014, MetroGAS submitted a document to the Administrative Court of Appeals in La Plata to report the dismissal of the proceedings by the Ombudsman and request the urgent return of the file to the Court of First Instance No. 9.

That same day notice was served upon MetroGAS from the Court of First Instance No. 9 with a copy of the (i) original claim lodged by the Ombudsman of Avellaneda and (ii) the court resolution dated October 8, 2014 which ordered the injunction.

Due to the late notice, originated before the dismissal of the Ombudsman, on October 29, 2014, MetroGAS presented a request to the Court of First Instance to suspend the process deadlines to answer the claim until the issue of the dismissal is solved.

On November 5, 2014, MetroGAS was notified of the final lifting of the said precautionary measure, thus becoming effective the application of Resolutions from the ES and the ENARGAS.

The Company is aware of other three requests for injunctions measures filed in the jurisdiction of Lomas de Zamora, Quilmes and in the City of Buenos Aires, which as of the date of these consolidated financial statements have not prospered.

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2.2.4 Unbundling of Natural Gas

Due to regulatory changes that have been made to the natural gas sector since 2005, the so called “natural gas unbundling” process took place, by which the different categories of customers (except for residential customers and small commercial customers, as well as non-profit civil associations, labor unions, trade associations or mutual benefit associations, health institutions and private or public educational institutions) had to purchase natural gas volumes at the point of entry into the transportation system directly from producers and/or sellers of natural gas, leaving the regional distribution companies limited to exclusively give transportation and or distribution services of natural gas.

Additionally, and in the same year, a Mechanism for Assigning Natural Gas to CNG stations was established, by which CNG stations get natural gas by means of a mechanism of periodic assignments of natural gas volumes in the Electronic Gas Market (“EGM”).

In that context, in 2005 MetroENERGÍA was created as a natural gas trading company with the aim of keeping the highest amount of customers possible and count on a proper tool in accordance with the new scenario where the Company had to perform.

MetroENERGÍA was authorized by the ENARGAS to act as a natural gas trading company and or gas transportation company, and registered as agent of the EGM.

Actions taken by MetroENERGÍA since its formation made it possible to retain most of the industrial and commercial customers duly contemplated in the “unbundling” process of the Company’s area, thus being able to maintain the participation of these categories of customers within MetroGAS’ sales portfolio.

2.2.5 Complementary Agreement with Natural Gas Producers

On October 1, 2008, SE Resolution No. 1,070/08 was published, approving the “Complementary Agreement with Natural Gas Producers” which was executed on September 19, 2008. Said Agreement was mainly aimed at restructuring gas prices at well head, segmenting natural gas residential demand, and establishing the natural gas producers’ contribution to the Trust Fund created by Law No. 26,020 to finance the sale of LPG cylinders for residential use at various prices.

In accordance with the Complementary Agreement with Natural Gas Producers, ENARGAS Resolution No. I/409/08, published on September 19, 2008, divided the “R” category of residential customers into 8 subcategories according to their natural gas consumption. Based on this subdivision, an increase on the value of natural gas at the point of entry into the transportation system was determined; however, such increase did not apply to the first three residential sub-categories and to sub-distributors.

As pursuant to the Complementary Agreement with Natural Gas Producers as approved by SE Resolution No. 1,070/08, increases in the price of natural gas had to be fairly allocated to the different components of the user’s final tariff so as to guarantee that the distributors’ equation should remain unaltered after these increases. ENARGAS made the relevant tariff adjustments and issued, in the case of the Company, Resolution No. I/446/08 by which it approved a new tariff

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scheme reflecting the above mentioned tariff increases effective as from September 1, 2008, (October 1, 2008, in respect of CNG increases). However, the new tariff scheme did not provide for the tariff readjustment of the distribution segment.

Additionally, on December 23, 2008, was published the ES Resolution No. 1,417/08 whereby, and also on the basis of the Complementary Agreement with Natural Gas Producers as approved by SE Resolution No. 1,070/08, it established new natural gas prices at the point of entry into the transportation system. As a result, ENARGAS issued Resolution No. I/566/08, published on the same day thereof, approving the new tariff scheme to be applied which reflected such new increased prices for natural gas.

2.2.6 Procedure for Gas Applications, Confirmations and Control

On October 4, 2010, ENARGAS Resolution No. 1,410/10 was published in the Official Gazette, which approved new rules named “Procedure for Gas Applications, Confirmations and Control”, which shall be complied with by certain participants of the natural gas industry, including natural gas distribution companies, with an impact on daily natural gas nominations, transportation and distribution. As from October 1, 2010, when such Procedure became effective, MetroGAS has the total daily volume of natural gas necessary to supply its non-interruptible demand.

2.2.7 New System for the Resolution of Consumption Conflicts

Law No. 26,993 about Resolution of Consumption Conflicts, which partially amends Law No. 24,240 of Consumer Defense, was enacted on September 17, 2014. The new Law No. 26,993 establishes specific rules which will govern the administrative and judicial proceedings for claims based on the protection of user and/or consumer rights. Therefore, and depending on the amount and purpose of the claim, the Law determines: (i) a Prior Settlement System in Consumption Relationships for claims below the equivalent amount of 55 minimum, vital and mobile wages (“SMVM”) and, (ii) an audit in Consumption Relationships for claims about responsibility for damage, as provided for in Chapter X of Title I of Law No. 24,240, not above the equivalent value of 15 SMVM. Finally, Law No 26,993 establishes the creation of a special jurisdiction which, through its own process regulations, will deal with claims made for non-fulfillment of Law No. 24,240, not above the value equivalent to 55 SMVM.

2.3 Bankruptcy petition

On September 18, 2015 MetroGAS was aware of the existence of bankruptcy petitions promoted by Pan American Sur S.A., Pan American Faguina S.A. and Pan American Energy LLC Sucursal Argentina pending before National Commercial Court No. 26, Clerk’s Office No. 51, Ciudad Autónoma de Buenos Aires. To date, the Company has not received any notification concerning the aforementioned records, notwithstanding which will carry out all actions necessary for the appropriate defense of their rights.

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2.4 Incentive Policies

There are various schemes fostered by the National Government to boost the natural gas industry which, although initially have no direct impact on MetroGAS, nor do they impose any obligations on the company, might actually have favorable consequences considering that one of their main objectives is to increase natural gas injections. The various schemes are described below:

2.4.1 “Plan Energía Total” (Total Energy Plan)

The National Government implemented the Total Energy Plan in 2007; the said plan aimed at guaranteeing the supply of energetic resources, of both liquid and gas fuels, and at encouraging the replacement of natural gas and/or electrical energy consumption for the use of alternative fuels. As a matter of fact, Resolution No. 459/07 by MPFIPyS created the above mentioned Total Energy Plan which was then ruled by different resolutions that enlarged it and extended its enforcement.

The Total Energy Plan includes a propane-air provision plan under the responsibility of “Energía Argentina S.A.” (“ENARSA”). In connection to this last issue, ENARGAS Resolution No. I/831/09 was published on August 20, 2009 by means of which new specifications were set for synthetic natural gas to be injected into the system of distribution. The plant that injects gas (propane-air) into MetroGAS’ system of distribution, which is operated by ENARSA, is still running at present. MetroGAS is responsible for controlling that all quality measures, which are required by the ENARGAS to ensure a safe operation, are met at all times.

Also, during 2008 through ES Resolution No. 24/08, modified by ES Resolutions No.1,031/08 and 695/09, the government launched a program called “Gas Plus” in 2008 to encourage production of natural gas in virtue of which every new gas volume produced under the said program shall neither be considered part of the volumes included in the 2007-2011 Agreement nor it shall be under its price conditions, however, it cannot be exported and its price has to cover associated costs and generate a reasonable profitability.

Within the framework of this Plan, ENARSA injects certain volumes for CNG filling stations above the volumes injected by producers according to the specific auctions carried out by MEG. On July 10, 2013, ENARGAS issued Resolution I-2,621/2013 that provided that the regional distributors shall invoice the volumes injected by ENARSA on behalf of the latter together with the billing for the natural gas distribution and transportation service, and shall then render all accounts for the amounts thus invoiced. The Resolution specifically states that the higher costs that the invoicing on behalf of ENARSA generates to Distributors may not be passed through to consumers but they will eventually be covered within the framework of specific agreements that shall be negotiated and agreed between the Distributors and ENARSA resulting from that regulation. The operation in question applies to the volumes injected by ENARSA as from June 2013. As of the date of issuance of these consolidated financial statements no agreement was reached with ENARSA in relation to the higher costs.

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2.4.2 Program to Encourage the Surplus Injection of Natural Gas

Resolution No. 1/2013 issued on January 18, 2013, by the Strategic Planning and Coordination Committee under the National Hydrocarbon Investment Plan ("CPCEPNIH"), approved the Program for the Promotion of Surplus Natural Gas Injection with the objective of encouraging gas producers to increase their gas injections to supply the domestic market through the acknowledgement of higher prices above those effectively charged, by means of a system of compensations to be provided by the National Government.

By means of Resolutions No. 7/2013 and No. 8/2013 issued by the above mentioned Committee on July 4, 2013 (i) the deadline for adhering to the abovementioned Program, originally set for June 30, 2013, was extended until August 16, 2013, and (ii) a mechanism was approved for making advanced payments to producers of up to 75% of the compensation amounts due to them for their surplus injections of natural gas. By Resolution CPCEPNIH 32/2013, the deadline for adhering to the above Program expired on October 4, 2013.

2.5 Trust Funds

As of the date of issuance of these financial statements, MetroGAS must invoice, collect and settle three specific charges, allocated differently. The Company carries this out on behalf of Nación Fideicomisos S.A. as fiduciary of three different trust fund contracts.

The specific charge I (ruled by Decree No. 180/04 issued by the PEN, and related regulations) and the specific charge II (ruled by Law No. 26,095 and related regulations) are supported by the whole pool of users of the natural gas service other than the residential segment and are applied to the payment of infrastructure works for the expansion of the natural gas system of transportation.

In addition, specific charge III (ruled by PEN Decree No. 2,067/08, and related regulations, then included in Law No. 26,095 as stipulated by Law No. 26,784 of the National Administration Budget for 2013) is supported by the same customers that pay the foregoing charges, including in this case most of the subcategories of residential customers, and applied to the payment of the imports of additional natural gas volumes that may be necessary to meet the residential demand.

It is important to point out that none of these three specific charges invoiced and collected by MetroGAS is incorporated to the Company's assets. On the contrary, once received, the Company is required to deposit them into the trust fund accounts designated from time to time by the Fiduciary, thus ending MetroGAS' actions in respect thereof.

2.6 Municipal Rates

The regulatory framework in force and duly applicable to the distribution of natural gas contemplates to pass through to tariffs all new rates or levies or rate increases, and under certain circumstances, the free use of public space for purposes of laying natural gas pipelines.

As of the date of issuance of these financial statements the Company cannot pass through to its tariffs any payments made in respect thereof to certain municipalities in the Province of Buenos Aires and to the City of Buenos Aires ("CABA"), which as December 31, 2015 accumulated the sum of Ps. 280 million.

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The Company is still negotiating the pass through of these rates to tariffs in accordance with the Provisional Agreement approved, described in Note 2.2.2.2.

2.7. Obligations and restrictions upon privatization

2.7.1 Restricted assets

A substantial portion of the assets transferred by "Gas del Estado" are defined in the License as "Essential Assets" for the performance of the relevant licensed service. The Company is thus obliged to identify and maintain any such Essential Assets, and any future improvements, in accordance with certain standards defined in the License.

The Company shall not, for any reason, dispose of, encumber, lease, sublease or lend any Essential Assets for purposes other than rendering the service under the License, without prior authorization of ENARGAS. Any extensions or improvements that the Company may make to the gas distribution system may only be encumbered as security for the loans due after more than one year and used to finance any such extensions or improvements.

Upon expiration of the License, MetroGAS shall transfer to the Argentine Government or its designee all Essential Assets listed in an inventory updated as of such date, free of charges and encumbrances.

As a general rule, upon expiration of the License, the Company will be entitled to collect the lesser of the following two amounts:

- a) The value of the Company's Properties, plant and equipment, as determined on the basis of the price paid by Gas Argentino, and the original cost of subsequent investments carried in United States Dollars and adjusted by the PPI, net of accrued depreciation.
- b) The proceeds of a new competitive bidding, net of any expenses and taxes paid by the successful bidder.

2.7.2 Restrictions on the distribution of profits

The Company is required to keep in effect the authorization to offer the Company's Common Stock to the public and the relevant authorization for the shares to be listed on Argentine authorized exchange markets for a minimum period of fifteen years as from the respective dates on which such authorizations were granted.

Any voluntary reduction, redemption or distribution of the Company's equity, other than the payment of dividends, will require the prior authorization of ENARGAS.

In accordance with the General Corporate Law, the Company's By-laws and the Resolution No. 434/03 of the CNV, 5% of the Company's net income for the year plus (less) prior year adjustments must be transferred to the Company's Legal Reserve, until it reaches 20% of the issued capital including the adjustments to Issued Capital.

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Pursuant to the terms and conditions of issuance of the New Notes issued by MetroGAS as set forth under Note 18, any distribution of cash dividends shall be subject to prior redemption, payment or repurchase by the Company of at least U\$S 75 million principal amount of Class A Notes.

2.7.3 Limitation on the transferability of Gas Argentino shares

The Pliego contemplates that Gas Argentino, as controlling shareholder of MetroGAS, may sell part of its shareholding in the Company, provided it shall retain 51% of MetroGAS’ share capital.

Any transfer as a result of which Gas Argentino shall hold less than 51% of its shares in MetroGAS shall be subject to prior approval of ENARGAS. The Pliego establishes that any such prior approval shall be granted not earlier than three years after the Takeover date, provided that:

- Sales implying 51% of the share capital, or, if the proposed transaction is not a sale, the capital reduction shall result in a purchase of not less than 51% of the shares by other investment company,
- There is sufficient evidence that the transaction will not affect the operating quality of the service rendered under the License.

3. BASIS FOR PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

These 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 the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and the interpretations issued by the International Financial Reporting Standards Committee (“IFRIC”) for entities included in the public offer regime of Law No. 17,811 due to their capital stock or to their notes, or those that have applied to be included in said regime.

On January 24, 2012, in order to evaluate the applicability and impact of Interpretation No. 12 “Service Concession Arrangements” (“IFRIC 12”) for registrant licensees of the public service of natural gas transport and distribution, as well as, their controlling companies, the CNV issued Resolution No. 600 extending the enforcement of the IFRS to the fiscal year beginning on January 1, 2013. Afterwards, on December 20, 2012, the CNV issued Resolution No. 613 establishing reasons and cause on which the licensees of the public service of natural gas transport and distribution and their controlling companies are not included in the scope of the IFRIC 12. See “Critical Accounting Estimates and Judgments” in Note 5.

Consequently, the application of IFRS is mandatory for the Company as from fiscal year commenced on January 1, 2013, being transition date to the IFRS for the Company, as established in the IFRS 1 “First Time Adoption of IFRS”, January 1, 2012.

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In accordance to what has been stipulated by professional accounting standards, applicable before adopting IFRSs, the Company has recognized the effects of the variations in the currency's purchasing power until March 1, 2003 and following the method of restatement stipulated by TR No. 6 of the FACPCE. As of that date, and in compliance with Executive Order N°664/03 from the PEN, the Company suspended the preparation of the financial statements in homogeneous currency.

IFRSs and specially International Accounting Standards ("IAS") 29, "Financial Reporting in hyperinflationary economies", require to state financial statements in terms of the current measuring unit at the end of the reporting period, on condition that certain characteristics are given as regards the country's economic environment. Although it is suggested to start applying this mechanism in a generalized way, it is up to each entity to start doing so. The general interpretation for this issue is that a country's accounting profession should reach an agreement on the starting date of the application of this criterion. Within a similar conceptual framework of that of IAS 29 for handling inflationary effects on financial statements, the Argentine profession, based on international practices and aiming at giving the decision a general extent, established as a necessary condition for the restatement of financial statements of non-public entities, the existence of an accumulated inflation around or over 100% for a three-year period, measured according to the Domestic Wholesale Price Index ("IPIM") published by the National Institute of Statistics and Census (INDEC). The accumulated variation of the price index between December 31, 2012 and September 30, 2015 (the last month in that the official information was published by the INDEC) amounts to approximately 62%. On account of this, as of the closing of this fiscal year, that condition has not been reached, coinciding with one of the characteristics of a hyperinflationary economic environment stipulated in IAS 29.

If 100% is reached in future fiscal years and the restatement of financial statements in homogeneous currency is mandatory in compliance with IAS 29, the adjustment will have to be made based on the last date when the Company adjusted its financial statements to reflect inflationary effects.

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

These consolidated financial statements have been approved by the Board of Directors for issuance on March 2, 2016.

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4. ACCOUNTING POLICIES

The accounting policies adopted for these consolidated financial statements are detailed below and are based on the IFRS as issued by the IASB effective as of December 31, 2015, considering the aforementioned in Note 3.

4.1 Basis of preparation

4.1.1 Classification of current and non-current

The presentation of the statement of financial position distinguishes current and non-current assets and liabilities. Current assets and liabilities are assets and liabilities expected to be recovered or canceled within the twelve months following the end of the reporting period.

Current and deferred income tax assets and liabilities are presented separately and apart from other assets and liabilities.

The Company offsets income tax assets and income tax liabilities if, and only if, the entity:

- a) has a legally enforceable right to set-off any recognized amounts; and
- b) intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

Deferred tax assets or liabilities are classified as non-current assets (liabilities).

4.1.2 Presentation currency

The consolidated financial statements are presented in thousands of Argentine pesos. Unless otherwise stated or required by the context, references to “amounts in pesos” or “Ps.” refer to Argentine pesos, and references to “U\$S” or “U.S. dollars” refer to united states dollars.

4.1.3 Accounting criteria

The consolidated financial statements have been prepared on the basis of historical cost, except for financial assets and liabilities recognized at fair value through profit or loss.

4.1.4 Cash flows

The Company presents its cash flows from operating activities by the indirect method. The payments of interests related to financial debts are presented within financing activities. The interests received related to investments are within investment activities.

4.1.5 Use of estimates

Preparation of financial statements as of a specified date requires that 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 fiscal year.

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Actual future results may differ from the estimates and assessments made at the date of preparation of these financial statements. More complex areas, which require professional judgment or significant assumptions and estimations, are described in Note 5.

4.2 New issued standards and revised standards

As required by IAS 8, we shall introduce and briefly summarize the standards or interpretations issued by the IASB whose application is not compulsory at the closing date of these consolidated financial statements and therefore have not been adopted by the Company.

Amendments to IFRS 9 – Financial Instruments

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014 is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted), will supersede IAS 39 Financial Instruments: Recognition and Measurement expire after the effective date of the latter.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognized financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortized cost or fair value under IFRS 9. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss ("FVTPL") under the fair value option;
- A debt instrument that (i) is held within a business model whose objective is achieved both the collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income ("FVTOCI"), unless the asset is designated at FVTPL under the fair value option;
- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in

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the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge and accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

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.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The work on macro hedging by the IASB is still at a preliminary stage (a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a comment period which ended on 17 October 2014). The project is under redeliberation as of the date of issuance these financial statements.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

- 1- The presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, and
- 2- Hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

An entity may early apply the earlier versions of IFRS 9 instead of the 2014 version if the entity's date of initial application of IFRS 9 is before 1 February 2015. The date of initial application is the beginning of the reporting period when an entity first applies the requirements of IFRS 9.

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IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets; ii) impairment of financial assets; iii) hedge accounting.

The Company has adopted IFRS 9 as from the transition date in early form according in with the regulations in force in 2013.

IFRS 14- Regulated Activities

In January 2014, the IASB approved IFRS 14 "Regulated Activities", that is applicable to fiscal years started on or as from January 1, 2016, with earlier application permitted. The scope of this standard is limited to first-time adopters of IFRSs, which recognized the deferral account balances that arise from rate-regulated activities in their financial statements in compliance with their previous GAAP. The first financial statements that MetroGAS submitted under IFRS were as of December 31, 2013 and the standard was issued on January 2014, thus the Company did not apply this standard to its financial statements.

