

# **METROGAS S.A.**

ANNUAL REPORT AND FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

**ANNUAL REPORT**

(Information not covered by the Independent auditors' 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 sixth fiscal year, ended on December 31, 2017.

**1. MACROECONOMIC CONTEXT**

For a company like MetroGAS S.A ("MetroGAS" or the "Company") with an activity totally linked to the Argentine market, and in particular to the distribution service of natural gas, which is a highly sensitive issue not only for the population in general but also for the majority of economic activities, the evolution of the macroeconomic situation during the last year is regarded as highly important.

In this context and according to the last data published by the Monthly Estimate Report on Economic Activity issued by the National Institute of Statistics and Census of the Argentine Republic (INDEC), the temporary estimate showed a positive variation of the economic activity regarding the GDP (Gross Domestic Product) of 2.9% for the first eleven months of 2017 with respect to the same period of 2016, while for the accumulated of the year 2016 with respect to the same accumulated of the previous year had shown a negative variation of 2.2%.

In 2017, growth in prices shown by the new consumer price index (CPI) representative of the total number of homes in Argentina was 24.8% for the entire year. During 2016, consumer price index increased around 39% according to the General Directorate of Statistics and Census of the City of Buenos Aires and to the INDEC that, once more on June 15, 2016, started publishing its own consumer price index for the Autonomous City of Buenos Aires and for the districts that compose the Great Buenos Aires ("IPC-GBA").

In this scenario, the Central Bank of the Argentine Republic ("BCRA"), as it arises from its Monetary Policy Report, has stipulated an anti-inflationary bias policy, which is implemented by a positive real interest rate. Specially, the "BCRA" fixes its monetary policy rate, the center of the 7-day repo corridor since 2017 (the 35-day "LEBAC" during 2016) so as to be higher than the expected inflation tendency for that period. During the first quarter of 2017, the monetary policy rate from the "BCRA" (Central Bank of Argentina) had no modifications with respect to the end of 2016, when this rate was set at 24.75%. It was raised to 26.25% as from mid-April, having no modifications since that period up to the end of the third quarter of the year. By the end of October and by the beginning of November 2017, this rate increased twice and was then 28.75% until the end of the year. These two consecutive increases were due to the fact that the monetary authority considered that disinflation was not slowing down satisfactorily and concluded that a more contractionary bias of its policy was required. All along 2016, this policy was expressed by a gradual reduction of the reference rate, decreasing from 38% in the first quarter to 24.75% in the fourth quarter.

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 existing at that time.

In this respect, the peso/dollar rate finished 2017 at 18.65 per dollar, having increased approximately 17.4% from 15.89 pesos per dollar at the closing of 2016. The average price for 2017 was 12.1% higher than the average registered during 2016.

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Especially during 2017, natural gas distribution tariffs were frozen during many years but finally as from April 1, 2018; a Comprehensive Tariff Review was put into effect with clear definitions as regards tariffs and investments for the next five years.

On November 29th 2017, at the request of the "MINEM" (Ministry of Energy and Mining), MetroGAS subscribed the "Bases and Conditions for the Supply of Natural Gas through Networks to Gas Distributors" ("Bases and Conditions") together with the rest of the distributors and a group of gas producers. These Bases and Conditions set the guidelines for contracting gas volumes to meet the demand from distributors for the period included between January 1st 2018 and December 31st 2019. Within the framework of the Bases and Conditions, MetroGAS signed contracts with gas producers to supply gas.

## 2. COMPANY PROFILE

MetroGAS is the largest gas distribution company in Argentina in terms of number of customers and of delivered gas volumes. MetroGAS distributes approximately 18% (\*) 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 2.4 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 6.1), 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 44,696 MMm3 in 2017 (\*). 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 336,526 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 44,595 MMm3 (\*\*\*) during the period January - December 2017, which 26,116 MMm3 coming from the Neuquén basin. Also, to be able to satisfy the requirements of domestic demand, some 11,670 MMm3 had to be imported from Bolivia and Chile, and the Liquefied Natural Gas ("LNG") was regasified at the Escobar and Bahía Blanca plants.

Approximately 39% of all gas purchased by MetroGAS during 2017 came from the Neuquén basin and the remaining 61% from the Austral and Gulf of San Jorge basins.

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There are different regimes promoted by the National Government aimed at enhancing the natural gas industry which, although initially do not have any direct impact on MetroGAS or impose any obligations on the company, could have favorable consequences considering that one of the main objectives of those is to increase the injection of natural gas (see item 6.8).

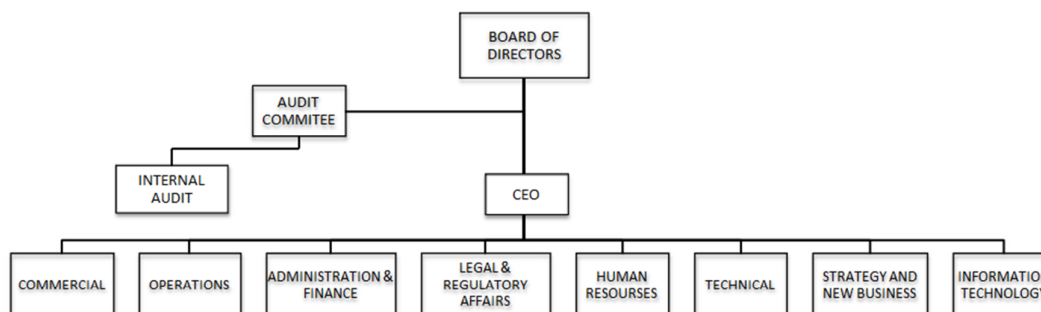
(\*) According to the latest available information provided by the National Gas Regulatory Authority ("ENARGAS") – December 2017.

(\*\*) According to the latest available information provided by the MINEM - December 2016.

(\*\*\*) According to the latest available information provided by the MINEM - December 2017.

### 3. ORGANIZATIONAL STRUCTURE

MetroGAS' current organizational structure is as shown below:



### 4. LICENSE CONTRACT RENEGOTIATION

The Public Emergency and Foreign-Exchange System Law No. 25,561 (the "Emergency Law") published in the Official Gazette on January 7, 2002, affected the legal framework in force for license contracts of utility services companies.

The main provisions of the Emergency Law that had an impact on the License duly granted to MetroGAS by the National Government and that modified express provisions of Law No. 24,076 (the "Gas Law") were 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.

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In the framework of the renegotiation process, the Company signed a series of agreements with different entities representing the National Government.

The agreements signed and are in force as of December 31, 2017 are described below.

### 4.1 Provisional Agreement 2017

On March 30, 2017, the Company signed with Ministries of Energy and Mining ("MINEM") and the Economy Ministry a provisional agreement ("Provisional Agreement 2017") which provides the temporary adjustment of prices and tariffs of the Public Natural Gas Distribution Service, the specific allocation of the amounts therein provided until the execution of the Memorandum of Agreement of the Integral Contract Renegotiation and the enforcement of the final tariff schedule resulting from the Integral Tariff Review ("ITR"). The Provisional Agreement 2017 is complementary to the Provisional Agreement 2008, and expansive of the Provisional Agreement 2014 and the Provisional Agreement 2016, subscribed in previous years.

The Provisional Agreement 2017, which is not subject to confirmation by the PEN, establishes a temporary tariff Schedule as of April 1, 2017, which consists of the readjustment of tariffs considering the necessary guidelines to maintain the continuity of the service in order to allow the Company to afford the operation and maintenance, and management and marketing expenses, as well as expenses for executing the mandatory investment plan determined by Ente Nacional Regulador del Gas ("ENARGAS") and fulfill the corresponding payment obligations, respecting its chain of payments to ensure the continuing rendering of its public service until the enforcement of the tariff regime resulting from the Memorandum of Agreement of Integral Contract Renegotiation.

Furthermore, the Provisional Agreement 2017 provides for the incorporation of the transfer resulting from changes in tax rules, except for income tax, which are pending resolution and incorporates a Mandatory Investments Plan for MetroGAS.

Finally, MetroGAS may not distribute dividends without prior presentation before ENARGAS of the integral fulfillment of the Mandatory Investments Plan.

On March 30, 2017, MINEM instructed ENARGAS, through Resolution No. 74 - E/2017, to enforce the tariff schedules resulting from the Integral Tariff Review process.

In this respect, it was decided that, for the gradual and progressive implementation of this measure, ENARGAS had to apply in stages the tariff increases resulting from the Integral Tariff Review according to the following progression: thirty per cent (30%) of the increase as from April 1, 2017; forty per cent (40%) of the increase as from December 1, 2017, and the remaining thirty per cent (30%) as from April 1, 2018.

Furthermore, and for the events in which the corresponding Memorandum of Agreement of the Integral Contract Renegotiation had not been enforced yet, the ENARGAS was instructed to apply to Licensees (MetroGAS among them) a temporary adjustment of the tariffs awaiting the Integral Tariff Review.

On March 31, 2017 ENARGAS Resolution No. 4,356/2017 was published in the O.G., approving, as from April 1, 2017, the tariff schedules resulting from the MetroGAS Integral Tariff Review and transition tariff schedules to be applied to MetroGAS customers. Through differentiated tariffs, ENARGAS Resolution No. 4,356/2017 determined tariff schedules for the residential customers with savings in consumption of or above 15% with respect to the same period of 2015, as well as those that would be applied to beneficiaries of the "Social Tariff"

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(MINEM Resolution No. 28/2016 and ENARGAS Resolutions No. I-2,905/2014 and No. 3,784/2016) and Welfare Institutions (Law No. 27,218).

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

Furthermore, ENARGAS Resolution No. 4,356/2017 further dismissed ENARGAS Resolutions No. I-2,407/12 and No. I-3,249/15 that allow the collection of a fixed amount per invoice under the heading Fund for Gas Distribution Consolidation and Expansion Works ("FOCEGAS").

Additionally, ENARGAS Resolution No. 4,356/2017 approved (i) the technical-economic studies of the Company's ITR, (ii) the non-automatic Six-Month Adjustment Methodology to take effect in conjunction with the Memorandum of Agreement for the Adequacy of the License, and (iii) MetroGAS Investment Plan for the next five years.

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

On December 1, 2017 the Official Gazette published: (i) ENARGAS Resolution No. 131/2017 in order to (a) declare valid the Public Hearing, convened through ENARGAS Resolution No. 74/2017, (b) approve MetroGAS' temporary tariff scheme applicable as from December 1, 2017 and (c) approve new values for Rates and Charges collected by MetroGAS for Additional Services ; and (ii) ENARGAS Resolution No. 132/2017 that states a discount to be applied by MetroGAS in favor of users who (a) register a reduction in their gas consumption or (b) have the Social Tariff benefit.

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

### **4.2 Memorandum of Agreement of the Adequacy Natural Gas Distribution License Contract ("The Comprehensive Contract Renegotiation Memorandum of Understanding")**

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

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

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Under the terms therein, a set of guidelines have been established that shall consider the Integral Tariff Review process:

- Introduction of non-automatic mechanisms for the six-month adequacy of the distribution tariff, between the five-year tariff reviews, considering the variations observed in prices of the economy linked to service costs, in order to maintain the economic-financial sustainability of the service and the quality of the service rendered;
- Design and implementation of suitable methods to promote and measure in time improvements in the efficiency of the service rendered by the Company.
- ENARGAS will establish the criteria to determine the Capital Base and the Profitability Rate to be applied to the Integral Tariff Review, under the following general criteria:
  - a) The Capital Base will be established taking into account the assets required to render the public service. In order to value said assets shall be considered: a) the initial value of the assets at the beginning of the License Agreement, as well as the value corresponding to after incorporations, net of removals and depreciations, considering established in the following paragraph of this section, and b) the current value of those assets, resulting from applying founded technical criteria that express fairly and reasonably such estimate, taking into account the current condition of preservation of those assets. All valuations of those assets shall be in national currency and the evolution of representative official rates of price variations considering the cost structure of those assets.
  - b) The Profitability Rate will be established according to articles 38 and 39 of the Law Gas. Therefore, it shall weigh the retributions of the direct capital as well as third parties. While determining the retribution of direct capital, ENARGAS shall establish a fair and reasonable level for activities of similar or comparable risk, in proportion to the level of efficiency and satisfactory rendering of the service. In turn, in order to determine the cost of capital of third parties, ENARGAS shall reflect the cost of money in the terms and conditions valid for the financing of public utilities companies.
- ENARGAS shall require the presentation by the Company of an investment plan to be incorporated into the tariff calculation.
- ENARGAS shall perform a cost analysis to determine new values of rates and charges for services of the Company's regulated activity. The analysis shall be made on the basis of reasonable and efficient costs of these services.