Amendments to IFRS 11 - Accounting for acquisition of interests in joint arrangements

On May 2014, the IASB modified IFRS 11 "Joint Arrangements", that is applicable to fiscal years started on or as from January 1, 2016, with earlier application permitted.

The amendments to IFRS 11 provide a guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Entities should be apply the amendments prospectively to acquisitions of interest in joint operations (in which the activities of the joint operations constitute business as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016.

Company directors do not expect that applying these amendments to IFRS 11 shall have a significant effect over the Company's financial statements, as the Company does not carry out these operations.

IFRS 15 – Revenues from Contracts with Customers

IFRS 15 is effective for an entity's first annual IFRS financial statements for annual periods beginning on or after 1 January 2018, with earlier application permitted. Entities can choose to apply the Standard retrospectively or to use a modified transition approach, which is to apply the

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Standard retrospectively only to contracts that are not completed contracts at the date of initial applications (for example, 1 January 2018 for an entity with a 31 December year-end).

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and interpretations upon its effective date:

- 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.

As suggested by the title of the new revenue standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or 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 IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is early adopted).

As mentioned above, the new revenue Standard has a single 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 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

Far more prescriptive guidance has been introduced by the new revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.
- Whether the transaction price allocated to each performance obligation should be recognized as revenue over time or at a point in time. Under IFRS 15, an entity recognizes revenue when the performance obligation is satisfied, which is when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for

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“sales of goods” and “provision of services”; rather, the new standard requires entities to assess whether revenue should be recognized over time or a particular point in time regardless of whether revenue relates to “sales of goods” or “provision of services”.

- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognized. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performances bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognized as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- When cost incurred to obtain a contract and cost to fulfill a contract can be recognized as an asset.

Extensive disclosures are required by the new Standard.

Company directors are assessing the impact that this standard might have on the Company's financial statements.

Amendments to IASs 16 and 38 - Methods of depreciation and amortization

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of Property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold from the mine until total cumulative revenue from the sale of gold reaches CU2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Company's directors do not expect that applying these amendments to IASs 16 and 38 shall have a significant effect over the Company's financial statements.

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Amendments to IASs 16 and 41 - Agriculture- Bearer Plants.

The amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted. As a transitional provision, entities need not disclose the quantitative information required by paragraph 28 (f) of IAS 8 for the current period. However, quantitative information for each prior period presented is still required. Also, on the initial application of the amendments, entities are permitted to use the fair value of items of bearer plant as their deemed cost as the beginning of the earliest period presented. Any difference between the previous carrying amount and the fair value should be recognized in retained earnings at the beginning of the earliest period presented.

Directors of the Company do not expect that the application of these amendments to IASs 16 and 41 will have a significant effect on the Company's financial statements as the Company does not carry out these activities.

Amendments to IAS 27 - Separate Financial Statements

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost;
- In accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9); or
- Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The same accounting must be applied to each category of investments.

The amendments also clarify that when a present ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

Company's directors do not expect the application of these amendments to IAS 27 will have a significant effect on the Company's financial statements, as the Company has already been applying the equity method to measure investment in its controlled company under the CNV standards.

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Amendments to IFRS 10 and IAS 28 - Sales or contribution of Assets between an Investor and its Associate or Joint Venture

On September 2014, the IASB modified IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”.

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amendment, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor its associate or joint venture are recognized to the extent of unrelated investor’s interests in the associate or joint venture.
- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognized in full in the investor’s financial statements.

IFRS 10 has been amended to reflect the following:

Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with the associate or a joint venture that is accounted for using the equity method, are recognized in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent’s profit or loss only to the extent of the unrelated investors’ interest in the new associate or joint venture.

On August 10, 2015, the IASB issued a proposal to indefinitely postpone the effective date of these modifications depending on the result of its investigation project about the participation method of accounting, which was approved on December 17, 2015.

Directors of the Company do not expect the application of these amendments to IFRS 10 and IAS 28 to have a significant effect on the Company’s financial statements.

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Annual improvements to IFRSs - Cycle 2012-2014

In September 2014, the IASB issued the 2012-2014 annual improvements for fiscal years started on or as from January 1, 2016, with earlier application permitted.

| Standard | Objective of the modification | Description |
|---|--|---|
| IFRS 5 Non-current assets Held for Sale and Discontinued Operations | Amendments in the methods of disposal of assets. | The amendment introduces a specific guide in IFRS 5 to be used when reclassifying an asset (or asset group) held for sale or distribution to owners (or vice versa). The amendment specifies that such change is considered as a continuity of the original plan of the regulation and therefore, a company must not apply paragraphs 27 to 29 included in IFRS 5 regarding changes in a sale plan, in these circumstances. |
| IFRS 7 Financial Instruments: Information to be revealed (with changes resulting from amendments to IFRS 1) | (i) Service contracts. (ii) Applicability of amendments to IFRS 7 when disclosing compensations in interim condensed accounting statements. | The amendment provides an additional guide to clarify if a service contract corresponds to continuous participation when transferring an asset based on such asset's information to be disclosed. Besides it explains that compensations' disclosures are not specifically required for all interim periods. However, it is possible to include in interim condensed financial statements all disclosures in order to satisfy requirements from IAS 34 Interim Financial Information. |
| IAS 19 Employee Benefits | Discount rate: Regional market issues. | The amendment explains that the rate used to discount liabilities due to post-employment benefits has to be determined with reference to high quality corporate bonds yield at the end of the reported period. The conclusions regarding the amendments also explain that the depth of market of high quality corporate bonds has to be assessed at currency level being consistent with the currency to be used to pay those benefits. Foreign currencies that do not have a depth of market of high quality corporate bonds have to be determined with reference to government bonds yield (at the end of the reported period) denominated at that same foreign currency. |
| IAS 34 Interim Financial information | Information disclosure included somewhere else in the interim | The amendment explains all requests related to information demanded by paragraph 16A of IAS 34 that is found in some other part of the |

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| | | |
|--|------------------------|--|
| | financial information. | interim financial information but not in the interim financial statements themselves. The amendment requires that such information has to be included in the interim financial statements or incorporated by a cross reference based on the interim financial statements into some other part of the interim financial information that is available to users in the same conditions and at the same time that the interim financial statements. |
|--|------------------------|--|

Company's Directors do not expect that the application of these improvements to IFRSs will have a significant impact on the Company's financial statements.

Amendments to IAS 1 - Presentation of Financial Statements – Disclosure Initiative

The amendments to IAS 1 which are effective for fiscal years beginning on or after January 1, 2016, with earlier application permitted.

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgment. Certain key highlights in the amendments are as follow:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.
- In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items:
 - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
 - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

The amendments to IAS 1 are related to the following subjects:

Materiality: an entity shall not reduce comprehensibility of financial statements by adding or disaggregating information in a way that hides useful information, for example by aggregating items that have different characteristics or disclose a lot of irrelevant details. When it is determined that the information is material, the IAS 1 requires assessing if the disclosure of that information

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is to be presented, and if additional information is required to meet the needs of the users or the disclosure objectives of this standard.

Disaggregation and subtotals: amendments clarify additional subtotals in the statement of financial position or in the statement of profit and loss and in other comprehensive incomes. IAS 1 clarifies which additional subtotals are acceptable and how they shall be presented.

Additional subtotals:

- be comprised of line items made up of amounts recognized and measured in accordance with IFRS;
- be presented and labeled in a manner that makes the line items that constitute the Subtotal clear and understandable;
- be consistent from period to period; and
- not be disclosed with more prominence than the subtotals and totals currently required in IFRS 1.

Additional subtotals must be reconciled with subtotals or totals required by IAS 1.

Notes: entities should consider the understandability and comparability when deciding on the order in which they present the notes to financial statements. They are not required to present the said notes in a specific order. This flexibility, already permitted by IAS 1, may allow a better understanding of the entity.

Disclosure of accounting policies: the amendments clarify how to identify an accounting policy when removing unhelpful examples from IAS 1.

Other comprehensive income arising from equity accounted investments: IAS 1 requires that the share of other comprehensive income of associates and joint ventures accounted for by using the equity method must be presented in aggregate as a single line item to be classified between those items that will or will not be subsequently reclassified to profit or loss. Each group must then be presented as an individual line in the statement of other comprehensive income.

Company directors do not expect that the application of these amendments to IAS 1 will have a significant effect on the Company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Consolidation Exception for Investment Entities

In December 2014, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28 that are effective for fiscal years beginning on or as from January 1, 2016, with earlier application permitted.

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS10. Consequential amendments have also been made to IAS 28 to clarify that the exception from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

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The amendments further clarify that the requirements for an investments entity to consolidate a subsidiary providing services related to the former’s investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity. An investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of interests in Other Entities.

Company’s Directors do not expect that these amendments will have a significant impact on the Company’s financial statements.

4.3 Segment reporting

Segment reporting is presented on a consistent basis with internal information provided to the Chief Operating Decision Maker (CODM). The CODM is responsible for the allocation of resources and establishing the performance of the entity’s operating segments, and has been identified as the body that implements the Company’s strategic decisions.

The Company examines operating segments on a consolidated basis, and therefore provides information thereon in Note 9.

4.4 Foreign currency conversion

4.4.1 Functional currency and currency of presentation

The items included in the Company’s financial statements are measured in the currency of the primary economic environment where the entity operates (the “functional currency”), which is the Argentine peso, according to the criterion established in IAS 21. The consolidated financial statements are presented in thousands of Argentine pesos, which is the Company’s currency of presentation.

4.4.2 Foreign-currency denominated transactions and balances

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing on their respective dates. Any profits and losses from exchange differences derived from each transaction and upon the conversion of foreign-currency denominated monetary assets and liabilities at the end of the fiscal year are recognized as income or loss for the fiscal year.

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4.5 Revenue recognition

Revenues are measured at fair value of the consideration received or to be received, taking into account the estimated amount of any discounts, bonuses or commercial rebates that may be granted by the Company.

The Company recognized revenues when it can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and when specific criteria of the activities have been met. The Company makes estimates based on historical experience, considering type of clients, transaction and specific characteristics of each agreement.

The Company recognizes sales revenues on the basis of deliveries of gas and their transportation and distribution to customers, if applicable, including any estimated amounts of gas delivered but not yet billed at the end of each fiscal year. Revenues from gas distribution and transmission are recognized for accounting purposes at the time the service is provided. Any revenues derived from rate increases established by Resolution No. 2,407/12 as explained in Note 2.2.2.1 are recognized at the time of their accrual for billing to customers.

Additionally the Company, evaluated if it had control of the FOCEGAS trust funds based on if it had the ability to conduct FOCEGAS relevant activities, if MetroGAS has exposure, or rights, to variable returns from its involvement with the trust funds and if it had the ability to use its power to influence in the amount of such return over the trust funds. The Company concluded that while it has exposure, or rights, to variable returns from its involvement with the trust funds; it has neither power over the trust funds, nor the ability to use its power over the trust's decision. Consequently the Company has no control over FOCEGAS.

Effectively delivered amounts have been determined on the basis of purchased gas volumes and other data. Sales not yet invoiced at the end of a period are recognized on the basis of management estimates.

Interest income is recognized based on the proportion of time elapsed by the effective interest method. When a receivable amount is impaired, the Company reduces its book value to the applicable recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of such instrument, and continues to reverse that discount as interest income. Interest income from loans or placements that have been provided for is recognized at the original effective interest of the instrument.

Also, MetroGAS, through its subsidiary MetroENERGÍA, acts in certain natural gas sale and purchase transactions to handle the purchase of gas from producers and clients. Based on the criteria set forth in IAS 18, which establishes the criteria for determining whether any transactions are conducted as principal or agent, the Company believes that on the basis of the relevant facts and circumstances referred to in such standard, MetroENERGÍA acts as principal. Consequently, in respect of MetroENERGÍA operations, the sales made to customers must be separately reflected from any costs assumed for the purchase of gas from producers in the respective accounts of the statement of profit and loss and other comprehensive income, instead of recording the fee received by MetroENERGÍA for its intermediation activities.

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4.5.1 Income recognition from the Temporary Economic Assistance Resolution No. 263/2015

The Temporary Economic Assistance granted by the National Energy Secretariat through Resolution No. 263/2015 is within the scope of International Accounting Standard 20 “Government Grants” (IAS 20), being it intended to fund expenditures and investments related to the regular operation of the natural gas distribution public service, preserving the payment chain to natural gas producers until completing the Comprehensive Tariff Revision.

The recognition of that income is carried out at a fair value pursuant the enforceable portion as of December 31, 2015 in accordance with the payment schedule agreed for 2015, and mentioned on Note 2.3.2.3 Temporary Economic Assistance.

This item has been disclosed in the line “Temporary Economic Assistance Resolution ES 263/15” within the Consolidated Statements of Profit and Loss and Other Comprehensive Income.

4.6 Properties, Plant and Equipment

As of the transition date, the Company has elected to consider the cost of Properties, plant and equipment as its deemed cost, which is restated in constant currency in accordance with the method used before the adoption of IFRS (Argentine GAAP).

The cost of Properties, plants and equipment balances include the following:

In respect of assets received at the time the License was granted, the overall transfer value as defined in the Contract of Transfer has been taken for Argentine GAAP purposes as the original value of fixed assets, which arises as the counterpart of any contributions made and any restated transferred liability.

On the basis of a special work conducted by independent experts in 1993, the overall original value referred to in the preceding paragraph has been allocated to the different asset categories included therein, assigning them a useful life equivalent to the remaining years of service as estimated by the Company based on the type of asset, state of repair and any renewal and maintenance plans related thereto.

Any assets acquired after the date when the License was granted have been valued at their purchase cost, except in the case of distribution networks built by third parties (various associations and cooperatives), which are valued under IFRIC 18. Such value is the amount equivalent to a specified number of cubic meters of gas decided by the ENARGAS determined to compensate to those third parties.

Any subsequent costs (larger maintenance works and reconstruction costs) are included in the value of assets or recognized as a separate asset, as the case may be, only if it is probable that any future benefits associated with the respective assets will flow to the Company, and the costs involved may be reliably measured and the condition of assets will be improved by the investment with respect to its original condition. Any other maintenance and repair expenses are recognized as expense for the fiscal year in which they are incurred.

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Any work in progress is valued based on the stage of completion. Works in progress carried at cost less any recognized impairment loss, if applicable. Costs include any expenses attributable to construction, including the cost of any loans capitalized under IFRS, where such expenses are part of the cost incurred for purposes of purchasing, building or producing Properties, plant and equipment that requires a considerable period of time until being ready for use. Financial costs cease to be capitalized when the respective asset is substantially completed or suspended, in case the development thereof is in this latter condition. Any costs attributable to activities conducted for the planning, execution and control of investments in Properties, plant and equipment are charged to assets by the Company. Depreciation of these assets begins when they are economically fit ready for use.

As explained in Note 2.7.1, a substantial portion of the assets transferred by Gas del Estado have been defined under the License as “Essential Assets” for the provision of the licensed service and are subject to restrictions and limitations.

Depreciation, based on a principle involving components, is calculated on a straight line basis during the useful life of assets, as detailed below for the major components of Properties, plant and equipment:

| | Estimated useful life |
|---|----------------------------------|
| • Medium and low pressure mains | 42-50 |
| • High pressure mains | 45 |
| • Pressure regulating stations | 25 |
| • Consumption measurement | 20 |
| • Other technical installations | 15 |
| • Computer and telecommunications equipment | 5 |
| • Buildings and civil constructions | 50 |
| • Machinery, equipment and tools | 5-15 |
| • Vehicles | 5-10 |
| • Furniture and fixtures | 10 |

Land is not subject to depreciation. The residual value and useful life of assets are reviewed and adjusted if applicable, not less frequently than at the end of each fiscal year.

Income from sales of Properties, plant and equipment are accounted for when all significant risks and benefits have been transferred to the purchaser. Any gain or loss from sales is determined by a comparison of any amounts received, net of direct selling expenses, and the carrying value of the asset, and is recognized under other expenses and income in the consolidated statement of profit and loss and other comprehensive income.

The Company evaluates the recoverability of its long term assets annually or upon the occurrence of events or changes in circumstances that may be a possible indication of impairment of those assets with respect to their recoverable value, it measured as the higher of value in use and fair value less costs to sell.

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The value in use is determined on the basis of projected and discounted cash flows with the use of discount rates that reflect the time value of money and any specific risks involved in the assets under consideration.

Cash flows are prepared on the basis of estimates of the future behavior of certain sensitive variables for the determination of recoverable value, including: (i) nature, opportunity and form of tariff increases and recognition of cost adjustments; (ii) projected gas demand; (iii) evolution of costs to be incurred; and (iv) macroeconomic variables such as growth rates, inflation rates, exchange rates, among others.

When the carrying amount of an asset is higher than its estimated recoverable value, the carrying amount thereof is reduced to its recoverable value as described in Note 4.9.

Notwithstanding the current economic and financial condition described in Note 2, the Company has prepared its projections in the understanding that it will be granted tariff improvements adapted to the prevailing circumstances. The Company, however, is not able to give any assurance that the future behavior of the premises it used to prepare its projections will be in line with its estimates, and consequently those premises may differ significantly from any estimates and assessments made as of the date of preparation of these consolidated financial statements. See Note 5 – Critical accounting estimates and judgments.

4.7 Investment Properties

Investment Properties includes certain properties that the Company keeps in order to obtain revenues from long-term rent and also from the appreciation thereof, and which are not currently occupied by the Company for its own operations.

The Company has adopted the cost method for all its investment properties. Therefore, investment properties are recorded at cost, less accumulated depreciation and impairment, if any.

Under the cost method, an investment properties is impaired if its book value exceeds its recoverable value. When the individual components of investment properties have different useful lives, they are separately accounted for and depreciated. The depreciation based on a component criterion is calculated via the straight line method during the estimated useful life of assets. Any costs incurred subsequent to initial recognition are included into the carrying amount of the relevant asset or recognized as a separate asset, as it may correspond, only if it is probable that such costs will generate an economic benefit for the Company in the future and such benefit can be reliably measured. These costs may include the cost of improvement or of replacement of parts which meet capitalization requirements. The carrying amount of any replaced part is derecognized.

Investment property is recorded at cost less any accumulated depreciation and any accumulated impairment loss.

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4.8 Intangible assets

Intangible assets include the acquisition and development of new systems. The Company has adopted the cost method for intangible assets according to IAS 38, therefore intangible assets are recorded at cost, less accumulated depreciation and impairment loss, if any. The depreciation is calculated using the straight line method during the estimated useful life of assets.

4.9 Impairment test of non-current assets

The Company reviews the book value of its properties, plant and equipment, investment properties and intangible assets at the closing date of each fiscal year in order to determine whether there is any indication that such assets may not be recoverable.

The impairment policy for non-current assets is described in Note 5 – Critical accounting estimates and judgments.

4.10 Financial Assets

The Company has adopted IFRS 9 as from the transition date, since this accounting principle provides for relevant disclosures of more reliable information so that users may evaluate figures, time and uncertainty of future cash flows.

Financial assets and liabilities are recognized when a Company's entity becomes a party to the contractual provisions of the instrument involved.

Financial assets and liabilities are initially measured at fair value. The costs of the transaction which are directly attributable to the purchase or issuance of financial assets and liabilities (other than financial assets and liabilities designated at fair value through profit and loss) are added to or deducted from the fair value of the respective financial assets and liabilities, when appropriate, at the time of initial recognition. The costs of the transaction directly attributable to the purchase of financial assets and liabilities designated at fair value through profit and loss are immediately recognized as profits or losses.

4.10.1 Classification

The Company classifies financial assets into the following categories: assets which are measured at their fair value and assets which are measured at their amortized cost. This classification depends on whether the financial asset is an investment in a debt or an equity instrument. In order for a financial asset to be measured at amortized cost, the two criteria described below must be met; otherwise financial assets are measured at fair value. IFRS 9 requires that all investments in equity instruments be measured at fair value.