The MetroGAS Tariff Schedule resulting from the Integral Tariff Review according to the established guidelines shall be applied once all the procedures provided for the enforcement of the Memorandum of Agreement are fulfilled. With respect to the enforcement of the Integral Tariff Review, it shall not extend beyond December 31, 2017. Should the ENARGAS provide the gradual and progressive application of the tariff increase resulting from the Integral Tariff Review, the application of the last stage shall fall on or before April 1st, 2018.

As a pre-condition to the ratification, the Memorandum of Agreement provides for the suspension and dismissal of all claims, remedies or actions filed, in progress, or to be executed, both via administrative, arbitration or judicial courts, either in Argentina or abroad, founded or linked to the facts or measures provided, with respect to the License Agreement, as from the Emergency Law and/or the cancellation of the USA PPI index. Furthermore, the Memorandum

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of Agreement shall be endorsed by the MetroGAS Shareholders' Meeting, so that the Executive Power may issue the Decree to confirm the terms of the Memorandum of Agreement. On April 27, 2017, MetroGAS Shareholders' Meeting confirmed the Memorandum of Agreement for the Adequacy of the Natural Gas Distribution License Agreement.

Finally, the Memorandum of Agreement anticipates the Company's commitment to make, during the time of the License, plus its possible ten-year extension and within the territory of the License, additional sustainable investments equivalent to the amount of the award in the arbitration proceedings "BG Group Plc. vs. the Argentine Republic (UNC 54 KGA)" with the proportional percentage of reduction established in the payment agreement and excluding the amounts corresponding to the interest for delays in the payment of the award. The amount and the additional investment plan shall be established by ENARGAS, upon the Company's proposal, and they shall not be incorporated into the tariff base.

To date, the Memorandum of Agreement is subject to controls provided by the Emergency Law so that the PEN may issue the confirmation Decree.

With respect to the Licensees whose Memorandum of Agreement have not become valid yet, the ENARGAS was instructed to apply to them a temporary tariff adjustment for the account of the ITR, considering to those effects the surveys performed within the framework of said ITR by virtue of the provisions of Article 1 of MINEM Resolution No. 31/2016.

## 5. FINANCIAL DEBT

### 5.1 Negotiable Obligations

As a consequence the mandatory debt exchange made on January 11, 2013, within the framework of reorganization proceedings requesting on December 2010 (the "Reorganization Proceedings") MetroGAS issued the Series A and Series B Notes with maturity on December 31, 2018 (the "Notes"). Also, the Notes were issued to be delivered to any new unsecured creditors after their claims have been allowed pursuant to a judgment entered under the Reorganization Proceedings.

Said Notes had accrued a fixed interest rate of 8.875%. Interest is payable semiannually on June 30 and December 31 of each year. MetroGAS exercised its option to capitalize interest up to 100% as of June 30, 2013, and up to 50% as of December 31, 2013 and June 30, 2014.

Having the limit date (June 30, 2014, in accordance with the terms of the Trust Agreement), and no Triggering Event has been produced Series B Notes, which represented the withdrawal of the agreement with creditors under the Reorganization Proceedings, were canceled.

As of December 31, 2017, MetroGAS' financial debt consists of Series A Notes.

Under the terms and conditions for the issue of Notes, the Company and its subsidiaries shall comply with a series of restrictions which, among others, and in general terms, are those listed below.

- Incur or guarantee any debt;
- Make any restricted payments, including any payment of dividends;
- Effect any sale of assets;
- Make investments of any kind;



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- 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, 2017.

During the fiscal year 2017, MetroGAS paid semiannual interest.

On February 8, 2018, MetroGAS took a non-guaranteed loan with (i) the Industrial and Commercial Bank of China Limited-Dubai (DIFC) Branch and (ii) the Itaú Unibanco-New York Branch, for a total amount of USD 250,000,000 for a thirty six- month term and amortizable in nine quarterly installments counting as of twelve months since the date of payment.

Once the Loan has been received, the Company shall allocate these funds to rescue, on February 27, 2018, the total number of Notes at a Rescue Price equal to 100% of the capital amount of the Notes to be rescued, with and plus accrued and unpaid interests, and every other amount owed at the time of the Rescue. Notes shall stop accruing interests on and after Rescue Date. For all intents and purposes under the Fund trust Agreement, Notes shall not be considered valid as of and after Rescue Date, inasmuch as Rescue Price is deposited by the Trustee according to the Trust fund Agreement, and all rights related to the Notes, shall cease on Rescue Date. The payment of the Rescue Price shall be made through The Bank of New York Mellon (See Note 31 to these financial statements) (See Note 32 to the consolidated financial statements).

**5.2 Related parties**

On December 12, 2013, the Board of Directors of MetroGAS unanimously approved a contract with YPF S.A. ("YPF") where YPF granted MetroGAS a "Non-Committed" credit facility for up to 180,000 for a period of 180 days as from the date of the proposal. This credit facility was a BADLAR cost plus an annual 6% spread and MetroGAS was entitled to request any drawdown as it deemed necessary up to the maximum amount of the credit facility and for the above mentioned period, and to make partial or total advance payments without penalty. Finally, an annual 10% default interest will be applied in the event of default.