- a) Financial assets at amortized cost

Financial assets are measured at amortized cost if the following conditions are met:

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- i) the objective of the Company's business model is to hold the assets to collect the related contractual cash flows; and
- ii) the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on its outstanding amount.

As of December 31, 2015 and 2014, the Company's financial assets measured at their amortized cost are cash and cash equivalents, except for mutual funds, trade receivables and other receivables.

- b) Financial assets at fair value

If either of the two criteria mentioned above is not met, financial assets are measured at fair value through profit or loss.

As of December 31, 2015 and 2014, the Company's financial assets measured at their fair value through profit or loss are mainly mutual funds.

4.10.2 Recognition and Measurement

The regular purchase or sale of financial assets is recognized on the trade date, i.e. the date on which the Company agrees to acquire or sell the asset. Financial assets are derecognized when the rights to receive the cash flows from the investments have expired or been transferred and the Company has transferred substantially all the risks and rewards of the ownership of the assets.

Financial assets are initially recognized at their fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition thereof.

4.10.3 Impairment of Financial Assets

At the end of each year, the Company assesses whether there is objective evidence that the value of a financial asset or Company of financial assets measured at amortized cost is impaired. The value of a financial asset or Company of financial assets is impaired, and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.

Impairment tests may include evidence that the debtors or Company of debtors are undergoing significant financial difficulties, have defaulted on interest or principal payments or made them after they had come due, the probability that they will enter bankruptcy or other financial reorganization, and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in payment terms or in the economic conditions that correlate with defaults.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The

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asset's carrying amount is reduced and the amount of the impairment loss is recognized in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. As a practical suggestion, the Company may measure the impairment on the basis of the fair value of an instrument using an observable market price. If in a subsequent period the amount of the impairment loss decreases, and such decrease is objectively related to an event occurring after impairment recognition (such as, for example, an upgrade of the debtor's credit rating) the previously recognized impairment loss is reversed to the extent of the decrease in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

4.10.4 Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4.11 Trade Receivables

Any receivables arising from services billed to customers but not collected as well as those arising from services rendered but unbilled at the closing date of each financial year are recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less any impairment. Interest income is recognized applying the effective interest rate, except for such accounts receivable in a short term in case that recognition of the interest is not substantial.

Trade receivables include any services rendered but unbilled at the end of the financial year.

Trade receivables are recorded net of the allowance for doubtful accounts, which is based on a recoverability analysis made by the Company.

4.12 Other Receivables

Other receivables are initially recognized at fair value (generally the original billing/settlement amount) and subsequently measured at amortized cost, using the effective interest rate method, and when significant, adjusted by the time value of the money.

The Company records a provision for impairment when there is objective evidence that the Company will not be able to collect all the amounts owed to it in accordance with the original terms of the receivables.

Other receivables are recorded net of the allowance for doubtful accounts, which is based on a recoverability analysis made by the Company.

4.13 Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less as from their date of acquisition.

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4.14 Trade Payables

Trade payables are payment obligations with suppliers for the purchase of goods and services in the ordinary course of business. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The line items "Trust Funds" and "Trust Funds Decree No. 2,407" within this account include collected amounts which deposit was pending at the end of each year corresponding to any charges under Note 2.2.2.1 and Note 2.5.

4.15 Other accounts payable

The other liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

4.16 Additional information on non-cash transactions

The principal non-cash transactions were related with interest capitalization as detailed in Note 18.

4.17 Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are those assets that take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of such assets until such time as they are in condition to be used or sold.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

4.18 Income Tax and Minimum Presumed Income Tax

The income tax expense for the year is comprised of the current tax and the deferred tax. Income tax is recognized in the statement of profit and loss, except to the extent that the tax relates to items recognized in other comprehensive income or directly in equity, in which case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws in effect or which are substantially approved as of the end of each year. The Company records provisions on the basis of the amount expected to be paid to tax authorities.

Income tax is recognized applying the deferred tax method, on the temporary differences arising between the tax base of assets and liabilities and their carrying amounts. The deferred tax is determined using the tax rate in effect or substantially approved at the end of each year, and is expected to apply when the deferred tax assets are realized or the deferred tax liabilities are settled.

Deferred tax assets are recorded when the existence of future taxable income against which temporary differences may be offset is probable.

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Argentine entities are subject to MPIT. Pursuant to tax laws currently in effect, an entity is required to pay the higher of the income tax or the MPIT. The Company creates a provision for MPIT for each individual entity by applying the current rate of 1% and based on each company's taxable assets at year-end, as defined under Argentine laws. Should the MPIT exceed the income tax, such excess may be computed as a payment on account of any future income tax payable during a period of 10 years. When the Company believes that it is probable that the MPIT charge will be used as an advance payment of the income tax obligation, the Company records the MPIT as a current or noncurrent receivable, as applicable, under Advance payments in the statement of financial position, otherwise it charges the MPIT to profit or loss under “Income tax” in the statement of profit and loss and other comprehensive income.

In accordance with Law No. 25,063, enacted in December 1998, any dividends distributed, whether in cash or in kind, in excess of the taxable income accumulated at the end of the fiscal year immediately prior to the date of the relevant payment or distribution shall be subject to a 35% income tax withholding as sole and final payment, with the exception of dividends distributed to shareholders resident in countries with which double taxation agreements are in effect, which shall be subject to withholding at a lower rate.

Law No. 26,893 was enacted on September 20, 2013. This law amended the Income Tax Law and among other things established a sole and final payment for such tax, equivalent to 10% of any dividends distributed in cash or in kind – other than in shares of stock or equity interests – to beneficiaries domiciled abroad and to individuals resident in the country, notwithstanding the above mentioned 35% withholding. The provisions of this law came into force on September 23, 2013, its date of publication in the Official Gazette.

4.19 Salaries and Social Securities

Bonus granted to employees is recorded as a liability and expense due to bonus payments under the terms and according to the standards set forth by the Company. A provision is created when the Company is required under the contract or when past practices reflect that the Company is impliedly required to act accordingly.

Severance payments are recorded as a liability and expense upon termination of employer-employee relationship by decision of the employer before the corresponding retirement date, or upon an employee voluntarily accepting his retirement in change of a compensation payment.

The Company does not sponsor any defined contributions plans in addition to its contributions to the Social Security System under applicable regulations in Argentina, or any defined benefits plans. Also, the Company does not maintain any share-based payment plan.

4.20 Reorganization Liabilities

The reorganization liabilities include any liabilities subject to the reorganization proceeding filed by the Company on June 17, 2012, as detailed under Note 2.1. Liabilities, under provision of IFRS 9, were valued at their amortized cost incorporating, when applicable, financial interest accrued until the date of filing of the reorganization proceeding, on which, according to Article 19 of the

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ABL, interest ceased to accrue. Foreign-currency denominated liabilities have been valued at the rate of exchange prevailing at the end of the fiscal year.

After the court decision approving the proposal to creditors under the reorganization proceedings entered on September 6, 2012, liabilities under the reorganization proceedings include any allowed and provisionally admitted outstanding debts as to unsecured and preferred creditors and litigious debts or late verification debts pending of resolution by the bankruptcy judge.

4.21 Financial debt

Financial debt is initially recognized at fair value, net of any incurred transaction costs. As the Company does not have any financial liabilities that based on their description require accounting at fair value under the IFRS currently in force, after initial recognition its financial debt has been valued at amortized cost.

In order to account for the exchange of liabilities under the reorganization proceedings for new notes consummated on January 11, 2013 as described in Note 18 Financial debt, the Company has applied the guidelines established by IFRS 9 – Financial Instruments: Recognition and Measurement.

IFRS 9 provides that where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms this transaction must be accounted for as an extinguishment of the original financial liability and the consequent recognition of a new financial liability. The difference between the book value of the extinguished financial liability and the consideration paid therefor, including any assigned assets other than the assumed cash or liability, will be recognized in profit or loss for the fiscal year. The Company believes that the terms of the liabilities included in the reorganization proceedings and subject to exchange are substantially different from those of the new notes, and has consequently recorded this debt exchange pursuant to the above guidelines. Also, pursuant to IFRS 9 the new notes have been initially recognized at fair value, net of incurred transaction costs, and will be subsequently measured at amortized cost.

The fair value of the new issued debt has been estimated through the use of the discounted cash flow method for purposes of its initial recognition, in the absence of an active market with quoted prices that may be representative of the amount issued.

4.22 Provisions

Provisions are recognized when in respect of a present obligation undertaken by it, whether legal or constructive, arising as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimation can be made in respect thereof. No provisions for future operating losses are recognized.

The amount recognized as provision is the best estimate of the expenditure required to settle the present obligation, at the end of the reporting period, taking into account the corresponding risks and uncertainties. When a provision is measured using the estimated cash flow to settle the present obligation, the carrying amount represents the present value of such cash flow. This present value

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is obtained by applying a pre-tax discount rate that reflects market conditions, the time value of money and the specific risks of the obligation.

Provisions have been created and included in liabilities in order to face any contingency which could originate future payment obligations. To estimate their amount and the likelihood of an outflow of resources, the opinion of the Company's legal advisors has been taken into account.

When the recovery of some or all of the financial benefits required to cancel a provision is expected, a receivable account is recognized as an asset if there is virtual certainty that payment will be received and the receivable amount can be reliably measured.

4.23 Leases

An agreement is or contains a lease depending on the nature of the agreement at the time of its execution, if performance thereof depends on the use of one or more specific assets or if the agreement assigns the right to use the asset.

Those leases in which a significant portion of the risks and benefits deriving from ownership are kept by lessor are classified as operating leases. As of December 31, 2015, the Company has only lease agreements that are classified as operating leases.

a. As lessee

Operating lease payments are recognized as operating expenses in the Statement of Profit and Loss and Other Comprehensive Income on a straight-line basis throughout the term of the lease.

b. As lessor

Those leases in which the Company does not transfer substantially all the risks and benefits inherent to the ownership of the asset are classified as operating leases.

Operating lease collections are recognized as income in the Statement of Profit and Loss and Other Comprehensive Income on a straight-line basis throughout the term of the lease.

4.24 Balances with Related Parties

Receivables and liabilities with related parties are initially recognized at fair value and subsequently measured at amortized cost in accordance with the terms agreed upon by the parties involved.

4.25 Shareholders' Equity

Items included in shareholders' equity are valued pursuant to accounting principles in effect on the transition date. Changes in shareholders' equity have been recorded in accordance with

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shareholders' resolutions and legal rules and regulations, and even when any such items would have reflected a difference balance in case IFRS had been applied in the past.

a) Issued capital and adjustment to issued capital

Issued capital is composed of contributions made by shareholders and represented by shares, and comprises outstanding shares at their par value. Issued capital has been recorded at its nominal value and any adjustment arising from monetary restatements made in accordance with Argentine GAAP on the transition date to the IFRS is recorded under Adjustment to issued capital.

In accordance with Argentine GAAP in force before the implementation of the IFRS, equity items were restated to reflect the effects of changes in currency purchasing power until March 1st, 2003, following the restatement method set forth by TR No. 6 issued by the FACPCE. As from such date on, and in compliance with Decree No. 664/03 issued by the PEN, the Company discontinued the preparation of financial statements in constant currency.

b) Legal reserve

In accordance with the provisions of the Argentine Corporate Law No. 19,550, the Company has to appropriate to the legal reserve no less than 5% of the sum of net income for the year, prior year adjustments, transfers from other comprehensive income to retained earnings and accumulated losses from previous years, until such reserve reaches 20% of the Issued Capital plus Adjustments to issued capital. As of December 31, 2013 the legal reserve was fully funded.

MetroGAS' shareholders have decided, at the Shareholders meeting held on the 28th of April of 2014, to proceed to a mandatory reduction of the company's issued capital. Therefore, Accumulated results (losses) as of December 31, 2013 were partially affected against the Legal reserve for 45,376 and against Adjustments to issued capital for the sum of 684,769, keeping a negative balance of 147,937 in Accumulated results (losses) as of such date.

4.26 Net result per share

Basic net result per share are calculated by dividing the gain attributable to the controlling interest of the equity instruments of the company, by the weighted average number of common shares outstanding during the period, excluding treasury stock purchased by the Company.

As of the date of issuance of these consolidated financial statements, MetroGAS has not issued equity instruments which give rise to potential common shares. As a result, the calculation of diluted net result per share coincides with the calculation of the basic net result per share.

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Significant accounting policies of the Company are described in Note 4. Not all significant accounting policies require that the Company applies subjective criteria or complex estimates. The following section provides an understanding of the policies that the Company considers critical given their degree of complexity or the criteria or estimates involved in their application and their impact on the consolidated financial statements. Those criteria include forward-looking assumptions or estimates. Actual results may differ from these estimates.

For a better understanding of the manner in which the Company forms its judgments about future events, including the variables and assumptions underlying the estimates, and how sensitive those judgments are in respect of different variables and conditions, comments have been included in relation to each critical accounting policy described below:

- 5.1. Impairment of properties, plant and equipment and intangible assets;
- 5.2. Recognition of revenues and trade receivables;
- 5.3. Provisions;
- 5.4. Deferred income tax and MPIT;
- 5.5. Application of IFRIC 12 “Service Concession Arrangements”.

5.1 Impairment of properties, plant and equipment and intangible assets

The Company reviews the book value of its properties, plant and equipment and intangible assets as of the date of closing of each fiscal year in order to detect any indication that such assets may not be recoverable. Also, the Company assesses the book value of its long term assets based on the recovery value thereof from time to time, when any events or change of circumstances indicate that the carrying value of an asset is not recoverable.

Indications of impairment to be observed in this analysis include, among others, any existing physical damage to or significant changes in the use of assets, deterioration in the expected level of asset performance or a significant drop in revenues. When an asset ceases to generate cash flows independently from other assets, the Company estimates the recoverable amount of the cash generating unit (“CGU”) that the asset belongs to.

The recoverable value is the greater of the reasonable value less than disposal costs and its value in use. The use value is determined based on projected and discounted cash flows applying discount rates reflect the time value of money and the specific risks involved in the assets under analysis.

If the recoverable amount of the assets of this CGU is lower than the carrying amount, the carrying amount of the respective asset or CGU is reduced to its recoverable amount. Impairment losses are immediately recognized in the Statement of Profit and Loss and Other Comprehensive Income.

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The recoverable amount is determined on the basis of projected and discounted cash flows, applying discount rates that reflect the time value of money and the specific risks involved in the assets under analysis.

The Company believes that its accounting policy in relation to Properties, plant and equipment and Intangible assets impairment is a “critical accounting policy” for the reasons set forth below:

- 1) the current economic-financial condition of the Company, referred to in Note 2, given the current situation about pending tariffs renegotiation process and cost increases, requires making changes from period to period in the estimation of the recoverable value of assets due to Company must update its estimates, future revenues and costs as a result of advances of such situations; and
- 2) a recognition or reversion of an impairment or recoverable amount has a significant impact on the assets disclosed in the Company’s consolidated financial statements and results of operations. Estimated future revenues and discount rate definition as well as other relevant assumptions (like exchange rate or annual inflation rate) require that the Company form essential judgments, as actual revenues have experienced in the past and are expected to continue experiencing fluctuations, in particular due to the currently pending rate renegotiation process.

5.1.1 Impairment test for the fiscal year ended December 31, 2015

For fiscal year ended on December 31, 2015, the Company has identified indicators of impairment and has carried out an impairment assessment of properties, plant and equipment and intangible assets in accordance with the IFRS. On the basis of this assessment, the properties, plant and equipment and intangible assets book value has been compared to its recoverable value, determined as the present value of the future cash flow to be generated by those assets; this estimate was made by a weighting approach of different scenarios depending on their possibilities of occurrence. As the estimated discounted future cash flow value is higher than the book value of those assets, the Company determined that no impairment had occurred.

As regards relevant estimates used for the impairment assessment, has been taking into account (i) nature, opportunity, and length of the tariff renegotiation process with the Argentine Government, (ii) erosion of the operating result resulting from an increase in operating costs, (iii) an analysis to see how present results compare to forecasts for previous years, (iv) experience from impacts of the tariff increase approved by the ENARGAS during the year 2014, taking into account the policy of reduction of consumption subsidies and differential prices depending on the tendency to consumption reduction that each consumer may have (v) experiences of another gas distributing company from the Buenos Aires metropolitan area (the main Argentine gas market), Gas Natural Fenosa, whose renegotiation agreement was approved by the PEN on April 10, 2006 (consequently implemented by ENARGAS on April 9, 2007 and on October 10, 2008) besides, it is the Licensee whose comprehensive tariff revision process is at the most advanced stage (vi) the consequences of the Provisional Agreement signed between the Company and the UNIREN in March 2014, (vii) the Temporary Economic Assistance stipulated by ES Resolution N° 263/15, that was granted instead of the adjustment that would have been appropriate to be given due to the Method of Costs Monitoring agreed in the Provisional Agreement mentioned in (vi). Three possible scenarios have been evaluated and their occurrence probability has been estimated. Each one of these scenarios

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contemplates different assumptions as regards the critical variables. Additionally, every projection of cash flows has been prepared by taking into account the remaining term of the license, no possible extension thereof having been contemplated, which does not exceed the residual useful life of the Properties, plant and equipment and Intangible assets.

5.1.2 Impairment test for the fiscal year ended December 31, 2014

For fiscal year ended on December 31, 2014, the Company identified impairment indicators and made an impairment assessment of the Properties, plant and equipment in compliance with the IFRSs. Based on such assessment, the books value of properties, plant and equipment was compared to the present value of the future cash flow to be generated by those assets; this estimate was made according to a probability approach similar to that described for the year 2015, considering the background available at that time. As the estimate of the discounted future cash flow value is higher, in those fiscal years, than the book value of those assets, the Company determined that no impairment had occurred.

5.2 Revenue recognition and trade receivables

Revenues are recognized on an accrual basis upon delivery to customers. This includes estimates of delivered gas or liquids amounts not yet billed at the end of each fiscal year, its transportation and distribution, if applicable. Amounts effectively delivered are estimated on the basis of purchased volumes and other historical information. These volumes are assigned to each type of customer for its valuation depending on the applicable tariff according to the estimate of the segment of the different category of customers that is carried out based on information regarding levels of consumption saving for each monthly invoice. Revenues related to tariff increase stipulated by Resolution N° 2.407/12 described in Note 2.2.2.1 are recognized at the moment of invoice accrual to customers.

The Company is exposed to bad debt losses. The allowance for doubtful accounts is created on the basis of estimated payments received by the Company. While the Company uses available information to make such estimations, these provisions may possibly have to be adjusted in the future if future economic conditions differ substantially from the assumptions used in their preparation. The relevant charge is shown under selling expenses; no adjustments are made to revenues. In order to estimate the allowance for doubtful accounts, the Company permanently assesses the amount and nature of any trade receivables, including the age thereof and users' financial condition.

5.3 Provisions

The Company has certain contingent liabilities in relation to actual or threatened claims, lawsuits and other proceedings. A liability is accrued by MetroGAS when future costs are likely to be incurred and they may be reasonably estimated.

Such accruals are based on estimates arrived at on the basis of available data, Management estimates of results in relation to the issues involved and the opinion of legal counsel. These basic forward-looking presumptions and other key sources of uncertainty in estimates at the end of the reporting period involve a significant risk that material adjustments may be required in the book value of assets and liabilities during the next financial periods.

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5.4 Deferred income tax and minimum presumed income tax

The Company establishes the accounting charge for the income tax according to the deferred tax method, which considers the effect of temporary differences resulting from the various bases for measuring assets and liabilities under accounting and tax criteria and the tax loss carried forward and unused tax credits which may be deducted from future tax gains, computed at the current tax rate, which at present amounts to 35%.

In addition, the Company determines the MPIT by applying the current rate of 1% of assets to be considered at the close of every fiscal year. This tax is complementary of the income tax obligation. This tax is determined by application of an effective 1% rate on the tax basis of certain assets. The final tax liability will be the higher of income tax or MPIT. However, if MPIT is higher than income tax for any fiscal year, the excess amount may be computed as a payment on account of any excess income tax over MPIT that may arise for any of the ten subsequent fiscal years.

The Company evaluates the recoverability of deferred income tax and MPIT taking into account the probability that some or all deferred tax assets or claims may not be realized. For purposes of this evaluation, the Company considers the scheduled reversion of deferred income tax liabilities, projected future tax profits, tax planning strategies and any objective evidence of recovery.

5.5 Application of IFRIC 12 “Service Concession Arrangements”

Interpretation No. 12 “Service Concession Arrangements” (IFRIC 12) establishes some accounting guidelines for private entities that provide public services under a service concession agreement or similar arrangement. IFRIC 12 is applicable to license holders depending, among other things, on the extent to which the grantor controls or regulates the services and any significant residual interest in the assets at the end of the term of the arrangement.

Considering that IFRIC 12 establishes general guidelines and principles, judgment is required to determine whether it is applicable due to the specific nature of each service concession or license and the complexity inherent in the different notions included in its interpretation.

The Company has examined the characteristics, conditions and terms currently in effect under its natural gas distribution License and the guidelines established by IFRIC 12. On the basis of such analysis, the Company concluded that its license is outside the scope of IFRIC 12, primarily because of the features of its license renewal, which give a result similar to the possible outcome of a perpetual right for the operation of infrastructure. In this same respect and coincidentally, the CNV issued Resolution No. 613 on December 20, 2012, which sets forth the reasons and grounds on which in its opinion natural gas transportation and distribution services concession holders and their controlling entities are not within the scope of IFRIC 12.

Any change in license conditions should be analyzed in order to consider if it also represents a change in the analysis made.

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6. FINANCIAL RISK MANAGEMENT

6.1 Financial Risk Factors

The Company has in place several financial risk management policies that enable it to mitigate its exposure to the market risks involved in its business activity (including risks associated to fluctuations in exchange rates, interest rates and the price of the products sold by it), credit risk and liquidity risk.

The Company does not trade financial instruments, including derivative financial instruments for speculative purposes.

6.1.1 Market Risk

The Company is primarily exposed to financial risks related to fluctuations on exchange rate (see a) below) and interests rate (see b) below).

There have been no changes in the Company's exposure to market risks or in which these risks are managed and measured.

a) Exchange Risk

The Company made transactions in foreign currency; consequently it is exposed to exchange rate fluctuations. The Company is primarily exposed to fluctuations in U.S. dollar (U\$S) – Argentine peso (\$) rate of exchange.

In accordance with the Emergency Law, enacted in January 2002, the rates charged by the Company for its natural gas distribution services have been translated to Argentine pesos and consequently most Company revenues are denominated in pesos.

On the other hand, the Company's financial debt, related with Notes, is denominated in U.S. dollars. It amounted to U\$S 163,922 thousand as of December 31, 2015, and to a nominal amount of U\$S 194,473 thousand.

As of December 31, 2015, the Company's net monetary liabilities position amounted to U\$S 159,289 thousand. See Notes 13, 14, 15, 17, 18, 19, 21, 22 and 23 where shows the composition of currencies.

The Company estimates that considering the accounting value of debts, each 10% increase or decrease of the Argentine peso – U.S. dollar exchange rate would give rise to a Ps. 214 million loss or profit before taxes. This is a hypothetical sensitivity analysis, as the real impact of such fluctuations might differ significantly and change in the course of time.

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b) Interest Rate Risk

MetroGAS has a limited exposure to risks associated with interest rate fluctuations, because 94% of its financial indebtedness bears interest at a fixed rate.

On the other hand, the Company seeks to conduct financial transactions with top-level entities; these transactions include demand deposits and mutual fund investments. As of December 31, 2015, current investments in mutual funds amounted to 516,521. Such placements of funds bear interest at variable rates.

c) Price Risk

The Company is not exposed to a commodity price risk in its gas distribution segment because the rates currently charged by MetroGAS to its customers are subject to regulation, and the regulatory framework contemplates a mechanism for the transfer of gas purchase costs to rates. (See Note 2.2).

Also, the prices of natural gas for industrial use in the sales segment are determined solely on the basis of local and domestic supply and demand.

MetroENERGÍA in particular subscribes natural gas forward sales contracts for a maximum one-year term. For this purpose, MetroENERGÍA purchases gas from producers and suppliers pursuant to the terms arising from availability and market conditions at the relevant time. However, most natural gas volumes under contracts with industrial customers are obtained from suppliers pursuant to the same terms as to delivery time, while any remaining quantities are derived from shorter-term purchases based on price and availability conditions at each gas basin.

6.1.2 Credit Risk

Credit risk is the risk that counterparty will default on its contractual obligations, with a consequent financial loss to the Company. This risk is primarily derived from economic and financial factors, or the possibility of counterparty's default or more strictly technical, commercial or administrative factors.

As regards the credit risk involved in trade receivables derived from the Company's commercial activities, this risk has been historically limited given the short term for collection from customers, which implies that no significant individual amounts are accumulated. The Company has the power to cut supply in case of a customer's failure to make payment; this tool is used and makes the process of credit risk assessment and control easier.

Allowances for doubtful accounts are recorded (i) for the exact amount of any claims representing an individual risk (risk of bankruptcy, customers involved in legal proceedings against the Company); (ii) for claims other than those described in (i), provisions are recorded for customer segments taking into account the age of claims and historical charges for uncollectible amounts. According to the policy in force, the Company provides for 100% of any unpaid claims overdue for more than one year for MetroGAS and more than six months for MetroENERGÍA. Total overdue balances not covered by provisions for bad debts amount to 297,838 as of December 31, 2015, and to 143,119 as of December 31, 2014.

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The Company has a wide range of customers, including residential, commercial, industrial – small and big – customers and governmental entities. The concentration of credit risk with any customer exceeds 5% of gross monetary assets at any time of the year.

Also, credit risk affects cash and cash equivalents, and bank and financial entity deposits, the Company do its financial operations in first rate entities.

The Company's maximum exposure to credit risk, broken down by type of financial instrument, is detailed below:

| | Maximum exposure as of | |
|---------------------------|------------------------|----------|
| | 12.31.15 | 12.31.14 |
| Cash and cash equivalents | 596,223 | 97,586 |
| Trade receivables | 1,031,403 | 658,855 |
| Other receivables | 239,531 | 89,867 |

As of December 31, 2015 and 2014, the allowance for doubtful accounts amounts to 68,466 and 28,983, respectively. This provision represents the best Company's estimate of losses incurred in relation to receivables and other receivables.

Note 13 and 14 details the aging of trade receivables and other receivables, respectively.

6.1.3 Liquidity Risks

Liquidity risk represents the Company's inability to meet its short and long-term financial commitments.

At present the Company's liquidity is one of the main items on which Management's attention is focused, due to the difficulties that the Company is going through. The absence of rate increases, constantly increasing operating costs and the lack of certainty as to the effective implementation of rate increases are factors that have a direct impact on MetroGAS liquidity.

As of December 31, 2015 MetroGAS recorded a consolidated negative working capital of 268,917.

If current circumstances continue, the Company has contemplated a number of actions to be taken in order to mitigate the impact of its financial condition, including to:

- Continuing the claims for rate increases (including the transfer thereto of any municipal taxes) before Argentine authorities;
- procuring the strict management of cash-flow and control our expenditures;
- requiring additional capital contributions from the Company shareholders;
- evaluate payment conditions with our principal suppliers; and
- analyze eventual financing from third parties.

In spite of the fact that the Company is already taking some of the actions referred to above, its future remains uncertain.

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No financial liability bears interest, other than Financial Debt and payment agreements with producers (See Note 18 and 2.2.2.3).

Maturities of financial assets are detailed in notes 13, 14 and 15 and maturities of financial liabilities are detailed in notes 18, 19, 21 and 23.

6.2 Capital Risk Management

The main goal of the Company’s capital management is to preserve credit quality and capital ratios so as to be able to sustain its business and maximize value for its shareholders.

The capital structure of the Company includes its net indebtedness (the financial debt detailed in Note 18 offset by cash balances and cash equivalents) and the Shareholder’s equity.

In the table below the debt rate as of December 31, 2015 and 2014 are detailed:

| | 12.31.15 | 12.31.14 |
|---------------------------|-----------|-----------|
| Financial debt | 2,280,807 | 1,445,776 |
| Cash and cash equivalents | (596,223) | (97,586) |
| Net financial debt | 1,684,584 | 1,348,190 |
| Equity | (767,770) | (207,062) |
| Debt rate | (219)% | (651)% |

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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).

7.1 Determination of Fair Value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When estimating the fair value of an asset or liability, the Company takes into account the features of such asset or liability if those features are considered by market participants when valuing such asset or liability at the measurement date. Fair value for purposes of measurement and/or disclosure in these consolidated financial statements is determined on such basis, except for any leasing transactions, within the scope of IAS 17 and measurements that have certain similarities to, but are not the same as, fair value, such as the realizable value under IAS 2 or the value in use under IAS 36. All the financial instruments recognized at fair value are assigned to one of the levels of the value measurement hierarchy under IFRS 7. This measurement hierarchy has three levels. The initial basis for allocation is the "economic investment class". Pursuant to IFRS 7, fair value must be determined with the use of value measurement techniques that maximize the use of observable data.

Fair-value measurement of MetroGAS financial instruments is classified according to the three levels established by IFRS 7 based on the degree at which entries for measurements of reasonable value are noticeable and the relevance of said entries for measurements of reasonable value as a whole, which are described below:

- Level 1: Fair value is determined on the basis of observed prices in an active market for identical assets or liabilities that the Company may take as benchmark at the end of the fiscal year. An active market is a market with a high level of trading, and sufficient permanently available information on prices. As an observed price in an active market is the most reliable indicator of fair value, this price, if available, is always to be used.
- Level 2: Fair value is determined on the basis of observable information other than observed prices mentioned in Level 1 for financial asset or liabilities, whether directly (for instance, prices) or indirectly (for instance, derived from prices).
- Level 3: Fair value is determined through unobservable indicators and the company is required to develop its own hypotheses and premises. This is only allowed to the extent no market information is available. Any data included reflect the estimates that a market participant would take into account to set prices. The Company uses the best available information, including in-company data. MetroGAS does not have any financial instruments qualifying as Level 3 instruments.

The only financial assets of the Company that are measured at fair value at the end of the reporting period are mutual funds, the fair value of which is determined by their quoted prices (Level 1).

There are not financial liabilities subsequently measured at fair value.

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The Company believes that the book value of its financial assets as recognized in its financial statements is near their respective fair value.

The Company believes that the book value of its financial liabilities as recognized in its financial statements is near their respective fair value, with respect to financial debt related to negotiable obligations are approximately 16% below from their fair value.

Total profits for the fiscal year include a profit of 43,898 and 16,792 for years 2015 and 2014, respectively, in relation to financial assets measured at fair value.

8. INTERESTS IN SUBSIDIARIES

The table below shows the Company's consolidated controlling interest:

| Directly controlled company | Percentage of capital stock and voting rights held | |
|--------------------------------|---|----------|
| | 12.31.15 | 12.31.14 |
| MetroENERGÍA | 95% | 95% |

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

The company has used for the purposes of consolidation, the latest separate financial statements of MetroGAS and MetroENERGÍA as of December 31, 2015.

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 15, 2015, decided the distribution of the profit for the year 2014 to 62,174 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 YIESA 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.

According to the provisions of MetroENERGÍA's Board of Directors on August 21, 2015, considering cash flow availability and the financial conditions of the business, total dividends for the amount of 20,000 were made available to the company's main shareholder, MetroGAS, and cancelled in August 2015. The minority shareholder has waived collection of those dividends.

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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 for its own account, on behalf of or, in association with third parties.

| 12.31.15 | | | | |
|--|--------------------------|-------------------------|--------------|-------------|
| | MetroGAS Distribution | MetroENERGÍA Trading | Eliminations | Total |
| Revenues | 2,387,941 | 2,267,888 | (28,472) | 4,627,357 |
| Operating income | 563,053 | 233,166 | (141,837) | 654,382 |
| Results of interest in subsidiaries | 141,838 | - | (141,838) | - |
| Finance income | 35,132 | 15,162 | - | 50,294 |
| Finance cost | (1,159,842) | (23,666) | - | (1,183,508) |
| Result before income tax | (561,657) | 224,662 | (141,837) | (478,832) |
| Income tax and MPIT | (3,244) | (78,632) | - | (81,876) |
| Total net and comprehensive result for the year | (564,901) | 146,030 | (141,837) | (560,708) |
| Total assets | 3,635,757 | 581,975 | (192,235) | 4,025,497 |
| Total liabilities | 4,410,844 | 435,634 | (53,211) | 4,793,267 |
| Depreciation of properties, plant and equipment, Investment properties and Intangible assets | (93,985) | - | - | (93,985) |
| Increase in properties, plant and equipment | 231,297 | - | - | 231,297 |
| Increase in intangible assets | 70,157 | - | - | 70,157 |
| Investments in subsidiaries | 139,024 | - | (139,024) | - |

| 12.31.14 | | | | |
|---|--------------------------|-------------------------|--------------|-----------|
| | MetroGAS Distribution | MetroENERGÍA Trading | Eliminations | Total |
| Revenues | 1,814,829 | 1,383,993 | (14,348) | 3,184,474 |
| Operating (loss) income | (131,275) | 102,990 | (61,933) | (90,218) |
| Results on investments in subsidiaries | 61,933 | - | (61,933) | - |
| Finance income | 9,974 | 8,336 | - | 18,310 |
| Finance cost | (517,793) | (15,657) | - | (533,450) |
| Result before income tax | (639,094) | 95,669 | (61,933) | (605,358) |
| Income tax and MPIT | 7,674 | (33,495) | - | (25,821) |
| Total net and comprehensive result for the year | (631,420) | 62,174 | (61,933) | (631,179) |
| Total assets | 2,609,886 | 294,712 | (99,431) | 2,805,167 |
| Total liabilities | 2,820,072 | 232,227 | (40,070) | 3,012,229 |
| Depreciation of properties, plant and equipment and Investment properties | (87,014) | - | - | (87,014) |
| Increase in properties, plant and equipment | 200,344 | - | - | 200,344 |
| Investments in subsidiaries | 59,361 | - | (59,361) | - |

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

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10. PROPERTIES, PLANT AND EQUIPMENT

| MAIN ACCOUNT | ORIGINAL VALUE | | | | | DEPRECIATION | | | | NET BOOK VALUE 12.31.15 | NET BOOK VALUE 12.31.14 |
|--|-------------------------|-----------|-----------|-------------|-------------------|--|-------------|-----------|-------------------------------|----------------------------|----------------------------|
| | AT BEGINNING OF YEAR | INCREASES | TRANSFERS | RETIREMENTS | AT END OF YEAR | ACCUMULATED AT BEGINNING OF YEAR | RETIREMENTS | INCREASES | ACCUMULATED AT END OF YEAR | | |
| Land | 15,654 | - | - | - | 15,654 | - | - | - | - | 15,654 | 15,654 |
| Building and civil constructions | 72,000 | - | - | - | 72,000 | 27,813 | - | 1,425 | 29,238 | 42,762 | 44,187 |
| High pressure mains | 320,611 | - | 67,024 | (1) | 387,634 | 204,642 | - | 5,873 | 210,515 | 177,119 | 115,969 |
| Medium and low pressure mains | 1,985,150 | - | 129,196 | (4,463) | 2,109,883 | 686,683 | (2,530) | 46,419 | 730,572 | 1,379,311 | 1,298,467 |
| Pressure regulating stations | 82,627 | - | - | - | 82,627 | 46,977 | - | 2,725 | 49,702 | 32,925 | 35,650 |
| Consumption measurement installations | 362,633 | - | 11,990 | (24) | 374,599 | 199,421 | (12) | 14,255 | 213,664 | 160,935 | 163,212 |
| Other technical installations | 59,214 | - | 625 | - | 59,839 | 49,075 | - | 960 | 50,035 | 9,804 | 10,139 |
| Machinery, equipment and tools | 32,400 | - | 4,591 | - | 36,991 | 28,063 | - | 1,079 | 29,142 | 7,849 | 4,337 |
| Computer and telecommunications equipment | 250,208 | - | 4,808 | (220) | 254,796 | 196,429 | (220) | 18,551 | 214,760 | 40,036 | 53,779 |
| Vehicles | 13,642 | - | 1,246 | - | 14,888 | 10,590 | - | 903 | 11,493 | 3,395 | 3,052 |
| Furniture and fixtures | 5,476 | - | 764 | - | 6,240 | 5,468 | - | 36 | 5,504 | 736 | 8 |
| Materials | 49,114 | 48,243 | (28,547) | (9,630) | 59,180 | - | - | - | - | 59,180 | 49,114 |
| Gas in pipelines | 214 | - | - | - | 214 | - | - | - | - | 214 | 214 |
| Work in progress | 113,450 | 183,054 | (196,277) | - | 100,227 | - | - | - | - | 100,227 | 113,450 |
| Distribution network extensions constructed by third parties | 68,052 | - | 4,580 | (4) | 72,628 | 18,995 | - | 1,440 | 20,435 | 52,193 | 49,057 |
| Subtotal | 3,430,445 | 231,297 | - | (14,342) | 3,647,400 | 1,474,156 | (2,762) | 93,666 | 1,565,060 | 2,082,340 | 1,956,289 |
| Allowance for obsolescence of materials | (1,383) | (3,524) | - | 3,521 | (1,386) | - | - | - | - | (1,386) | (1,383) |
| Allowance for disposal of properties, plant and equipment | (4,188) | (2,423) | - | 2,329 | (4,282) | - | - | - | - | (4,282) | (4,188) |
| Total as of December 31, 2015 | 3,424,874 | 225,350 | - | (8,492) | 3,641,732 | 1,474,156 | (2,762) | 93,666 | 1,565,060 | 2,076,672 | |
| Total as of December 31, 2014 | 3,245,447 | 199,383 | - | (19,956) | 3,424,874 | 1,395,844 | (8,621) | 86,933 | 1,474,156 | | 1,950,718 |

As mentioned in Note 2.7.1 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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11. INVESTMENT PROPERTIES

| MAIN ACCOUNT | ORIGINAL VALUE | | | DEPRECIATION | | | | | NET BOOK VALUE 12.31.15 | NET BOOK VALUE 12.31.14 |
|-------------------------------|-------------------------|----------|-------------------|--|----------|-------------|-----------|-------------------------------|-------------------------------|-------------------------------|
| | AT BEGINNING OF YEAR | DECREASE | AT END OF YEAR | ACCUMULATED AT BEGINNING OF YEAR | DECREASE | ANNUAL RATE | INCREASES | ACCUMULATED AT END OF YEAR | | |
| Land | 729 | - | 729 | - | - | - | - | - | 729 | 729 |
| Building | 3,049 | - | 3,049 | 1,323 | - | 2.00% | 61 | 1,384 | 1,665 | 1,726 |
| Total as of December 31, 2015 | 3,778 | - | 3,778 | 1,323 | - | | 61 | 1,384 | 2,394 | |
| Total as of December 31, 2014 | 7,818 | (4,040) | 3,778 | 2,479 | (1,237) | | 81 | 1,323 | | 2,455 |

As of December 31, 2015, the fair value amounted to 37,200.

The fair value of investment properties of the Company at December 31, 2015 was obtained by independent valuers not related to MetroGAS.