MetroGAS made two drawdown requests: thousands of \$ 45,000 on February 25, 2014 and thousands of \$ 45,000 on April 18, 2014.

On February 26, 2015 an extension was granted for 365 days counted from its corresponding due dates in the same conditions, limiting the amount to 140,000.

Dated February 25, 2016 and April 18, 2016, new extensions were granted being the new due dates of February 27, 2017, for the first drawdown request, and April 21, 2017 for the second

As of December 31, 2017, the Company has canceled the capital and interest on these loans.

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### 6. REGULATORY FRAMEWORK

Natural gas distribution is a public service and therefore a regulated activity. ENARGAS, under the terms of the Gas Law, is the enforcement authority and 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 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 different categories of users had to purchase natural gas volumes at the transportation system entry point ("PIST") 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 S.A. ("EGMSA").

In this context, in 2005 MetroENERGÍA was constituted by MetroGAS 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 is registered as agent of the EGMSA.

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.

On April 1, 2016, through Resolution No. 34/2016, the MINEM ordered a new arrangement for the supply of CNG stations establishing the obligation regarding these users to purchase natural gas for supply to the distributor of its area or range so that they provide full service (gas, transportation and distribution).

As from May 1, 2017, and under the Terms of MINEM Resolution No. 80 – E/2017, there has been an extension of the purchase options of natural gas by the owners of CNG stations, who can buy gas through Distribution Companies (complete service – MEM Resolution No. 34/2016) or directly via gas producers or marketers (respecting the mix of basins and percentages of fuel gas allocated to the regional distribution company). The CNG stations that modify their purchase modality shall remain in that modality at least twelve months from the moment they make that choice. On April 27, 2017, ENARGAS regulated MINEM Resolution No. 80 - E/2017 through ENARGAS Resolution No. 4,407/2017.

#### 6.2 Complementary Agreement with Natural Gas Producers

On January, 2004, Decree No. 181/04 authorized the ES to negotiate with gas producers a price adjustment mechanism to supply industries and electricity generation companies. In this context, through MPFIPyS Resolution No. 208/2004 approved the "Agreement for Implementing the Schedule for the Normalization of Natural Gas Prices at Points of Entry into

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the Transportation System by Decree No. 181/2004", signed on April 2, 2004 between the ES and natural gas producers.

On June 14, 2007, the Argentine ES published Resolution No. 599/07 in the Official Gazette approving the proposal for the "Agreement with Natural Gas Producers 2007-2011" ("Agreement 2007-2011"). The Agreement 2007-2011 established the volumes to be injected at the PITS by natural gas producers prioritizing mainly the supply of residential demand and CNG through redirection mechanisms and additional demands. Also, the parameters of the natural gas price adjustments in a staggered form.

In accordance with the Agreement 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.

On October 4, 2010, ENARGAS Resolution No. 1,410/2010 was published in the Official Gazette (later clarified by ENARGAS Note No. 13,934), which approved new rules named "Procedure for Gas Applications, Confirmations and Control", which would 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, distribution and purchase of natural gas.

The ENARGAS Resolution No. 1,410/2010 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.

Once the Urgent Demand is met, producers had to confirm the 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. 6,866/09) and 4) Exports.

On January 5, 2012, was published in the Official Gazette the ES Resolution No. 172/2012, which extended the effect of the ES Resolution No. 599/2007 for the allocation of natural gas volumes through transportation routes and basins based on the different categories of customers until the will issuance of any new resolutions on that regard.

ES Resolution No. 599/2007 and ENARGAS Resolution No. 1,410/2010 have been complemented by MINEM Resolution No. 89/2016 that established natural gas volumes to be requested by distributing companies to meet the Prior Demand and by ENARGAS Resolution No. 3,833/2016 regarding the Procedure for Natural Gas Requests, Confirmations and Control.

Under the terms of MINEM Resolution No. 89/2016, a process of standardization of agreements was started; based on that MetroGAS entered into different agreements with gas producers, either from the Austral basin, or the Neuquina basin. These contracted volumes work out volumes from ENARGAS Resolution No. 1,410/2010 not only for the producer but also for the

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distributing company. Contracted volumes based on MINEM Resolution No. 89/2016 were paid by distributing companies at a price settled by the MINEM.

On October 6, 2016, the MINEM issued Resolution No. 212 – E /2016 and fixed a price path for natural gas, stipulating natural gas value on a gradual and biannual basis up to October 1, 2019 (for MetroGAS' License area).

Through Resolution No. 74 – E/2017, MINEM determined the new prices of the natural gas at the City Gate for the Transportation System of natural gas to be applied, as of April 1, 2017, to the customer categories mentioned therein. Furthermore, the resolution also established the new prices at the City Gate for the Transportation System subsidized for Residential customers with savings in their gas consumption of or above 15% with respect to the same period in 2015. These new prices at the City Gate for the Transportation System have been provided for in ENARGAS Resolution No. 4,356/2017.

On December 1, 2017 and through Resolution No. 474 - E/2017, the MINEM stipulated new prices for natural gas in the PIST which were applied as from December 1, 2017 to the category of users therein indicated. Moreover, stipulated new prices in the PIST subsidiaried for Residential users of natural gas who registered a reduction in their consumption equal or superior to twenty percent (20%) compared to the same period in 2015 and the discount corresponding to users with the Social Tariff benefit. These new prices in the PIST were contemplated in ENARGAS Resolutions No. 131/2017 and No. 132/2017.

On November 29, 2017, at the request of the MINEM, MetroGAS subscribed the “Bases and Conditions for the Supply of Natural Gas through Networks to Gas Distributors” (the “Bases and Conditions”) together with the rest of the distributors and a group of gas producers. These Bases and Conditions set the guidelines for contracting gas volumes to meet the demand from distributors for the period included between January 1, 2018 and December 31, 2019. These guidelines establish: i) the volumes that each signing producer has to inject per basin to meet the demand from distributors, ii) the daily available volumes per basin for each distributor, iii) the price according to customer's category and per period expressed in u\$/MMBTU, iv) the obligation of the producer to deliver or pay 100% of the volume, v) the obligation of distributors to take or pay 100% of the volume, except when there is no demand and no gas volumes are assigned, of contracts not included in the Bases and Conditions ,vi) due date of the invoice is 75 days after the invoice date.