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12. INTANGIBLE ASSETS

| MAIN ACCOUNT | ORIGINAL VALUE | | | DEPRECIATION | | | | NET BOOK VALUE 12.31.15 | NET BOOK VALUE 12.31.14 |
|----------------------------------|-------------------------|-----------|-------------------|--|----------------|-----------|-------------------------------|-------------------------------|-------------------------------|
| | AT BEGINNING OF YEAR | INCREASES | AT END OF YEAR | ACCUMULATED AT BEGINNING OF YEAR | ANNUAL RATE | INCREASES | ACCUMULATED AT END OF YEAR | | |
| Software development in progress | - | 54,673 | 54,673 | - | - | - | - | 54,673 | - |
| Software | - | 15,484 | 15,484 | - | 20% | 258 | 258 | 15,226 | - |
| Total as of December 31, 2015 | - | 70,157 | 70,157 | - | | 258 | 258 | 69,899 | |
| Total as of December 31, 2014 | - | - | - | - | | - | - | | - |

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13. TRADE RECEIVABLES

| | 12.31.15 | 12.31.14 |
|---|------------------|----------------|
| Current | | |
| Trade receivables | 536,275 | 432,682 |
| Unbilled revenues | 416,493 | 218,205 |
| Related parties | 128,643 | 25,432 |
| Tax on banking transactions to be recovered | 17,168 | 10,530 |
| Allowance for doubtful accounts | (67,176) | (27,994) |
| Total Current | 1,031,403 | 658,855 |

The aging analysis of the trade receivables is as follows:

| | 12.31.15 | 12.31.14 |
|---------------------------------|------------------|----------------|
| -Past due | | |
| under 3 months | 85,932 | 81,174 |
| from 3 to 6 months | 51,208 | 39,253 |
| from 6 to 9 months | 28,861 | 23,434 |
| from 9 to 12 months | 10,655 | 7,447 |
| from 1 to 2 years | 16,393 | 6,464 |
| more than 2 years | 18,309 | 10,965 |
| Subtotal | 211,358 | 168,737 |
| -Becoming due | | |
| under 3 months | 873,943 | 508,127 |
| from 3 to 6 months | 4,694 | 3,900 |
| from 6 to 9 months | 4,292 | 3,453 |
| from 9 to 12 months | 4,292 | 2,632 |
| Subtotal | 887,221 | 518,112 |
| Allowance for doubtful accounts | (67,176) | (27,994) |
| Total | 1,031,403 | 658,855 |

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

| | 12.31.15 | 12.31.14 |
|--------------|------------------|----------------|
| Pesos | 662,678 | 434,050 |
| US Dollars | 368,725 | 224,805 |
| Total | 1,031,403 | 658,855 |

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

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| | <u>12.31.15</u> | <u>12.31.14</u> |
|-------------------------------------|----------------------|----------------------|
| Balance at beginning of year | 28,983 | 14,375 |
| Revaluation of foreign currency | 12,599 | 5,066 |
| Increases (*) | 31,140 | 13,865 |
| Decreases | (4,256) | (4,323) |
| Balance at end of year | <u>68,466</u> | <u>28,983</u> |

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

The Company has a broad range of customers, including residential, commercial, industrial (small and large) and government entities customers. When determining the recoverability of a trade receivable, the Company takes into account any changes in the credit quality of such account as from the date when credit was initially granted to the end of the reporting period. There is a limited concentration of credit risk because the Company has a wide base of independent customers.

Due to the terms under which the Company provides a public service, no analysis with internal or external credit ratings is carried out, particularly for residential customers whose credits considered individually are not significant. Note 6.1.2 includes a description of the credit risk and the analysis carried out by the Company in connection with trade receivables.

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14. OTHER RECEIVABLES

| | 12.31.15 | 12.31.14 |
|--|----------------|---------------|
| Non current: | | |
| Related parties | - | 5,713 |
| Social security and tax credits | 9,171 | 3,866 |
| Expenses paid in advance | 348 | 242 |
| Total non current | 9,519 | 9,821 |
| Current: | | |
| Advances to employees | 569 | 318 |
| Insurance paid in advance | 303 | 3,585 |
| Expenses paid in advance | 2,275 | 4,095 |
| Trust Fund Resolution No. 2,407 | 1,474 | 4,538 |
| Social security and tax credits | 18,308 | 15,492 |
| Recoverable expenses | 13,961 | 2,879 |
| Related parties | 7,760 | 2,688 |
| Advances to suppliers | 11,432 | 15,772 |
| Temporary Economic Assistance - Related parties | 149,310 | - |
| Advances and anticipated purchases of gas | 15,742 | 21,708 |
| Management service for third parties constructions | 3,365 | - |
| Miscellaneous | 6,803 | 9,960 |
| Allowance for doubtful accounts | (1,290) | (989) |
| Total current | 230,012 | 80,046 |
| Total | 239,531 | 89,867 |

The aging analysis of the other receivables is as follows:

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| | 12.31.15 | 12.31.14 |
|---------------------------------|----------------|---------------|
| -Past due | | |
| under 3 months | 152,592 | 1,493 |
| from 3 to 6 months | 771 | 325 |
| from 6 to 9 months | 235 | 276 |
| from 9 to 12 months | 33 | 287 |
| from 1 to 2 years | 615 | 393 |
| more than 2 years | 700 | 591 |
| Subtotal | 154,946 | 3,365 |
| -Without due | 25,667 | 22 |
| -Becoming due | | |
| under 3 months | 46,198 | 42,396 |
| from 3 to 6 months | 7,516 | 10,837 |
| from 6 to 9 months | 2,195 | 19,315 |
| from 9 to 12 months | 471 | 5,100 |
| from 1 to 2 years | 802 | 242 |
| more than 2 years | 3,026 | 9,579 |
| Subtotal | 60,208 | 87,469 |
| Allowance for doubtful accounts | (1,290) | (989) |
| Total | 239,531 | 89,867 |

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

| | 12.31.15 | 12.31.14 |
|----------------|----------------|---------------|
| Pesos | 235,115 | 73,288 |
| US Dollars | 4,244 | 15,922 |
| Pound sterling | 172 | 657 |
| Total | 239,531 | 89,867 |

15. CASH AND CASH EQUIVALENTS

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

| | 12.31.15 | 12.31.14 |
|----------------|----------------|---------------|
| Cash and banks | 79,702 | 57,196 |
| Mutual funds | 516,521 | 40,390 |
| Total | 596,223 | 97,586 |

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

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| | 12.31.15 | 12.31.14 |
|----------------|----------------|---------------|
| Pesos | 593,937 | 95,676 |
| US Dollars | 2,161 | 1,809 |
| Sterling pound | 77 | 53 |
| Euros | 28 | 31 |
| Reales | 20 | 17 |
| Total | 596,223 | 97,586 |

As of December 31, 2015 and 2014, fund collected and pending to be deposit for Trust Funds Resolution I-2,621/2013 and Trust Fund Resolution No. 2,407 amount to 59,593 and 135,106, respectively.

16. SHAREHOLDERS' EQUITY AND ISSUED CAPITAL

As of December 31, 2015, the capital stock 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" | 275,026 |
| Class "C" | 3,868 |
| Issued Capital at 12.31.15 | 569,171 |

The most recent capital increase that raised the capital stock to 569,171 was approved by the General Extraordinary Shareholders' Meeting held on March 12, 1997 was authorized on April 8, 1997 by the CNV and on April 10, 1997 by the BCBA and was registered with the Public Registry of Commerce on June 17, 1997 under No. 6,244 of Book 121, Volume "A" *Sociedades Anónimas*.

The capital stock of the Company is composed as follows: 70% is held by the investment company Gas Argentino; 20%, which was originally owned by the National Government, was offered through a public offering as described below and the remaining 10% is subject to the Employee Stock Ownership Plan (the "ESOP").

In accordance with the Transfer Agreement, the National Government sold 20% of its capital stock in MetroGas through a public offering, represented by 102,506,059 Class "B" shares, which shares are held by private investors.

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On November 2, 1994, the CNV through Resolution No. 10,706 authorized the listing of the total number of shares comprising the capital stock of the Company at such date. At the same time, ADSs were issued in the United States of America and registered with the SEC. The Company’s shares are traded on the BCBA and the ADSs are traded on the NYSE. On June 17, 2010, the NYSE informed that the MetroGAS ADSs had been suspended from trading on the NYSE as a result of the announcement of the filing of a petition for the Company’s reorganization proceedings on that date. On January 21, 2015, MetroGAS started due actions to withdraw their registration from the SEC, which was effective on April 21, 2015 ceasing its duty of disclosure to that body from the date of commencement of the proceeding.

On August 1, 2013, YIESA, in compliance with Article 215 of the General Corporate Law, transferred to OPERADORA DE ESTACIONES DE SERVICIOS S.A. (“OPESSA”) 1,683,246 ordinary shares, Class A, nominative non endorsable, each one of \$1 par value and entitled to one vote per share, representing 2% of Gas Argentino’s share capital.

MetroGAS’ shareholders have decided, at the Shareholders meeting held on the 28th of April of 2014, to proceed to a mandatory reduction of the company’s issued capital. Therefore, Accumulated results (losses) as of December 31, 2013 were partially affected against the Legal reserve for 45,376 and against Adjustments to issued capital for the sum of 684,769, keeping a negative balance of 147,937 in Accumulated results (losses) as of such date, which added to the negative balance in fiscal year ended December 31, 2015 of 564,901, show an accumulated balance of Accumulated results of 1,344,258 as of December 31, 2015.

As a consequence of the important amount of accumulated losses, as of December 31, 2015, the Company registered a negative Shareholders’ equity attributable to controlling interest of 775,087, being affected by regulations from Art. 96, S. 5° and Art. 96 of the General Corporate Law.

16.1 Employee Stock Ownership Plan

PEN Decree No. 1,189/92, which provides for the creation of the Company, establishes that 10% of the capital stock represented by Class “C” shares has to be included in the Employee Stock Ownership Plan (“ESOP”), as required by Law No. 23,696, Chapter III, whose instrumentation was approved on February 16, 1994 by PEN Decree No. 265/94. The Class “C” shares shall be held by a trustee for the benefit of the employees of “Gas del Estado” (GdE) transferred to MetroGAS, who remain being employed by MetroGAS on July 31, 1993 and who elect to participate in the ESOP.

In addition, the Company’s By-laws provide for the issuance of profit sharing bonds as defined in Section 230 of Law No. 19,550 in favor of all regular employees, distributing 0.5% of the net earnings of each year among the beneficiaries of this program. Accrued amounts will be deductible as expenses in the statement of profit and loss and other comprehensive income for each year, in so far as there are appropriated retained earnings.

ESOP participants acquired their shares from the National Government for Ps. 1.10 per share, either paying in cash or applying the dividends on any such shares and a 50% of their Profit-sharing bonds to the purchase price. The trustee will maintain the Class “C” shares in custody until they are paid in full.

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Once Class "C" shares are fully paid, they may be converted into Class "B" shares at the request of the holders.

On July 28, 2015, the Executive Committee of MetroGAS' ESOP (Employee Stock Ownership Plan) sent a note to the Company requesting to perform and implement all necessary actions to convert Class "A" shares into Class "B" shares. According to Resolution N° 194/2015 from the Ministry of Economy and Public Finance ("Resolution No.194/2015"), Resolution N° 297/2015 of the Legal and Administrative Secretariat ("Resolution No. 297/2015") and the General Ordinary Meetings of Shareholders Class "C" from MetroGAS' ESOP (Employee Stock Ownership Plan) dated on May 29 , 2014 and April 21, 2015. The requested conversion of shares had to be done over 53,049,640 ordinary book-entry Class "C" shares of nominal value Ps. 1.00 each, and the right to one vote per share over a total of 56,917,120 ordinary book-entry Class "C" shares of nominal value Ps. 1.00 each, and the right to one vote per share.

On August 4, 2015, the Board of Directors authorized to start proceedings in order to convert the said shares before the CNV, the "Mercado de Valores de Buenos Aires S.A" through the BCBA in virtue of exercising the powers conferred upon the BCBA by "Merval" in compliance with Resolution No. 17,501 of the CNV and Caja de Valores S.A under the terms and conditions from Resolution No. 194/2015 and Resolution No. 297/2015.

At the Class "B" and "C" shares General Extraordinary Meeting of MetroGAS' shareholders dated on October 16, 2015 the partial conversion of Class "C" shares into Class "B" shares was approved by a majority of votes.

As a consequence of that, on December 4, 2015, the CNV decided to transfer the public offering authorization duly granted by MetroGAS to convert 53,049,640 ordinary book-entry Class "C" shares of nominal value Ps. 1.00 each and the right to one vote per share, into the same number of ordinary book-entry Class "B" shares.

As of this date, 3,867,480 MetroGAS Class "C" shares are owned by some MetroGAS' employees by a Residual Employee Stock Ownership Plan

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

17. OTHER TAXES PAYABLES

| | 12.31.15 | 12.31.14 |
|--|----------------|----------------|
| Non current: | | |
| Others taxes | 5,647 | 6,732 |
| Total non current | 5,647 | 6,732 |
| Current: | | |
| Value added tax | 32,761 | 2,992 |
| GCABA study, revision and inspection of works in public space levy | 57,052 | 41,390 |
| GNC Tax | 6,102 | 5,781 |
| Turnover tax | 26,917 | 11,270 |
| Provincial and municipal taxes | 49,360 | 37,921 |
| Hydric infrastructure rate | 2,231 | 2,335 |
| Others taxes | 1,794 | 1,149 |
| Total current | 176,217 | 102,838 |
| Total | 181,864 | 109,570 |

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

The aging analysis of other taxes payables is as follows:

| | 12.31.15 | 12.31.14 |
|---------------------|----------------|----------------|
| -Without due | 93,975 | 70,865 |
| -Becoming due | | |
| under 3 months | 81,053 | 31,100 |
| from 3 to 6 months | 521 | 291 |
| from 6 to 9 months | 334 | 291 |
| from 9 to 12 months | 334 | 291 |
| from 1 to 2 years | 1,011 | 1,205 |
| more than 2 years | 4,636 | 5,527 |
| Subtotal | 87,889 | 38,705 |
| Total | 181,864 | 109,570 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2015 AND COMPARATIVE INFORMATION

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18. FINANCIAL DEBT

| | 12.31.15 | 12.31.14 |
|----------------------------------|------------------|------------------|
| Non current: | | |
| Negotiable Obligations ("Notes") | 2,087,326 | 1,305,524 |
| Related parties ("Notes") | 48,623 | 31,185 |
| Total Non current | 2,135,949 | 1,336,709 |
| Current: | | |
| Interest to be paid ("Notes") | 1,587 | 825 |
| Related parties (Line of credit) | 143,271 | 108,242 |
| Total Current | 144,858 | 109,067 |
| Total | 2,280,807 | 1,445,776 |

As of December 31, 2015, financial debt denominated in U.S. dollars amounted to U\$S 2,137,356 thousand and financial debt denominated in pesos amounted to 143,271. As of December 31, 2014, financial debt denominated in U.S. dollars amounted to U\$S 1,337,534 thousand and financial debt denominated in pesos amounted to 108,242.

The table below shows the changes occurred in the balance of financial debt as of December 31, 2015 and 2014:

| | 12.31.15 | 12.31.14 |
|---|------------------|------------------|
| Balance at beginning of year | 1,445,776 | 953,124 |
| Proceeds from YPF loan | - | 90,000 |
| Notes of Late Verification | - | 142 |
| Accrued interest at effective interest rate - Notes (1) | 234,169 | 193,302 |
| Accrued interest on YPF loan | 35,029 | 18,242 |
| Exchange loss | 741,247 | 302,690 |
| Interest payment | (175,414) | (111,724) |
| Balance at end of year | 2,280,807 | 1,445,776 |

(1) Includes accrued interest on notes issued to YPF S.A. and YSUR Energía Argentina S.R.L..

The aging analysis of financial debt is as follows:

| | 12.31.15 | 12.31.14 |
|--------------------|------------------|------------------|
| -Becoming due | | |
| under 3 months | 74,504 | 55,808 |
| from 3 to 6 months | 70,354 | 53,259 |
| more than 2 years | 2,135,949 | 1,336,709 |
| Subtotal | 2,280,807 | 1,445,776 |
| Total | 2,280,807 | 1,445,776 |

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Negotiable Obligations

In compliance with the arrangement made with creditors under the reorganization proceedings described in Note 2.1, on January 11, 2013 MetroGAS proceeded to exchange any existing notes held by financial creditors and any allowed or provisionally admitted claims held by non-financial creditors, for the New Notes. The issuance of new notes was approved by a decision of the Issuer Department of the CNV dated December 26, 2012, under the Global Notes Program of MetroGAS, for a nominal value of up to U\$S 600 million.

The Company issued the following notes to be delivered in exchange for existing notes, classified as Reorganization liabilities originated on financial debt:

- Series A-L for an amount of U\$S 163,003,452
- Series B-L for an amount of U\$S 122,000,000,

and for the Company's non-financial debt:

- Series A-U for an amount of U\$S 16,518,450
- Series B-U for an amount of U\$S 13,031,550.

Also, on the same date MetroGAS exercised the power contemplated in the petition for reorganization proceedings filed by it and officially approved by the court, in order to capitalize the interest accrued on Class A Notes from January 1, 2011 to December 31, 2012, and pay in cash any interest accrued as from January 1, 2013 to the date of issuance.

As from the date of issuance, all obligations of the Company under the Existing Notes and Non-Financial Debt were terminated, and any rights, interest and benefits stipulated therein were voided and canceled.

Consequently, the Existing Notes and Non-Financial Debt were extinguished and have ceased to be obligations enforceable against the Company.

Exchange under the debt restructuring was accounted for as an extinguishment of debt pursuant to the guidelines established in IFRS 9, as explained in Note 4.

The New Notes are denominated in U.S. dollars and their principal amounts as of the date of issue were determined as follows: (i) a Class A Notes equivalent to 53.2% of the amount of the respective allowed or provisionally admitted unsecured claim, and (ii) Class B Notes equivalent to 46.8% of the amount of the respective allowed or provisionally admitted unsecured claim. In turn, two different series of New Notes were issued within each such class for the purpose of distinguishing unsecured claims derived from existing notes (Series L) from other unsecured claims (Series U). Also, the Company offered to pay on the issue date of the New Notes an amount equivalent to any interest that might have accrued on the above Class A New Notes as from January 1, 2011 to the issue date, at an annual nominal interest rate of 8.875%. Pursuant to the proposal and at the Company's option, such interest accrued until December 31, 2012, has been capitalized. The principal of the New Notes will be repaid in full at maturity on December 31, 2018, in a lump sum payment. Class A New Notes will be payable pursuant to their terms as from

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their issue date. Class B New Notes be payable pursuant to their terms solely as from the date when (a) an acceleration of maturity of Class A New Notes results from the occurrence of certain events of default under the main terms and conditions of the New Notes, or (b) holders of not less than 25% of Class A New Notes, Series L, request in writing to the Debtor and trustee an acceleration of maturity of Class A New Notes as a result of the occurrence of certain events of default under the main terms and conditions of the New Notes (any of the events described in (a) or (b), a “Triggering Event”), provided such Triggering Event occurs: (i) within the first year counted as from the issue date of the New Notes, or (ii) on or before June 30, 2014, whichever is earlier (the “Deadline”). In the event that a Triggering Event has not occurred on or be the Deadline, then Class B New Notes shall be automatically cancelled and the Company shall have no debt outstanding thereunder. Class A New Notes shall bear interest on their outstanding principal amount at an annual nominal rate of 8.875% as from their respective issue date to the date of payment thereof, which interest shall be computed and paid pursuant to their terms and conditions. Class B New Notes shall bear interest on the principal amount of such Class B New Notes solely upon the occurrence of a Triggering Event before the Deadline and as from the time of occurrence of such Triggering Event. Such interest shall also accrue at an annual nominal rate of 8.875% as from the date of the Triggering Event to the date of payment of such Class B New Notes, which interest shall be computed and paid pursuant to their specific terms and conditions.

Under the terms and conditions for the issue of New Notes, the Company and its subsidiaries shall comply with a series of restrictions which, among others, and in general terms, are those listed below. A detailed description of them, as well as their implementation details and specifications, have been included in the corresponding Prospect.

- Incur or guarantee any debt;
- Make any restricted payments, including any payment of dividends;
- Effect any sale of assets;
- Make investments of any kind;
- Carry out sale and leaseback transactions;
- Carry out transactions with related companies;
- Create or assume any liens;
- Make any mergers or consolidations; and
- Make any sale or lease all or substantially all their respective assets.

No event of default has occurred as of December 31, 2015. During fiscal year 2015 the Company has complied with the terms and covenants established under the Offering Circular.

Also, the conditions of issuance include a mandatory Redemption provision with Excess cash. Excess cash mean, for any calculation period of excess cash, the higher amount between the sum resulting from the calculation that starts at EBITDA, is adjusted according to the relevant terms of issue, mainly with the items that affect Company funds which are not part of EBITDA, and the balance of cash funds which, at the close of operations of the last day of such period of calculation of excess cash, are above U\$S 10 million.

The above mentioned calculation period is six months, starting on April 1 or October 1 and ending on March 31 or September 30.

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Available excess cash are the excess cash for the relevant calculation period minus the cash deficit at the close of operations of the last day of the period, while net available excess cash result from the available excess cash minus net capitalized interest.

The Company shall use the available excess cash to redeem pro rata any outstanding Notes by means of a prepayment of Notes, provided that the Company has not allocated such available amount of net excess cash to make any purchases in the market. Remaining funds after the above mentioned redemptions shall be referred to as net available excess cash.

The Company made the corresponding calculations for all the periods since the issuing of the debt up to the date of issuing the present financial statements, and no exceeding funds resulted from these.

On March 26, 2013, the MetroGAS Board of Directors decided by a majority of votes to capitalize 100% of the portion subject to capitalization of interest payable on June 30, 2013 and to issue Additional Notes for such capitalization.

Furthermore, the Board also decided to issue New Notes for the new unsecured creditors, as long as their credits have been verified by a ruling in the Reorganization Proceedings.

On July 25, 2013, MetroGAS issued:

- Notes of Late Verification:
 - ✓ Series A-U: U\$S 5,087,459
 - ✓ Series B-U: U\$S 4,013,541
- Notes of Capitalization
 - ✓ Additional Series A-L: U\$S 6,756,665
 - ✓ Additional Series A-U: U\$S 704,581

On October 9, 2013, the MetroGAS Board of Directors decided by a majority of votes to capitalize 50% of the portion subject to capitalization of interest payable on December 31, 2013 and to issue Additional Notes for such capitalization.

On January 29, 2014, MetroGAS issued:

- Notes of Capitalization
 - ✓ Additional Series A-L December 2013: U\$S 3,516,500
 - ✓ Additional Series A-U December 2013: U\$S 371,456

On April 28, 2014, the Board of Directors of MetroGAS decided by a majority of votes to pay in cash interest for up to U\$S 4,750,000, capitalize the remaining amount of the portion subject to capitalization of interest due and payable on June 30, 2014 and issue Additional Negotiable Obligations for said capitalization, being this the last capitalization permitted for the company.

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On July 17, 2014, MetroGAS issued:

- Notes of Capitalization
 - ✓ Additional Series A-L June 2014: U\$S 3,516,500
 - ✓ Additional Series A-U June 2014: U\$S 371,044

Having the limit date (June 30, 2014) been reached, and given the fact that no triggering events occurred, Class B Notes were cancelled and the company does not owe anything in relation to them.

Related parties

On December 12, 2013, the Board of Directors of MetroGAS unanimously approved an agreement that contemplated the opening of a credit facility with YPF S.A.. YPF's credit facility proposal has a BADLAR cost plus an annual 6% spread. YPF S.A. makes available to MetroGAS a "Non-Committed" credit facility for up to 180,000 for a period of 180 days as from the date of the proposal. MetroGAS may require such drawdowns as it may deem advisable according to its needs up to the maximum amount of the credit facility and for the above mentioned period, and may make partial or total advance payments without penalty. Finally, an annual 10% default interest will be applied in the event of default. On February 26, 2016 an extension of 365 days as from their corresponding maturity date and with the same terms and conditions was established, limiting the amount to 140,000. As of December 31, 2015, the Company has taken 90,000 and has capitalized interest by 24,115 of this facility.

19. REORGANIZATION LIABILITIES

| | <u>12.31.15</u> | <u>12.31.14</u> |
|------------------------------|----------------------|----------------------|
| Non current: | | |
| Taxes payable | 13,283 | 15,953 |
| Trade payables | 23 | 23 |
| Salaries and social security | 336 | 337 |
| Total Non current | <u><u>13,642</u></u> | <u><u>16,313</u></u> |

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

20. PROVISIONS

| Provisions | Civil, labor and other claims | Tax claims and other fines | Regulatory claims and interpretation disagreements | Total |
|--|-------------------------------|----------------------------|--|----------------|
| Balance at 12.31.14 | 52,972 | 1,598 | 14,948 | 69,518 |
| Increases of the year (*) | 21,003 | 38,106 | 133 | 59,242 |
| Reclassification to other accounts payable | - | - | (497) | (497) |
| Decreases of the year | (4,365) | (7,508) | (132) | (12,005) |
| Balance at 12.31.15 | 69,610 | 32,196 | 14,452 | 116,258 |

(*) Charge to Other income and expenses (see Note 26).

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20.1 Civil liability, labor and other claims

As of the date of issuance of these financial statements, some civil liability and labor claims by contractors’ employees, worker’s compensation claims, etc. have been brought against the Company. As of December 31, 2015, the Company recorded a provision of 69,610, of which 39,953 correspond to labor lawsuits and 23,220 to civil liability claims for damages, while 6,437 corresponds to mediation proceedings. During the fiscal year ended December 31, 2015, the Company increased the provision for these items of 21,003.

20.2 Tax claims and others fines

As of the date of issuance of these financial statements, the Company claims keeps of turnover taxes of the Province of Buenos Aires, which amount to 31,959 as of December 31, 2015 and 237 fines from GCBA.

As regards gross income claims, on March 3, 2008, MetroGAS was notified by Resolution No. 96/08, No. 95/08 and No. 97/08 about the Tax Determinations given by the Tax Authority of the Province of Buenos Aires regarding the Gross Income Tax corresponding to periods January-March 2004, June-September 2004 and October 2004-October 2005, respectively. Claims are based on the tax rate increase applied by the Company as well as the expenses ratios regarding cost treatment for gas transportation.

On March 27, 2008, MetroGAS brought an appeal against the said Resolution before the Tax Court of the Province of Buenos Aires

On September 5, 2014, MetroGAS was notified of the Tax Court Resolution from August 26, 2014 regarding Resolution No. 96/08 that determined to partially proceed with the Appeal brought by MetroGAS with respect to the rate increase ruled by Provincial Law No. 12,727 and in addition to partially proceed with the tax authority’s determination with respect to expenses ratios.

On February 24, 2015, MetroGAS filed a complaint before the Administrative Courts of Appeal of La Plata against the Province of Buenos Aires regarding tax issues where the Tax Court confirmed the tax expectation.

On October 13, 2015, the Administrative Court of Appeals rejected the Company’s complaint and ruled that the Company had to comply with the requirement of the previous payment of the amount stipulated by “ARBA” (the Tax collection Agency of the Province of Buenos Aires) under penalty of rejecting their request for being unacceptable.

On October 20, 2015 the Company filed an Administrative appeal for Review against the said Resolution before the Administrative Court of Appeals which was dismissed on December 1, 2015.

In order to continue discussions on the Tax Court’s resolution as regards unfavorable issues to the interests of the Company, MetroGAS complied with the payment of all amounts requested for that period and confirmed it on December 22, 2015 thus complying to what was ruled by the Administrative Court of Appeals in order to accept the appeal against the Tax Court Resolution.

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On December 14, 2015, the Company was notified of the sentence of the Tax Court, dated on December 1, 2015, in connection to Resolution No. 95/08 corresponding to period June – September 2004 which confirms the adjustment of the ratio of expenses made by the tax authority.

In order to continue discussions on this issue before the court of the Province of Buenos Aires, MetroGAS will have to comply with the rule “solve et repete” and pay all amounts requested. However, the company’s legal advisors assume that it is possible for the Company to obtain a favorable ruling at final instance regarding the matter at issue.

20.3 Regulator claims and interpretation disagreements

At the date of issue of these financial statements, the Company has several interpretative disagreements with the aforementioned regulatory authorities with respect to various legal issues.

At December 31, 2015, the provision for these items amounted to 14,452, no having significant changes in the fiscal year ended 2015.

21. TRADE PAYABLES

| | <u>12.31.15</u> | <u>12.31.14</u> |
|--|-------------------------|-------------------------|
| Non current: | | |
| Gas creditors | 18,478 | - |
| Related parties | 153,577 | - |
| Total Non current | <u>172,055</u> | <u>-</u> |
| Current: | | |
| Gas and transportation creditors | 860,435 | 457,342 |
| Other purchases and services creditors | 128,220 | 106,024 |
| Trust Fund Resolution No. 2,407 | - | 2,200 |
| Trust Funds | 56,666 | 132,750 |
| Related parties | 562,967 | 315,984 |
| Resolution I-2,621/2013 | 2,927 | 156 |
| Total current | <u>1,611,215</u> | <u>1,014,456</u> |
| Total | <u><u>1,783,270</u></u> | <u><u>1,014,456</u></u> |

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

| | 12.31.15 | 12.31.14 |
|----------------|------------------|------------------|
| Pesos | 1,464,731 | 836,775 |
| US Dollars | 317,615 | 176,322 |
| Euros | 924 | 146 |
| Sterling pound | - | 1,213 |
| Total | 1,783,270 | 1,014,456 |

The aging analysis of the trade payables is as follows:

| | 12.31.15 | 12.31.14 |
|---------------------|------------------|------------------|
| -Past due | | |
| under 3 months | 672,485 | 350,686 |
| from 3 to 6 months | - | 134,752 |
| from 6 to 9 months | 7 | 7,979 |
| from 9 to 12 months | - | 8,137 |
| from 1 to 2 years | 1,149 | 52,353 |
| more than 2 years | 117 | 6,074 |
| Subtotal | 673,758 | 559,981 |
| -Becoming due | | |
| under 3 months | 856,461 | 454,435 |
| from 3 to 6 months | 25,268 | - |
| from 6 to 9 months | 26,859 | 40 |
| from 9 to 12 months | 28,869 | - |
| from 1 to 2 years | 133,322 | - |
| more than 2 years | 38,733 | - |
| Subtotal | 1,109,512 | 454,475 |
| Total | 1,783,270 | 1,014,456 |

22. SALARIES AND SOCIAL SECURITY

| | 12.31.15 | 12.31.14 |
|--------------------|----------------|----------------|
| Salaries | 19,253 | 15,777 |
| Social security | 24,091 | 18,683 |
| Related parties | 9,773 | 7,691 |
| Vacation provision | 46,754 | 36,679 |
| Bonus provision | 28,262 | 21,009 |
| Others | 196 | 742 |
| Total | 128,329 | 100,581 |

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

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

| | <u>12.31.15</u> | <u>12.31.14</u> |
|---------------------|-----------------------|-----------------------|
| -Becoming due | | |
| under 3 months | 99,554 | 73,025 |
| from 3 to 6 months | 9,485 | 9,121 |
| from 6 to 9 months | 9,485 | 9,121 |
| from 9 to 12 months | 9,805 | 9,314 |
| Subtotal | <u>128,329</u> | <u>100,581</u> |
| Total | <u>128,329</u> | <u>100,581</u> |

23. OTHER ACCOUNTS PAYABLE

| | <u>12.31.15</u> | <u>12.31.14</u> |
|---|----------------------|----------------------|
| Directors fees | - | 164 |
| Payables for works on behalf of third parties | 10,739 | 22,760 |
| ENARGAS' Fines | 2,386 | 2,276 |
| GCBA' Fines | 9,234 | 3,605 |
| Miscellaneous | 464 | 97 |
| Total | <u>22,823</u> | <u>28,902</u> |

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>12.31.15</u> | <u>12.31.14</u> |
|---------------------|----------------------|----------------------|
| -Without due | <u>2,386</u> | <u>2,276</u> |
| -Becoming due | | |
| under 3 months | 7,813 | 14,552 |
| from 3 to 6 months | 5,189 | 11,743 |
| from 6 to 9 months | 4,567 | 199 |
| from 9 to 12 months | 2,868 | 132 |
| Subtotal | <u>20,437</u> | <u>26,626</u> |
| Total | <u>22,823</u> | <u>28,902</u> |

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24. REVENUES

| | For the years ended, | |
|---|----------------------|------------------|
| | 12.31.15 | 12.31.14 |
| Gas sales | 2,107,549 | 1,543,220 |
| MetroENERGÍA's gas sales and transportation | 2,259,100 | 1,376,751 |
| Transportation and distribution services | 206,053 | 216,983 |
| Other sales | 41,918 | 37,757 |
| Natural gas liquids processing | 3,949 | 2,521 |
| MetroENERGÍA's other revenues | 8,788 | 7,242 |
| Total | 4,627,357 | 3,184,474 |

25. EXPENSES BY NATURE

| | For the years ended, | | | | |
|---|----------------------|-------------------------|------------------|-----------|-----------|
| | 12.31.15 | | | | 12.31.14 |
| | OPERATING COSTS | ADMINISTRATION EXPENSES | SELLING EXPENSES | TOTAL | TOTAL |
| Payroll and other employees benefits | 186,578 | 176,064 | 155,792 | 518,434 | 389,882 |
| Social security contributions | 35,945 | 19,431 | 36,466 | 91,842 | 77,051 |
| Cost of natural gas | 2,920,741 | - | - | 2,920,741 | 1,973,494 |
| Transportation of natural gas and processed natural gas | 324,686 | - | - | 324,686 | 229,505 |
| Directors and Supervisory committee fees | - | 2,341 | - | 2,341 | 2,128 |
| Fees for professional services | 1,010 | 9,536 | 950 | 11,496 | 11,158 |
| Sundry materials | 12,880 | - | - | 12,880 | 9,623 |
| Fees for sundry services | 40,472 | 19,682 | 64,221 | 124,375 | 96,166 |
| Post and telephone | 1,042 | 6,051 | 47,491 | 54,584 | 41,629 |
| Rent and leases | 11 | 785 | 3,156 | 3,952 | 4,387 |
| Transportation and freight charges | - | 8,734 | - | 8,734 | 5,979 |
| Office materials | 922 | 2,802 | 370 | 4,094 | 3,671 |
| Travelling expenses | 873 | 875 | 559 | 2,307 | 1,486 |
| Insurance premium | - | 12,339 | 27 | 12,366 | 9,371 |
| Fixed assets maintenance | 102,116 | 62,979 | 220 | 165,315 | 111,577 |
| Property, plant and equipment, Investment properties depreciation and Intangible assets | 73,697 | 20,288 | - | 93,985 | 87,014 |
| Taxes, rates and contributions | 50,355 | 78,805 | 131,485 | 260,645 | 187,973 |
| Publicity | - | - | 5,660 | 5,660 | 4,816 |
| Doubtful accounts | - | - | 31,140 | 31,140 | 13,865 |
| Bank expenses and commissions | - | 772 | 21,068 | 21,840 | 16,906 |
| Others expenses | 2,408 | 4,833 | 1,149 | 8,390 | 3,711 |
| Total as of December 31, 2015 | 3,753,736 | 426,317 | 499,754 | 4,679,807 | |
| Total as of December 31, 2014 | 2,589,406 | 335,371 | 356,615 | | 3,281,392 |

The expenses included in the above table are net of the Company's own expenses capitalized in properties, plant and equipment for 26,319 at December 31, 2015 and for 15,028 at December 31, 2014.

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METROGAS S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2015 AND COMPARATIVE INFORMATION

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

26. OTHER INCOME AND EXPENSES

| | For the years ended, | |
|---|----------------------|--------------|
| | 12.31.15 | 12.31.14 |
| Leases | - | 810 |
| Result from sales of investment properties | - | 8,067 |
| Publicity | 754 | 678 |
| Contractors penalties | 1,628 | 1,294 |
| Management service for third parties constructions | 5,198 | 1,056 |
| Other income | 2,697 | 4,165 |
| Revenues from rendering services to Controlling Company | 3,311 | 2,948 |
| Increases in provisions for claims and contingencies | (17,756) | (12,318) |
| Total | (4,168) | 6,700 |

27. NET FINANCIAL RESULTS

Finance income

| | For the years ended, | |
|--|----------------------|---------------|
| | 12.31.15 | 12.31.14 |
| Financial assets at fair value | 43,898 | 16,792 |
| Exchange difference on cash and cash equivalents | 3,725 | 1,518 |
| Other financial expenses | 2,671 | - |
| | 50,294 | 18,310 |

Finance costs

| | For the years ended, | |
|---------------------------------------|----------------------|----------------|
| | 12.31.15 | 12.31.14 |
| Exchange difference on financial debt | 741,247 | 302,690 |
| Accrued interest on notes | 234,169 | 193,302 |
| Accrued interest on YPF loan | 35,029 | 18,242 |
| Accrued interest on commercial debt | 143,278 | - |
| Other financial expenses | 29,785 | 19,216 |
| | 1,183,508 | 533,450 |

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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

| | Trade receivables and Other receivables | Provisions | Total deferred tax assets |
|-----------------------|--|------------|------------------------------|
| Balances at 12.31.14 | 86,191 | 23,918 | 110,109 |
| Movements of the year | 14,726 | 2,303 | 17,029 |
| Balances at 12.31.15 | 100,917 | 26,221 | 127,138 |

Deferred income tax liabilities

| | Properties, plant and equipment | Financial debt | Cash and cash equivalents | Others | Total deferred tax liabilities | Total net deferred tax liabilities |
|-----------------------|------------------------------------|----------------|------------------------------|--------|-----------------------------------|---------------------------------------|
| Balances at 12.31.14 | (216,196) | (113,820) | (54) | 44 | (330,026) | (219,917) |
| Movements of the year | 9,156 | (25,617) | (3,869) | 57 | (20,273) | (3,244) |
| Balances at 12.31.15 | (207,040) | (139,437) | (3,923) | 101 | (350,299) | (223,161) |

MetroENERGÍA

Deferred income tax assets

| | Trade receivables | Others | Total |
|-----------------------|-------------------|--------|-------|
| Balances at 12.31.14 | 5,270 | (650) | 4,620 |
| Movements of the year | 4,820 | (65) | 4,755 |
| Balances at 12.31.15 | 10,090 | (715) | 9,375 |

The net consolidated position as of December 31, 2015 accounted for a deferred income tax asset amounting to 9,375, as regards MetroENERGÍA, and a deferred income tax liability amounting to 223,161, as regards MetroGAS, and as of December 31, 2014; a deferred income tax asset amounting to 4,620, as regards MetroENERGÍA, and a deferred income tax liability amounting to 219,917, as regards MetroGAS.

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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 years ended, | |
|--|----------------------|-----------------|
| | 12.31.15 | 12.31.14 |
| Income tax expense on result before income tax | 167,591 | 211,875 |
| <u>Tax effect due to:</u> | | |
| Non deductible expenses and non taxable income | (1,689) | (1,026) |
| Tax loss carry forwards not recognized | (247,778) | (239,522) |
| Minimum presumed income tax not recognized | - | 2,852 |
| Total income tax charged to results | (81,876) | (25,821) |

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

| | For the years ended, | |
|--|----------------------|-----------------|
| | 12.31.15 | 12.31.14 |
| Income tax determined for fiscal purposes MetroGAS | 247,778 | 239,522 |
| Income tax determined for fiscal purposes MetroENERGÍA | (83,387) | (37,008) |
| Temporary differences | 1,511 | 8,335 |
| Minimum presumed income tax not recognized | - | 2,852 |
| Tax loss carry forwards not recognized | (247,778) | (239,522) |
| Total income tax charged to results | (81,876) | (25,821) |

The remaining tax losses carry-forward as of December 31, 2015 amounted to 554,167, considering the current fiscal year result, and were not recognized in the financial statements at the end of the year. That tax loss carry-forward could be offset against future results expiring 67,290 in 2017, 239,099 in 2019 and 247,778 in 2020.

As of December 31, 2015, the Company has not determined MPIT since assets are not considered to have potential to produce taxable income subject to this tax in the current year. In addition, the tax credit on MPIT not recognized in the financial statements as of December 31, 2015 amounted to 99,711, expiring between the years 2016 and 2024.

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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 years ended, | |
|--|----------------------|-----------|
| | 12.31.15 | 12.31.14 |
| Net and comprehensive result for the year attributable to controlling interest | (564,901) | (631,420) |
| Average of common shares outstanding | 569,171 | 569,171 |
| Net basic and diluted result per share | (0.99) | (1.11) |

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 and Gas Argentino related to administrative, accounting, tax, financial, and legal aspects and all those that contribute to the common operations of MetroENERGÍA and Gas Argentino, whose value has been fixed according to reasonable market guidelines for this kind of services.