### 6.3 Procedure for Management of the Dispatch of the Emergency Executive Committee

Supply of natural gas to distribution companies consists of a mechanism of request, confirmation and re-direction of gas provided for in ENARGAS Resolutions No. 1,410/2010 and 3,833/2016, which modify and complement the management procedures for the dispatch of natural gas provided by ENARGAS Resolution No. 716/1998.

On June 7, 2017 ENARGAS Resolution 4,502/2017 that approves the “Management Procedure for the Dispatch of the Emergency Executive Committee” and adapts the provisions in the “Complementary Procedure for Gas Requests, Confirmations and Controls”, approved ENARGAS Resolution No. 3,833/16.

Furthermore, and within the framework of the process to normalize the contracting of natural gas at the Point of Entry to the Transportation System, provided by MINEM Resolution No. 89/2016, ENARGAS should prepare an orderly text of the regulations issued regarding on gas dispatch within 180 days from the date ENARGAS Resolution No. 716/1998 is published.

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### 6.4 Trust Fund

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

The specific charge I (ruled by Decree No. 180/2004 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.

It is important to point out that none of these two 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.

### 6.5 Municipal rates

The regulatory framework contemplates to pass through to tariffs all new charges or rate increases, and under certain circumstances, the free use of public space for purposes of laying natural gas pipelines.

Under the terms of the regulatory framework, ENARGAS Resolution No. 4,356/2017 establishes that with respect to local taxes (provinces and municipalities) the same shall be incorporated to the final bill of the service in an independent line in order to make clear the tax charges included in the tariffs and differentiate them from the regulated components and their variations, thus preventing taxes and rates that tax the distribution and transportation public services in some jurisdictions from influencing the final tariff to be applied to all customers of a tariff subzone.

On July 3, 2017 ENARGAS Resolution No. 4,530/2017 was published in the O.G., which approves the "Methodology to include in the bills of gas distribution public service of local taxes", which will be valid from April 1, 2017 until March 31, 2018, with respect to the street work Survey, Review and Inspection Rate (GCBA) and other local taxes specifically excluding Public Space Occupation Rates.

The incorporation of local taxes to the customers' final bills shall be authorized through the corresponding administrative act provided by ENARGAS. On July 7, 2017, ENARGAS authorized the inclusion in a separate line of the bill of the Inspection, Safety and Health Rate of the municipalities of Avellaneda, Quilmes, Esteban Echeverría and Lomas de Zamora, and the Street Work Survey, Review and Inspection Rate of the City of Buenos Aires. With respect to the Municipality of Avellaneda, on September 19, 2017 and through Note No. 8,993, the corresponding rate was modified, with the increase in the rate established by Municipal Ordinance No. 27,744.

On January 12, 2018 ENARGAS Resolution No. 228/2018 was published in the Official Gazette, approving the methodology to include in the invoice the tax that levies the occupation or use of public space for the term between April 1, 2017 and March 31, 2018. Also, this Resolution stipulates that, for the term following March 31, 2018, the ENARGAS will issue previous proposal from Distributors a new procedure.

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MetroGAS has not been able to pass-through to its tariffs any payment made for those items in some municipalities of the Province of Buenos Aires and the City of Buenos Aires made before March 31, 2017, which amount to \$ 392.6 million.

### 6.7 Residential Customers – Deferred payment in bills

On August 25, 2017, ENARGAS submitted Note No. 8,265 providing that bills issued as from August 25, 2017 and until October 31, 2017 for residential customers, shall consider a fifty per cent (50%) deferment of the total amount to pay corresponding to the billing period, without interest. The amounts subjected to the deferral shall be included in the first bill issued after October 31, 2017, in accordance with the guidelines related to the issuance of Public Service Liquidation Bills in two-monthly bills with monthly payments that is two monthly, equal and consecutive installments.

Under the terms of Note No. 8,265, should MetroGAS income be financially affected due to the deferral and potential postponement of payments to gas producers and/or transporters, the same shall be duly assessed and assumed by the National Government through the relevant Budget operations.

The provided deferral is not applicable to residential customers with Social Tariff.

### 6.8 Incentive Policies

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. The various schemes include: (i) the Gas Plus Program, regulated by ES Resolutions No. 24/08, No. 1,031/08 and No. 695/09; (ii) the Program to Encourage the Surplus Injection of Natural Gas, regulated by the Strategic Planning and Coordination Committee under the National Hydrocarbon Investment Plan No. 1/13, No. 60/13 and No. 185/15, (iii) the Program to Encourage New Natural Gas Projects, regulated by Resolution No. 74/2016 of MINEM and (iv) the Promotion Program for Investments in Natural Gas Developments from Non-Conventional Reservoirs, regulated by Resolution No. 46-E/2017 of MINEM.

### 6.9 Resolution MINEM No. 508-E/2017

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

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

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

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

### **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 Ethics and Conduct Code, the Fraud and Dishonest Practices Policy and the channel of anonymous complaints.

Furthermore, and in the terms of the recommendation established by the Corporate Governance Code the Company created the Compensation Committee.

#### **7.1 Authorities**

At MetroGAS' Shareholders Meeting and Board Meeting, on April 27, 2017, Mr. Marcelo Adrián Núñez as Company President and Mr. Patricio Da Re as Vice-president were appointed. Messrs. Núñez and Da Re have the status of non-independent members in accordance with the regulations established by the Argentine Securities Commission.

#### **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.

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.

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### **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 independent members of the Board, with the aim to look after the fulfillment of policies.

As of December 31, 2017, 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.

On a quarterly basis, the Audit Committee analyzes changes to 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**

As from the change of Government produced in December 2015, during 2016 began the process of Integral Tariff Review aimed at the normalization of the regulatory and tariff framework of the Company that will establish the bases and regulations for business development during the coming 5 years.