YPF S.A. through YIESA, controls the issued capital and votes of Gas Argentino, and indirectly have, through Gas Argentino, 70% of MetroGAS capital stock and votes.

Furthermore, on May 3, 2012, the National Congress enacted Law No. 26,741, which declared of public utility and subject to expropriation the 51% of the equity of YPF S.A. represented by an equal percentage of Class D shares owned, directly or indirectly, by Repsol and its controlled or controlling entities, and the same time, establishing the temporary occupation of such shares pursuant to the terms of article 57 and 59 of Law No. 21,499.

In addition, on August 1, 2013 YIESA transferred to OPESSA 1,683,246 shares that represent 2 % of Gas Argentino's corporate capital.

The information described in the following charts shows the balances with related companies as of December 31, 2015 and December 31, 2014, as well as operations with these companies for the years ended on December 31, 2015 and 2014.

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The transactions shown below have been made with related parties:

| | For the years ended, | | | | | | | | | | | | | | | | | |
|--|----------------------------|---------------|--------------------------------------|----------------------------------|---------------------------|--|-------------------|------------------------|----------------------------------|-----------------------------|---------------------------------------|---|----------------------------|---------------|---------------|---------------------------|----------------------------------|---------------------------------------|
| | 12.31.15 | | | | | | | | | | | | 12.31.14 | | | | | |
| | Gas & transportation sales | Gas purchases | Fee for sundry services and supplies | Sundry material - Operating cost | Other income and expenses | Temporary Economic Assistance Resolution ES 263/15 | Insurance premium | Finance costs on loans | Finance costs on commercial debt | Post and telephone expenses | Salaries and others employee benefits | | Gas & transportation sales | Gas purchases | Finance costs | Other income and expenses | Sundry material - Operating cost | Salaries and others employee benefits |
| Controlling company | | | | | | | | | | | | | | | | | | |
| Gas Argentino | - | - | - | - | 3,311 | - | - | - | - | - | - | - | - | - | - | 2,948 | - | - |
| Related parties: | | | | | | | | | | | | | | | | | | |
| YSUR Energía Argentina S.R.L. | - | 51,514 | - | - | - | - | - | - | 1,671 | - | - | - | - | 42,823 | - | - | - | - |
| Central Dock Sud S.A. | 23,127 | - | - | - | - | - | - | - | - | - | - | - | 22,082 | - | - | - | - | - |
| YPF S.A. | 249 | 709,089 | 709 | 2,482 | - | - | - | 35,029 | 46,124 | - | - | - | 14 | 328,183 | 18,242 | - | 2,030 | - |
| OPESA | 6,071 | - | - | - | - | - | - | - | - | - | - | - | 5,061 | - | - | - | - | - |
| A-Evangelista S.A. | 2,081 | - | - | - | - | - | - | - | - | - | - | - | 871 | - | - | - | - | - |
| ENARSA | - | 125,344 | - | - | 6 | - | - | - | 20,744 | - | - | - | - | 58,732 | - | - | - | - |
| Profertil S.A. | 466,106 | - | - | - | - | - | - | - | - | - | - | - | 91,360 | - | - | - | - | - |
| YPF Energía Eléctrica S.A. | - | 92,084 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Nación Seguros S.A. | - | - | - | - | - | - | 5,822 | - | - | - | - | - | - | - | - | - | - | - |
| Correo Argentino S.A. | - | - | - | - | - | - | - | - | - | 1,004 | - | - | - | - | - | - | - | - |
| Secretaría de Energía | - | - | - | - | - | 711,000 | - | - | - | - | - | - | - | - | - | - | - | - |
| Compañía Administradora del Mercado Mayorista Eléctrico S.A. | 4,938 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Others (1) | 2,129 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Key directors and management: | - | - | - | - | - | - | - | - | - | - | 30,260 | - | - | - | - | - | - | 23,010 |
| | 504,701 | 978,031 | 709 | 2,482 | 3,317 | 711,000 | 5,822 | 35,029 | 68,539 | 1,004 | 30,260 | | 119,388 | 429,738 | 18,242 | 2,948 | 2,030 | 23,010 |

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

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

The balances shown below are outstanding with related parties:

| | 12.31.15 | | | | | | |
|--|-------------------|------------------------|---------------|-------------|----------------|-------------|------------------------------|
| | Trade receivables | Other receivables | Trade payable | | Financial debt | | Salaries and social security |
| | Current | Current | Current | Non current | Current | Non current | Current |
| Controlling company | | | | | | | |
| Gas Argentino | - | 910 | - | - | - | - | - |
| Other related parties: | | | | | | | |
| YSUR Energía Argentina S.R.L. | - | - | 14,056 | 3,743 | - | 1,930 | - |
| Central Dock Sud S.A. | 11,360 | - | - | - | - | - | - |
| OPESSA | 183 | - | - | - | - | - | - |
| YPF S.A. | (8) | 3,058 | 389,986 | 103,352 | 143,271 | 46,693 | - |
| A-Evangelista S.A. | 76 | - | - | - | - | - | - |
| ENARSA | 5 | - | 136,568 | 46,482 | - | - | - |
| Profertil S.A. | 115,179 | - | - | - | - | - | - |
| YPF Energía Eléctrica S.A | - | - | 22,324 | - | - | - | - |
| Nación Seguros S.A. | - | 3,792 | 33 | - | - | - | - |
| Secretaría de Energía | - | 149,310 ⁽²⁾ | - | - | - | - | - |
| Compañía Administradora del Mercado Mayorista Eléctrico S.A. | 1,829 | - | - | - | - | - | - |
| Others (1) | 19 | - | - | - | - | - | - |
| Key directors and management: | - | - | - | - | - | - | 9,773 |
| | 128,643 | 157,070 | 562,967 | 153,577 | 143,271 | 48,623 | 9,773 |

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

(2) Disclosed in the line "Temporary economic assistance - Related parties".

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| | 12.31.14 | | | | | | |
|--------------------------------------|-------------------|-------------------|-------------|---------------|----------------|-------------|--------------------------------|
| | Trade receivables | Other receivables | | Trade payable | Financial debt | | Salaries and social securities |
| | Current | Current | Non current | Current | Current | Non current | Current |
| Controlling company | | | | | | | |
| Gas Argentino | - | 807 | 5,713 | - | - | - | - |
| Other related parties: | | | | | | | |
| YSUR Energía Argentina S.R.L. | - | - | - | 8,651 | - | 1,208 | - |
| Central Dock Sud S.A. | 10,344 | - | - | - | - | - | - |
| OPESSA | 139 | - | - | - | - | - | - |
| YPF S.A. | (10) | 1,881 | - | 227,773 | 108,242 | 29,977 | - |
| A-Evangelista S.A. | 17 | - | - | - | - | - | - |
| ENARSA | - | - | - | 79,560 | - | - | - |
| Profertil S.A. | 14,942 | - | - | - | - | - | - |
| Key directors and management: | - | - | - | - | - | - | 7,691 |
| | 25,432 | 2,688 | 5,713 | 315,984 | 108,242 | 31,185 | 7,691 |

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In the same way, YPF S.A provided MetroGAS with the professional services for setting up, installing and starting up the new system SCADA (Supervisory Control and Data Acquisition in real time). The amount invoiced for services during 2015 amounted to Ps. 1,215; these were capitalized under Intangible Assets (Note 11).

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.

Also, as mentioned in Note 2.4.1 and pursuant to Resolution No. I-2,621/2013 of ENARGAS, MetroGAS currently bills on behalf and for the account of ENARSA the injected volumes in relation to CNG as from June 2013. The net balance of this operation as of December 31, 2015 and 2014 is shown in Note 21.

Furthermore, as explained in Note 2.5 MetroGAS must invoice, collect and settle three 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.

31. CONTRACTUAL COMMITMENTS

In order to satisfy the demand of gas and provide the licensed service efficiently, MetroGAS has entered into various long-term contracts from the commencement of the concession to ensure certain purchasing and transportation capacity of gas.

31.1 Purchases of Gas

The main suppliers of the Company are: YPF S.A., Total Austral S.A., Wintershall Energía S.A., Pan American Energy S.A., and other producers of Tierra del Fuego, Neuquén and Santa Cruz.

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On June 14, 2007, the Argentine SE published Resolution No. 599/07 in the Official Gazette approving the proposal for the "Agreement with Natural Gas Producers 2007-2011", latter ratified by certain natural gas producers and becoming effective. Basically, the Agreement 2007-2011 establishes the volumes to be injected at the points of entry to the transportation system by natural gas producers for residential, commercial, industrial, power plants and CNG supply stations customers until December 31, 2011 (although the contractual terms differ depending on the category of consumer) and indicates certain price adjustments payable in installments depending on the type of consumer. The Resolution that approves the Agreement 2007-2011 (Resolution ES No. 599/07) establishes the mechanisms to re-route and inject additional natural gas to satisfy the demand of the domestic market where appropriate in the event of any shortages. In accordance with the Agreement with Natural Gas Producers 2007-2011, producers and distribution companies had to enter into gas purchase and sales agreements reflecting the provisions included therein.

The Company did not enter into any of these agreements at the appropriate time because it understood that the offers received from the producers neither comply with the terms and conditions of the Agreement 2007-2011, nor would allow MetroGAS to guarantee the supply of natural gas to the Company's consumers on an uninterruptible basis considering the volumes included in said offers.

As from August 1, 2007, based on the provisions of the Agreement 2007-2011 and according to several notes issued by the Sub-secretary of fuels and Circulars distributed by the EGM, the volumes set forth under said Agreement became effective as provision arrangements, provided that there are no contracts with gas producers.

On September 19, 2008, the SE subscribed the Complementary Agreement with Natural Gas Producers (Resolution No. 1,070) to recompose well head gas prices and the segmentation of residential demand for natural gas, which supplements the Agreement approved by Resolution No. 599/07. The Agreement became effective on September 1, 2008, but for CNG that became applicable as from October 1, 2008.

Additionally, on December 16, 2008, SE Resolution No. 1,417/08 established the new basin prices to become applicable as from November 1, 2008.

Finally, and as regards the natural gas market, in order to promote the investment and to increase the production, the CPCEPNIH issued Resolution No. 1/2013, to establish an incentive scheme for Excess Injection of natural gas. This agreement sets forth that the Excess Injection (any quantity of gas injected by producers in excess of the Base Injection, and as defined in Resolution No. 1/2013 issued by the Committee of Strategic Planning and Coordination of the National Plan for Hydrocarbons Investments) will have an Excess Price of 7.5 U\$S/MBTU (the "Excess Price"). Upon the compliance of certain conditions provided for therein, the agreement will become effective for five years. Although the resolution mentioned above does not affect directly the prices received by the Company, it represents a fundamental change to the incentive for natural gas producers to raise their investments in order to increase the horizon of reserves and production of hydrocarbons, thereby potentially affecting and in a positive way the business of the Company.

Due to the fact that MetroGAS understood that the volumes, basins of injection and transportation routes foreseen in the Agreement 2007-2011 would prevent the normal supply of demand on an uninterruptible basis, the Company filed reports with the ENARGAS, SE and the Fuel Sub- secretariat to draw their attention and seek the remediation of this matter.

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From October 4, 2010, the ENARGAS Resolution published in the Official Gazette approved the Procedure for Gas Applications, Confirmations and Controls. Beginning October 1, 2010, the effective date of this Procedure, MetroGAS has the volume of natural gas per day necessary to supply the demand on an uninterruptible basis.

On January 5, 2012, was published in the Official Gazette the SE Resolution No. 172/2012, which extended the effect of the SE Resolution No. 599/07 for the allocation of natural gas volumes through transportation routes and basins based on the different categories of customers until the issuance of any new resolutions on that regard.

On September 28, 2010 ENARGAS Resolution No. 1,410/10 was issued aiming at complementing delivery standards in force in face of demand and transport capacity that were higher than natural gas offer and at preserving the operation of transport and distribution systems giving priority to the consumption of the urgent demand: residential customers, complete service customers (natural gas, transportation and distribution is sold to them) and complete-service sub- distributing companies.

This procedure is in compliance with the regulations of ES Resolutions No. 599/2007 and No. 1,146/2004, and standards that rule and complete them.

Once the Urgent Demand is met, producers will have to confirm volumes requested by the rest of the segments according to what is stated in the paragraph above, in the following order: 1) Natural Gas Stations, 2) uninterruptible customers (Unbundling), 3) i) Large Users, ii) Treatment Plants in and out of the system, and iii) Power Plants (according to Note ES No. 6866/09) and 4) Exports.

On March 8, 2012, was published the SE Resolution No. 55/2012, which approved the third extension of the Agreement with Natural Gas Producers setting that a specific treatment should apply to those producers who have not accepted the extension of the agreement so that they could not receive the increases created by SE Resolutions No. 1,070/2008 and No. 1,417/2008. ENARGAS Resolution No. 2,087/2012, published on March 23, 2012, established the mechanism for the allocation of natural gas volumes in respect of those producers who have not accepted the extension of the agreement to residential and small commercial customers without increases under the above Resolutions of 2008, providing that distribution companies should directly deliver to the Compensation Fund for Liquefied Natural Gas created under such resolutions certain amounts collected from their customers for natural gas.

On March 31, 2014 ES Resolution No. 226/14 stipulated the application of a scheme of rationalization of natural gas use, providing the new basin prices that will be exclusively applied to gas sales to complete-service residential and commercial users according to their saving percentage compared to the same two/one month period from the previous year (see Note 2.2.2.2).

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31.2 Gas Transportation

MetroGAS has entered into various transportation contracts, with expiration dates ranging between 2016 and 2027, with Transportadora de Gas del Sur S.A. ("TGS"), Transportadora de Gas del Norte S.A. ("TGN") and other companies, in order to ensure a firm transportation capacity of 25.29 MMCM per day, taking into account the ongoing contracts as of December 31, 2015.

The annual estimated valuation for firm transportation capacity to be paid by the Company under these contracts is stated below:

| <u>Periods</u> | <u>Contractual Commitments</u> (Millions of Pesos) |
|----------------|---|
| 2016 | 224.94 |
| 2017 | 62.01 |
| 2018 | 3.50 |
| 2019 | 3.50 |
| 2020 | 3.50 |
| 2021/27 | 3.61 |

Contracts entered into by the Company with gas transportation companies could be subject to amendment pursuant to the Emergency Law provisions applicable to contracts for public utility services, including transportation of natural gas. At the issue date of these financial statements, the potential impact of any such modifications, if implemented, cannot be assessed.

In July 2012, the ENARGAS granted 174,343 m³ of firm transportation capacity to MetroGAS, effective from May 1, 2013 through April 30, 2014 for the route Neuquén - GBA, and 233,333 m³ of firm transportation capacity, effective from May 1, 2014 through April 30, 2017, for the same route. This allocation relates to an irrevocable offer submitted by MetroGas to TGN in the open bid process regarding capacity No. 01/2012. The capacity contracted under the remaining contracts with TGN was also increased in 2,540,000 m³ per day until April 30, 2017.

On June 8, 2015 ENARGAS Resolutions No. I/3347/15 and No. I/3348/15 were issued respectively, these resolutions established a new tariff scheme to be applied to TGS and TGN.

31.3 Leases

a. As lessee

As of December 31, 2015, the future minimum payments related to operating leases, are detailed below:

| | <u>12.31.15</u> (Thousands of Pesos) |
|------------------------|--|
| 2016 | 1,969 |
| 2017 | 1,630 |
| 2018 | 739 |
| 2019 | 530 |
| 2020 | 530 |
| From 2021 | 530 |
| Total minimum payments | <u>5,928</u> |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS
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(amounts in thousands of pesos, except where expressly stated otherwise)

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 includes a detailed description of the economic and regulatory context and of the impact of Emergency Law and regulations decrees on MetroGAS S.A. (“MetroGAS” or “the Company”).

These circumstances have been taken into account by the Management of the Company when making any significant accounting estimates included in these 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 2.2.4), 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.

On March 26, 2014, within the process of renegotiation of utilities contracts pursuant to Law No. 25,561 and supplementary rules, the Company signed a Provisional Agreement with the Unit for the Renegotiation and Analysis of Utility Contracts (“UNIREN”) whereby a provisional tariff regime was agreed in order to obtain additional funds to those resulting from the enforcement of ENARGAS Resolution No. I/2407 dated December 27, 2012, that established the collection of a fixed amount per invoice depending on the customers’ category, which should be transferred to a trust fund especially created for the execution of works.

The new Provisional Agreement, ratified by Decree No. 445/2014 dated April 1, 2014 (published in the Official Gazette on April 7, 2014), establishes a provisional tariff regime as from April 1, 2014, consisting in readjust prices and tariffs considering the guidelines necessary to maintain the continuity of service and also sets forth common criteria applicable to all distribution licensees, in accordance with tariff regulations in force, and including changes in the gas price at the transmission system entry point (see Note 2.2.2.2).

On June 8, 2015, the Official Gazette published Resolution No. 263/2015 whereby the Energy Secretariat (“ES”) approved the allocation of funds as a temporary economic assistance to be paid in ten consecutive installments in benefit of MetroGAS and the rest of the natural gas distributors effective as from March 2015, in order to cover expenditures and investments related to the regular operation of the natural gas public service and in advance for the Comprehensive Tariff Revision to be carried out in due time (see Note 2.2.2.3 to these consolidated financial statements).

On June 8, 2015, the Official Gazette published Resolution No. I/3349 approving the new tariff charts effective as of May 1, 2015. The increases are connected with the rise of the transport component and reaches residential, commercial and industrial customers, with the exception of sub distributors, “waived” customers and those residential or commercial customers that saved more than 20% compared with the same two-month period of the previous year.

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On September 18, 2015 MetroGAS was aware of the existence of bankruptcy petition promoted by Pan American Sur S.A., Pan American Fuego S.A. and Pan American Energy LLC Sucursal Argentina pending before National Commercial Court No. 26, Clerk's Office No. 51, Ciudad Autónoma de Buenos Aires. To date, the Company has not received any notification concerning the aforementioned records, notwithstanding which will carry out all actions necessary for the appropriate defense of their rights.

Analysis of transactions in the years ended December 31, 2015 and 2014

The sales of the Company for the fiscal year ended December 31, 2015 increased by 45.3%, and operating costs rose by 45.0% as compared with the previous fiscal year, as a result of which gross profit increased by 278,553, to 873,621 during the year ended on December 31, 2015, as compared with 595,068 shown for the preceding fiscal year.

Administrative expenses increased by 27.1%, from 335,371 during the year ended on December 31, 2014, as compared with 426,317 shown for the present fiscal year, and selling expenses increased by 40.1%, from 356,615, during for the year ended December 31, 2014, to 499,754 shown for the present fiscal year.

During the year ended December 31, 2015 the income recognized from the Temporary Economic Assistance Res. SE 263/15 for 711,000.

Consequently, during the year ended December 31, 2015 an operating income of 654,382 was recorded, as compared to an operating loss of 90,218 for the previous fiscal year.

During the year ended December 31, 2015 net financial results was a loss of 1,133,214, as compared with a loss of 515,140 sustained in the previous fiscal year.

Consequently, the Company's net loss for the year ended December 31, 2015 amounted to 560,708, as compared to a net loss of 631,179 for the previous fiscal year.

Results of Operations and Financial Condition

Sales

Total consolidated sales increased by 45.3% during the year ended December 31, 2015, and amounted to 4,627,357, as compared with 3,184,474 shown for the previous fiscal year.

The increase in sales for the year ended on December 31, 2015, was mainly due to increase in MetroENERGÍA's sales and MetroGAS' sales to residential customers.

MetroGAS' gas sales to residential customers increased by 38.9%, from 1,402,139 to 1,947,228 for the year ended on December 31, 2014 and 2015, respectively, mainly due to the increase in tariffs for the year ended December 31, 2015, as compared to the previous fiscal year, according to The Provisional Agreement described in Note 2.2.2.2 of these financial statements.