After subscribing the Provisional Agreement 2016, the Provisional Agreement 2017 and the Letter of Understanding of the License Renegotiation for the Distribution of Natural Gas, the Company set its new strategy towards the future and defined issues such as business planning, commercial policy and development of the investment plan.

The corporate strategy aims at turning the Company into a gas distribution role model and leader in commercializing energy related products, contributing to the development of the country and to the life quality of the Argentine people besides placing its customers as a priority.

It is worth mentioning that MetroGAS started implementing the new strategy, making a strong commitment with business ethics and with each of its commercial, professional and communitarian relationships.

Additionally, the Company made a commitment with an ambitious Mandatory Investment Plan for the five-year period 2017-2021 as regards expansion, safety and integrity, reliability, systems, operations and maintenance.



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**8.2. Gas purchase and transportation**

In order to meet gas supply needs for full service users, until April 2016 MetroGAS requested daily only through the mechanism established by ENARGAS Resolution I/1,410/2010.

Since May 2016, from the instructions received from ENARGAS, a process of contractual standardization began, from which MetroGAS signed several contracts with gas producers in both the Austral and Neuquina basins. These contracted volumes deduct values from Resolution 1.410/2010 for both the producer and the distributor, in accordance with the provisions of Resolution No. 89/2016 of the MINEM.

In the same line, during May 2017, MetroGAS entered into supply contracts with various producers in order to ensure the necessary volumes for its full service customers. The missing items are completed through the allocation of volumes defined by Resolution No. I/1,410/2010.

On November 29, 2017, at the request of the MINEM, MetroGAS subscribed the "Bases and Conditions for the Supply of Natural Gas through Networks to Gas Distributors" (the "Bases and Conditions") together with the rest of the distributors and a group of gas producers. These Bases and Conditions set the guidelines for contracting gas volumes to meet the demand from distributors for the period included between January 1, 2018 and December 31, 2019. These guidelines establish: i) the daily volumes that each signing producer has to inject per basin to meet the demand from distributors, ii) the daily available volumes per basin for each distributor, iii) the price according to customer's category and per period expressed in u\$s/MMBTU, iv) the obligation of the producer to deliver or pay 100% of the volume, v) the obligation of distributors to take or pay 100% of the volume, except when there is no demand and no gas volumes are assigned, of contracts not included in the Bases and Conditions, vi) due date of the invoice is 75 days after the invoice date.

As regards prices that producers invoice for delivered gas volumes, these ones are stipulated per basin, for each customer category and per term, in annex III of the Bases and Conditions.

In January 2016, MetroGAS made use of the option of not renewing 4.3 MMm3 of the firm transportation capacity contracted with TGS in the Neuquén GBA transport route that became effective on May 1, 2016.

On August 2017, MetroGAS submitted an irrevocable offer during TGS' capacity open bid No. 1/2017, aiming at renewing the firm transportation capacity with due date on April 30, 2018. As a result of this Bid, MetroGAS was able to renew 100% of the offered capacity, being the new due dates between 2019 and 2027.

On November 30, 2017 ENARGAS Resolutions No. 120/17 and No. 121/17 were published; they stated a new tariff scheme to be applied to TGS and TGN as from December 1, 2017.

As of December 31, 2017, and in compliance with the Service Regulations (ENARGAS Resolution No. 4,325/2017), firm transportation capacity contracted up to the City Gate of MetroGAS' service area amounts to 19.49 MMm3/day, being 16.71 MMm3/day over TGS system and 2.78 MMm3/day over TGN system.

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**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, 2017 and 2016 is included below in order to reflect MetroGAS' seasonal variation of sales and its level of annual profitability.

2017 (thousands of pesos)					
	For quarters ended on				Total fiscal year
	03-31	06-30	09-30	12-31	
Revenues	1,848,573	3,725,748	4,039,198	2,568,220	12,181,739
Gross profits	562,636	979,481	1,080,691	385,901	3,008,709
(Loss) Gain Operating income	106,832	476,427	588,221	(95,498)	1,075,982
Result before income tax and MPIT	71,006	171,585	275,691	(449,114)	69,168
Net and comprehensive result for the period/year	517,584	200,483	314,537	(257,777)	774,827

2016 (thousands of pesos)					
	For quarters ended on				Total fiscal year
	03-31	06-30	09-30	12-31	
Revenues	1,007,495	2,088,460	2,888,353	1,998,536	7,982,844
Gross profits	44,387	535,304	349,517	188,638	1,117,846
(Loss) Gain Operating income	(207,664)	170,549	(51,413)	446,688	358,160
Result before income tax and MPIT	(579,452)	(98,299)	(224,741)	231,557	(670,935)
Net and comprehensive result for the period/year	(586,123)	(95,533)	(205,053)	282,301	(604,408)

As mentioned above, MetroGAS provides distribution service to approximately 2.4 million customers within its service area, approximately 61% of which are in the Autonomous City of Buenos Aires ("CABA").

Sales to residential customers during 2017 and 2016 totaled 22.8% and 28.3%, of sales volume, respectively, and approximately 49.2% and 33.7% of net sales.

MetroGAS gas sales to residential customers increased by 122.7%, from 2,689,570 to 5,990,787 for the year ended on December 31, 2016 and 2017, respectively, mainly due to an increase in tariffs for the year ended December 31, 2016, as compared to the previous fiscal year, according to The Provisional Agreement described in 4.4.

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

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residential consumption is reduced. Among its customers MetroGAS has electric power plants with 24% of the total thermal power installed in the country's wholesale electricity market.

During 2017; the area's power plants represented 25.3% of the total thermal generation of the system. The dispatch from MetroGAS's thermal generation park increased by 42% with respect to 2016, due to a decreased dispatch on the basis of liquid fuels accompanied by lower supply restrictions.

Sales of the transportation and distribution service to electric power plants accounted for 49.5% and 36.5% of delivered gas volume in 2017 and 2016, respectively.

Gas sales and sales of the transportation and distribution service to industrial and commercial customers and to public entities accounted for approximately 14.8% and 18.6% of the Company's sales volume in 2017 and 2016 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. As from May 2016 this agreement was not renewed.

During 2017 all supply contracts with industrial customers, which expired during that same year, were renewed. According to preventive measures taken in the face of winter, the policy developed to date of the options that allowed 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 6.2% and 7.4% of the Company's sales volume during 2017 and 2016, respectively. As from May 1, 2017, and in compliance with MINEM Resolution No. 80-E/2017, the number of alternatives to purchase natural gas by the owners of CNG stations was increased; thus allowing them to purchase natural gas from Distributors (full service- MINEM Resolution N° 34/2016) or in a direct way through producers or marketeers of natural gas (respecting basins mix and the percentage of gas kept that is assigned to the area's Distributor). All those CNG stations that modify their purchase methodology will have to remain on the chosen option for a period of at least twelve months. Dated April 27, 2017, the ENARGAS regulated MINEM Resolution No. 80-E/2017 by means of ENARGAS Resolution No. 4,407/2017.

As a result of this regulation, 335 CNG supply stations out of a total of 340 active at that date opted to acquire the natural gas supply at the wellhead directly. Likewise, MetroENERGÍA captured 315 CNG supply stations. Eventually, changes that could occur in the market, could force a reopening of the supply conditions.

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MetroENERGÍA gas sales during the year ended on December 31, 2017 amounted 3,991,745 thousand as compared of the previous fiscal year amounted to 3,014,619, represented 32.7% and 37.8% of the Company's sales volume. This increase was mainly due to an increase in average prices and an increase in delivered volumes by 11.1%.

### 8.4 Operation of the distribution system

The Comprehensive Tariff Review approved during 2017 involves an investment plan that not only includes the renewal of assets: mains, gas pressure regulating stations, gas meters and vehicles, but also the expansion of the distribution system. Aiming at meeting this objective the Company is working on the development of the planning and execution of the replacement of cast iron and high pressure steel networks as well as gas meters.

During 2017, approximately 5,850 new services were installed. As regards works financed by third parties, the Company controlled the construction of 51.5 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 year, 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. In this way the 22 bar pressure system was reestablished in two of the three city gates that supply MetroGAS but there remains one last work, which is under execution, to reestablish pressure in the Gutierrez City Gate and thus satisfy points a) and b). The system assessments were incorporated in the plans stipulated by regulations in force.

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 60 extreme points with telemeasurement.

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 11,350 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 61,225 claims, mainly about gas leaks, from which about 5,598 were classified by the Company as high priority.

Surveys have been carried out in 15,537 km of our low, medium and high pressure networks, complying with the standards required.

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**8.5 Capital Investment**

The Company has primarily directed its investments to comply with the Mandatory Investment Plan committed for the year 2016 and 2017. Detailed information on this issue is found in Notes 10 and 12 Properties, plant and equipment and Intangible Assets, respectively, of these consolidated financial statements.

MetroGAS submitted to the ENARGAS the Investments Plan designed for 2016, which included a fund outlay of 715 of millions. The said Plan involves infrastructure works, connection works, re-potentiating, expansion and/or technological modification of the systems of gas distribution through networks, safety, 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. The Plan covered the period between April 2016 and December 31, 2017. The amount of investments made as of December 31, 2017 based on the Mandatory Investments Plan amounts to \$ 724.1 million, resulting in an increase of \$ 8.8 million over the originally committed.

On March 31, 2017 ENARGAS Resolution No. 4,356/2017 was published in the O.G., which mentions in Annex III the Mandatory Investments Plan to be implemented by MetroGAS within the five-year term 2017-2021. For the purposes of this Resolution, Mandatory Investments are considered as indispensable to attend to the operation and maintenance of the systems operated, the commercialization and the administration in reliable and safe conditions of the natural gas, with standards equal to or greater than those required by the regulations valid.

The mandatory investments amount to \$ 7,784 million to be disbursed as follows arises from the Resolution: \$ 773 of millions in the first year (which as of December 31, 2017 486.5 million were realized), \$ 1,724 of millions in the second year, \$ 1,666 of millions in the third year, \$ 1,825 of millions in the fourth year and \$ 1,796 of millions in the fifth year.

**8.6 Customer care and Services**

During 2017, there were many regulatory changes regarding tariffs applicable to the segment of Residential users, which highly impacted on the area of Customer Care and Service.

ENARGAS Resolution No. I/4,356/2017 approved the enforcement of new tariff schemes as from April 1, 2017 and invalidated the FOCEGAS charge (fixed amount per invoice). Besides by means of Resolution No. 1/4,313/17 and its amendment No. I/4,325/17, it stated the new Rates and Charges.

Subsequently the ENARGAS issued resolutions with the new Tariff Scheme in force as from December 1, 2017.

The increase in tariffs generated an important growth regarding customers' enquires at our customer service channels (Commercial Offices and Call Center).

While the project to change the commercial system regarding customer care and service makes progress, a number of improvements have been made within the framework of the project of Channels Strategy in order to improve and make customer care run more efficiently : i) change of ownership, cancellations and updating data through our Web site, ii) opening of a new commercial office in Burzaco, iii) improvements in our Web page for inquiries about tariffs and invoices, iv) extension of collecting channels, enabling customers to pay with credit cards in 4 installments and without interests and v) self-consultation terminals at our Commercial Offices.

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Although the total annual growth of calls at our Call Center was above 4%, increases in tariffs generated a higher demand from customers in specific periods. Such demand during the month of August resulted in 36% more calls compared to the same month in the previous year. The subsequent invoice payment divided in 2 equal installments that was implemented by the end of August, increased the number of customers' calls even more, being November the busiest month in accordance with the second installment in the invoice and where an increase above 45% was registered compared to the same month in 2016. The growth in the number of calls and their duration made a negative impact on the indicator.