MetroGAS' gas sales to industrial and commercial customers and governmental entities increased by 13.6%, to 160,321 during the year ended on December 31, 2015 from 141,081 during the previous fiscal year, mainly on account of the tariff increases previously mentioned, partially offset by decrease of the volumes delivered to this customer category by 6.0%.

Sales of transportation and distribution services to power stations decreased by 9.4%, from 107,091 during the year ended on December 31, 2014, to 97,069 for the present fiscal year, mainly on account a decrease of the volumes delivered to this customer category by 4.3%.

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On the other hand, sales of transportation and distribution services to industrial and commercial customers and governmental entities decreased by 6.8%, from 74,366 during the year ended on December 31, 2014 to 69,315 for the present fiscal year, mainly on account of an decrease in average prices of sale and a decrease of the volumes delivered to this customer category by 2.3%.

Sales of transportation and distribution services to Compressed Natural Gas (“CNG”) stations increased by 11.7%, from 35,526 during the year ended on December 31, 2014, to 39,669 for the present fiscal year, mainly on account of an increase in average prices of sale and at a lesser extent, on account of the 1.3% increase in delivered volumes to this customer category.

On July 2014, the agreement with Transportadora Gas del Sur (“TGS”) to assign hydrocarbons at the head of the TGS gas pipeline in exchange of a monthly rate has been renewed. On April 29, 2015 an addendum to the agreement that set a new duration and prices until April 2016 is performed. During the year ended on December 31, 2014 sales were recorded in relation with the processing of natural gas amounted to 2,521, while during the year ended on December 31, 2015 revenue was amounted to 3,949, which shows an increase of 56.6%.

MetroENERGÍA’s gas sales during the year ended on December 31, 2015 amounted to 2,267,888 as compared to the previous fiscal year amounted to 1,383,993. This increase was mainly due to an increase delivered volumes of the 64.4%.

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The table below shows the consolidated sales of the Company by type of service and customer categories for the year ended on December 31, 2015 and 2014, in thousands of pesos:

| | Revenues | | | |
|--|---|-------------------------|-------------------------|-------------------------|
| | For the years ended December 31, | | | |
| | 2015 | | 2014 | |
| | Thousands of Ps. | % of Total Sales | Thousands of Ps. | % of Total Sales |
| MetroGAS | | | | |
| Gas sales: | | | | |
| Residential | 1,947,228 | 42.1 % | 1,402,139 | 44.1 % |
| Industrial, Commercial and Governmental entities | 160,321 | 3.5 % | 141,081 | 4.4 % |
| Subtotal | 2,107,549 | 45.6 % | 1,543,220 | 48.5 % |
| Transportation and Distribution Services | | | | |
| Power Plants | 97,069 | 2.1 % | 107,091 | 3.4 % |
| Industrial, Commercial and Governmental entities | 69,315 | 1.5 % | 74,366 | 2.3 % |
| Compressed Natural Gas | 39,669 | 0.9 % | 35,526 | 1.1 % |
| Subtotal | 206,053 | 4.5 % | 216,983 | 6.8 % |
| Processed Natural Gas | 3,949 | 0.1 % | 2,521 | 0.1 % |
| Other Gas Sales and Transportation and Distribution Services | 41,918 | 0.9 % | 37,757 | 1.2 % |
| MetroENERGÍA | | | | |
| Total gas volumes delivered and transported by MetroENERGÍA | 2,259,100 | 48.8 % | 1,376,751 | 43.2 % |
| Other income | 8,788 | 0.2 % | 7,242 | 0.2 % |
| Total of Sales | 4,627,357 | 100.0 % | 3,184,474 | 100.0 % |

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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 year ended on December 31, 2015 and 2014, in millions of cubic meters:

| | Volumes | | | |
|--|----------------------------------|--|---------|--|
| | For the years ended December 31, | | | |
| | 2015 | % of Volumes of gas delivered | 2014 | % of Volumes of gas delivered |
| | MMC | | MMC | |
| Gas sales: | | | | |
| Residential | 1,913.3 | 26.9 % | 1,909.3 | 27.3 % |
| Industrial, Commercial and Governmental entities | 435.5 | 6.1 % | 463.2 | 6.6 % |
| Subtotal | 2,348.8 | 33.0 % | 2,372.5 | 33.9 % |
| Transportation and Distribution Services | | | | |
| Power Plants | 2,634.1 | 37.1 % | 2,751.7 | 39.3 % |
| Industrial, Commercial and Governmental entities | 776.5 | 10.9 % | 795.1 | 11.4 % |
| Compressed Natural Gas | 545.5 | 7.7 % | 538.3 | 7.6 % |
| Subtotal | 3,956.1 | 55.7 % | 4,085.1 | 58.3 % |
| Other Gas Sales and Transportation and Distribution Services | 800.5 | 11.3 % | 546.4 | 7.8 % |
| Total delivered volume by MetroGAS | 7,105.4 | 100.0 % | 7,004.0 | 100.0 % |
| Total gas volumes delivered and transported by MetroENERGÍA | 1,578.6 | 100.0 % | 960.5 | 100.0 % |

Operating Costs

Operating costs increased by 45.0% amounting to 3,753,736 during the year ended on December 31, 2015, respect to 2,589,406 registered during the previous fiscal year. This variation was mainly due to the increase in gas purchase costs and transportation and in payroll and other employee's benefits, in fixed assets maintenance and repair, in fees for sundry services and in charges in taxes, rates and contributions.

The costs of natural gas purchases increased by 48.0%, from 1,973,494 for the year ended on December 31, 2014 to 2,920,741 during the present fiscal year, mainly as a result of increased in average price gas purchased by MetroGAS and MetroENERGÍA. During the year ended on December 31, 2015 2,740.5 million cubic meters were purchased by MetroGAS, and 1,578.6 million cubic meters by MetroENERGÍA, which as a whole represent a 17.4% increase with respect to gas volumes purchased in the previous fiscal year.

Gas transportation costs increased by 41.5% during the year ended on December 31, 2015 as compared with the same period in previous fiscal year mainly due to the increase in average prices of transportation of MetroGAS as a consequence of ENARGAS Resolutions No. I 3,347/15 and 3,348/15 respectively on June 8, 2015.

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The table below shows the operating costs and expenses of the Company by type of expenses for the years ended on December 31, 2015 and 2014, in thousands of pesos.

| | Operating costs | | | |
|---|---|-----------------------------------|-------------------------|-----------------------------------|
| | For the years ended December 31, | | | |
| | 2015 | | 2014 | |
| | Thousands of Ps. | % of Total Operating Costs | Thousands of Ps. | % of Total Operating Costs |
| Cost of natural gas | 2,920,741 | 77.9 % | 1,973,494 | 76.1 % |
| Transportation of natural gas | 324,686 | 8.6 % | 229,505 | 8.9 % |
| Depreciation of properties, plant and equipment | 73,697 | 2.0 % | 69,628 | 2.7 % |
| Payroll and other employee's benefits | 222,523 | 5.9 % | 176,408 | 6.8 % |
| Fixed assets maintenance | 102,116 | 2.7 % | 64,236 | 2.5 % |
| Sundry materials | 12,880 | 0.3 % | 9,623 | 0.4 % |
| Fees for sundry services | 40,472 | 1.1 % | 24,575 | 1.0 % |
| Taxes, rates and contributions | 50,355 | 1.3 % | 37,508 | 1.5 % |
| Other operating expenses | 6,266 | 0.2 % | 4,429 | 0.1 % |
| Total | 3,753,736 | 100.0 % | 2,589,406 | 100.0 % |

Administrative Expenses

Administrative expenses increased by 27.1%, from 335,371 for the year ended on December 31, 2014 to 426,317 for the present fiscal year. This increase was mainly due to the increase in payroll and other employee's benefits, in taxes, rates and contributions and in fixed assets maintenance.

Selling Expenses

Selling expenses increased by 40.1%, from 356,615 for the year ended on December 31, 2014 to 499,754 for the present fiscal year. This increase was mainly due to the increase in payroll and other employee's benefits, in taxes, rates and contributions, in doubtful account charge and in fees for sundry services.

Other income and expenses

Other income and expenses amounted to a gain of 6,700 for the year ended December 31, 2014 and a loss of 4,168 in the current fiscal year, mainly due to the result from sales of investment properties during the year 2014 and an increased in provisions for claims and contingencies during the year 2015.

Net Financial Results

During the year ended on December 31, 2015 net financial results was a loss of 1,133,214, as compared to a 515,140 loss for the previous fiscal year. The variation in financial results was mainly due to a loss from the exchange difference on financial debt and, at a lesser extent an increase in accrued interest from the financial and commercial debt.

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Income tax

During the year ended on December 31, 2015 the Company accrued loss of 81,876, as compared to a loss of 25,821 shown for the previous fiscal year. This variation was mainly due to the higher tax determined of MetroENERGÍA in the current period with respect to the same period in previous fiscal year

Net cash flows from operating activities

Net cash flows from operating activities for the year ended on December 31, 2015 amounted to 968,872, as compared with 193,249 for the previous fiscal year. This variation was mainly due to increase in funds from working capital during the current year with respect to the previous fiscal year and, at a lesser extent, to the higher funds generated by operating results.

Net cash flows used in investing activities

Net cash flows used in investment activities for the year ended on December 31, 2015 amounted to 298,546, as compared with 192,049 used in the previous fiscal year. This variation was mainly due to an increase in Properties Plant & Equipment and intangible assets during the present year compared to the previous fiscal year, partially offset by the lower proceeds from sales of investment properties.

Net cash flows used in financing activities

Net cash flows used in financing activities amounted to 175,414 for year ended on December 31, 2015 mainly due to the interest payments on financial debt compared to 21,724 used in the previous fiscal year corresponding to the partial payment of interests partially offset by the credit facility agreement with YPF S.A. amounted to 90,000.

Liquidity and Capital Resources**Financing**

As of December 31, 2015, the financial debt accounted for by Company amounted to 2,280,807. Also, nominal debt amounted to 194,473 and U\$S 194,449 thousand as of December 31, 2015 and 2014, respectively.

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Comparative Structure of Consolidated Statement of financial position ⁽¹⁾⁽²⁾

Consolidated Statement of financial positions as of December 31, 2015, 2014, 2013 and 2012.

| | 12.31.15 | 12.31.14 | 12.31.13 | 12.31.12 |
|--|------------------|-----------|-----------|-----------|
| | Thousands of Ps. | | | |
| Non current Assets | 2,167,859 | 1,968,680 | 1,860,591 | 1,788,122 |
| Current assets | 1,857,638 | 836,487 | 484,407 | 432,380 |
| Total assets | 4,025,497 | 2,805,167 | 2,344,998 | 2,220,502 |
| Non current Liabilities | 2,666,712 | 1,649,189 | 1,260,707 | 1,490,369 |
| Current Liabilities | 2,126,555 | 1,363,040 | 660,174 | 562,846 |
| Total Liabilities | 4,793,267 | 3,012,229 | 1,920,881 | 2,053,215 |
| Non-controlling interest | 7,317 | 3,124 | 2,883 | 989 |
| Equity attributable to the owners | (775,087) | (210,186) | 421,234 | 166,298 |
| Total Liabilities and Shareholders' Equity | 4,025,497 | 2,805,167 | 2,344,998 | 2,220,502 |

(1) In accordance with the provisions of section 114 of Chapter XXXI – Temporary Provisions, of the Argentine Securities Commission (“CNV”) Regulations, as amended by CNV Resolution No. 592/2011, the Informative Summary accompanying the annual and quarterly financial statements for a fiscal year beginning as from January 1, 2013 the balances and income for the fiscal year/period must be presented in comparison with those of the previous fiscal year, both prepared under IFRS, as required under paragraph 16 (c) of Technical Resolution No. 26 (as amended by Technical Resolution No. 29), and no other comparative amounts will be presented.

(2) Information covered by the Independent auditors report.

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Comparative Consolidated Structure of Profit and loss and other comprehensive income ^{(1) (2)}

Consolidated Statements of Profit and Loss and Other Comprehensive Income for the years ended on December 31, 2015, 2014, 2013 and 2012.

| | 12.31.15 | 12.31.14 | 12.31.13 | 12.31.12 |
|---|--------------------|------------------|------------------|------------------|
| | Thousands of Ps. | | | |
| Revenues | 4,627,357 | 3,184,474 | 1,936,211 | 1,481,375 |
| Operating costs | (3,753,736) | (2,589,406) | (1,433,202) | (1,192,226) |
| Gross profit | 873,621 | 595,068 | 503,009 | 289,149 |
| Administration expenses | (426,317) | (335,371) | (228,647) | (169,984) |
| Selling expenses | (499,754) | (356,615) | (258,753) | (199,413) |
| Other income and expenses | (4,168) | 6,700 | 47,266 | (6,086) |
| Result before Temporary Economic Assistance Resolution ES 263/15 | (56,618) | (90,218) | 62,875 | (86,334) |
| Temporary Economic Assistance Resolution ES 263/15 | 711,000 | - | - | - |
| Operating income (loss) | 654,382 | (90,218) | 62,875 | (86,334) |
| Finance income | 50,294 | 18,310 | 25,526 | 29,917 |
| Finance cost | (1,183,508) | (533,450) | (367,131) | (171,517) |
| Net financial results | (1,133,214) | (515,140) | (341,605) | (141,600) |
| Debt restructuring result | - | - | 757,470 | - |
| Result before income tax | (478,832) | (605,358) | 478,740 | (227,934) |
| Income tax and minimum presumed income tax | (81,876) | (25,821) | (221,910) | 49,106 |
| Net result for the year | (560,708) | (631,179) | 256,830 | (178,828) |
| Other comprehensive result | - | - | - | - |
| Net and comprehensive result for the year | (560,708) | (631,179) | 256,830 | (178,828) |

⁽¹⁾ In accordance with the provisions of section 114 of Chapter XXXI – Temporary Provisions, of the Argentine Securities Commission (“CNV”) Regulations, as amended by CNV Resolution No. 592/2011, the Informative Summary accompanying the annual and quarterly financial statements for a fiscal year beginning as from January 1, 2013 the balances and income for the fiscal year/period must be presented in comparison with those of the previous fiscal year, both prepared under IFRS, as required under paragraph 16 (c) of Technical Resolution No. 26 (as amended by Technical Resolution No. 29), and no other comparative amounts will be presented.

⁽²⁾ Information covered by the Independent auditors report.

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Comparative Statistical Data

The information shown below makes reference to the years ended on December 31, 2015, 2014, 2013 and 2012.

| | 12.31.15 | 12.31.14 | 12.31.13 | 12.31.12 |
|---|------------------------------------|-----------------|-----------------|-----------------|
| | Volumes | | | |
| | In millions of cubic meters | | | |
| Gas purchased by MetroGAS | 2,741 | 2,719 | 3,088 | 3,156 |
| Gas contracted by third parties | 5,225 | 5,106 | 5,468 | 5,947 |
| | 7,966 | 7,825 | 8,556 | 9,103 |
| Volume of gas withheld: | | | | |
| - Transportation | (493) | (478) | (528) | (566) |
| - Loss in distribution | (368) | (343) | (353) | (404) |
| - Transportation and processing of natural gas | - | - | (4) | (7) |
| Volume of gas delivered by MetroGAS | 7,105 | 7,004 | 7,671 | 8,126 |
| Volume of gas purchased and delivered by MetroENERGÍA | 1,579 | 960 | 839 | 787 |

Comparative Ratios ^{(1) (2)}

The information below makes reference to the years ended on December 31, 2015, 2014, 2013 and 2012.

| | 12.31.15 | 12.31.14 | 12.31.13 | 12.31.12 |
|----------------|-----------------|-----------------|-----------------|-----------------|
| Liquidity | 0.87 | 0.61 | 0.73 | 0.77 |
| Solvency | (0.16) | (0.07) | 0.22 | 0.08 |
| Inmobilization | 0.54 | 0.70 | 0.79 | 0.81 |
| Profitability | 1.15 | (5.82) | 0.87 | (0.70) |

⁽¹⁾ In accordance with the provisions of section 114 of Chapter XXXI – Temporary Provisions, of the Argentine Securities Commission (“CNV”) Regulations, as amended by CNV Resolution No. 592/2011, the Informative Summary accompanying the annual and quarterly financial statements for a fiscal year beginning as from January 1, 2013 the balances and income for the fiscal year/period must be presented in comparison with those of the previous fiscal year, both prepared under IFRS, as required under paragraph 16 (c) of Technical Resolution No. 26 (as amended by Technical Resolution No. 29), and no other comparative amounts will be presented.

⁽²⁾ Information covered by the Independent auditors report.

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Additional Information**Changes in MetroGAS Shares Prices:**

| | | Share Price on the Buenos Aires Stock Exchange (1) |
|-----------|------|---|
| | | \$ |
| December | 2011 | 0.69 |
| December | 2012 | 0.70 |
| December | 2013 | 1.29 |
| January | 2014 | 1.26 |
| February | 2014 | 1.33 |
| March | 2014 | 1.74 |
| April | 2014 | 2.05 |
| May | 2014 | 3.50 |
| June | 2014 | 3.74 |
| July | 2014 | 3.40 |
| August | 2014 | 3.66 |
| September | 2014 | 4.85 |
| October | 2014 | 4.10 |
| November | 2014 | 3.75 |
| December | 2014 | 3.12 |
| January | 2015 | 2.90 |
| February | 2015 | 3.83 |
| March | 2015 | 4.24 |
| April | 2015 | 4.35 |
| May | 2015 | 4.00 |
| June | 2015 | 3.57 |
| July | 2015 | 3.56 |
| August | 2015 | 3.60 |
| September | 2015 | 3.00 |
| October | 2015 | 4.40 |
| November | 2015 | 7.90 |
| December | 2015 | 7.35 |

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

Perspectives

MetroGAS intends to focus its efforts on ensuring the continuity of its business, maintaining gas supply quality and reliability, complying with basic License rules and finally, on the basis of the outcome of the License agreement renegotiation, MetroGAS will define its new strategy towards the future and in relation to matters such as business planning, business policy and an the development of an investment plan.

Autonomous City of Buenos Aires, March 2, 2016

Marcelo Adrián Núñez
Chairperson

Independent Auditors' Report

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

Report over consolidated financial statements

1. Identification of the consolidated financial statements subject to audit

We have audited the accompanying consolidated financial statements of METROGAS SOCIEDAD ANÓNIMA (an Argentine corporation, hereinafter mentioned as "METROGAS S.A." or the "Company") which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of loss and profit and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information included in Notes 1 to 31.

The figures and other information corresponding to the fiscal year ended on December 31, 2014 are an integral part of the consolidated financial statements mentioned above and are presented with the purpose to be read only in relation to the figures and other information of the current year.

2. Company's Board of Directors responsibility for the consolidated financial statements

The Company's Board of Directors is responsible for the preparation and fair presentation of the 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 regulation, as well as internal control system as the Company's Board of Directors deems necessary to enable the preparation of financial statements that are free from material misstatements.

3. Auditor's responsibility

Our responsibility is to express an opinion on these accompanying consolidated financial statements based on our audit. We have conducted our audit in accordance with the International Standard on Auditing ("ISA") adopted by the FACPCE through the Technical Resolution No. 32, as they were issued by the International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"). Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures, substantially on a test basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Company's Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. **Opinion**

In our opinion, the consolidated financial statements referred to section 1 of this report, presents fairly, in all material respects, the financial position of METROGAS S.A. and its controlled company as of December 31, 2015, and its loss and profits and other comprehensive results, changes in its shareholders' equity and their cash flows for the year then ended, in accordance with International Financial Reporting Standards.

5. **Additional explanatory paragraphs**

Without modifying our previous opinion, we emphasize that as a consequence of the magnitude of the accumulated losses recorded at December 31, 2015, the Company has a negative Shareholder's Equity attributable to the parent company of thousands of Ps. 775,087, being subject to the provisions of Art. 94 paragraph 5 and Art. 96 of the Argentine General Corporate Law.

English translation of statutory consolidated financial statements

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

Buenos Aires, Argentina
March 2, 2016

Deloitte & Co. S.A.

Fernando G. del Pozo
Partner