By the end of the year, we implemented a trial system to see to the sharp rise in the number of calls at our Call Center consisting of an external Call Center service. The first results are expected to be seen at the beginning of the next fiscal year.

### 8.7 Human Resources

The consolidated Company headcount as of December 31, 2017 totals 1,299 employees, 4 of whom belong to MetroENERGÍA and 99 have a fixed employment contract.

During 2017 the Company granted salary raises according to the market's average salary.

An assessment of the Potential of employees outside the collective labor agreement was performed in order to update the Company's Map of Talents.

Regarding Internal Communication we must point out the participation in different activities related to the 25th anniversary of MetroGAS: acknowledgement to those employees with 25 years in the company and the publication of the institutional book.

Employment Management focused its efforts on staff searching processes oriented to the fulfillment of the Mandatory Investment Plan.

Since August we have been developing, together with the union, a Technical Formation Program at our Technical Training Center. This program is addressed to staff from contracting companies involved in activities that are related to gas. Using a theoretical-practical methodology, the program focuses on Safety in all areas.

In order to mitigate the risk of joint liability we increased monitoring to contracting companies.

During the second semester we implemented a scheme of "Remote Work Jobs" as a pilot test.

### 8.8 Health, Safety and Environment

During 2017 the Company worked in compliance with the Policy of Safety, Occupational Health and Environment focused on the continuous improvement, aligned with criteria set forth by YPF:

The Company carried out Evacuation Drills at all its offices located in the Autonomous City of Buenos Aires in order to comply with CABA Law No. 1,346. Additionally the corresponding reports were submitted before Civil Defense.

The Company complied with Law No. 14,108 and its Regulatory Executive Order No. 801/141 regarding the creation of Mixed Committees of Health and Safety in the Province of Buenos Aires.

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It is worth remembering that MetroGAS and the Workers Union for the Gas Industry ("STIGAS") had already been holding these meetings since the beginning of the Company's activities, for this reason, they continue holding committee meetings, with their corresponding minutes so as to comply with the appropriate legal demands.

Galeno ART by issuing a written statement on August 3, 2017, certified that the Company had complied with the Program of Fatal Accidents Reduction (Resolution SRT (No. 1,721/2004) related to the accident suffered by staff from Inarteco S.A on 459 Montes de Oca Avenue on August 3, 2016.

During June and July, the Superintendency of Labor Risks (SRT) carried out an inspection all throughout our buildings with a satisfactory result, with no significant issues to be considered.

We started a training process regarding Safety and Occupational Health at the CET (Technical Training Center) with the collaboration of STIGAS, addressed to contracting companies involved in operation tasks. The main 4 subjects tackled were: Behavior-based Safety, Operations with Gas, Electric Hazard and Working in confined Spaces.

According to the corporate objective to keep the Certification of ISO Standards 14001:2004 and OHSAS 18001:2007, internal audits were performed in accordance to the annual schedule aiming at verifying the performance of the Management System. As a result of the level of compliance, it was possible to obtain the maintenance certification by means of the external audit performed by IRAM (Certifying Body) during October 2017. In this way MetroGAS reinforces its commitment with the Policy of Safety, Occupational Health and Environment ("SSOMA") and ensures a solid and consistent management as regards Safety, Occupational Health and Environment focusing on an ongoing improvement.

The Program "MetroGAS+Verde" was continued; it placed green stations to collect recycle waste called "Rincones Verdes" (Green Corners) in all the buildings of the Company. During 2017 more than 650kg of recycle waste were collected and donated to the "Cooperativa El Trebol" (waste recycling Cooperative). At the same time and as a part of the same program, paper, plastic bottle caps and keys made of bronze were separated and donated to the "Fundación Hospital Garrahan" with whom we have been working together since 2000.

The Company complied with the NAG 153 Standard (Minimum Argentine Standards for Environmental Protection in the Transportation and Distribution of Natural Gas and Other gases through Pipes) by means of the following activities:

- On April 27th the ENER GAS requested an audit to assess the analysis and follow up of sworn statements in the use of "MPA" (Environmental Procedures Manual) regarding reparations and minor works, which gave a positive result.
- On December 21st an Annual Environmental Drill was performed by means of odorant leak at the Ezeiza City Gate. This drill was audited and supervised by the ENARGAS.
- 329 work projects were analyzed; some were outsourced and some were the Company's own; 5 Environmental Impact Assessments were performed due to the magnitude of the improvement works according to ENARGAS Resolution 1/9,10 -09. The remaining 324 were minor works and they complied with the assessment and requirements of the MPA.

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On May 2017 the Program “Elegimos Cuidarnos” was started; it was sponsored by the General Directorate and led by the Technical Directorate together with the Human Resources Directorate and the backup of expert consultants as process facilitators.

The participation was focused on Directors, Managers, Chiefs, Supervisors and a group of collaborators amounting to a total number of approximately 290 people, having 60 workshops and completing a total of 9.500 man-hours

From the very beginning of the Program there were different stages:

- Assessment and Diagnosis: by means of focus groups that worked on polls and individual interviews, the present situation regarding our Safety culture was identified.
- Design Workshop about the desired Safety Culture: its objective was to generate a plan based on diagnosis and definitions agreed by consensus focusing on how each member of MetroGAS had to help strengthen our Safety Culture. A group of 25 Directors, Managers, Chiefs and Supervisors- including the General Director- representatives from different areas of the company participated in this workshop.
- Program Development: Directors, Managers, Chiefs, Supervisors and general staff took part in general workshops about safety culture, risks identification, safety preventive observations and reflective ones. Moreover a group of collaborators from all the areas of the Company were summoned to strengthen the work of leaders, assuming the role of multipliers within a group of workmates or personnel from other areas.
- Revision and Adjustment of the Program: By the end of the year we made a review of what was learned all along the Program and we defined the steps to be taken under the responsibility of the team that worked on definitions about the desired safety culture, in order to achieve a sustainable process in the long term.

All along the Program definitions and pillars regarding Safety Culture were capitalized. The Company wants to enhance its culture regarding these pillars among which, Safety is emphasized as a Value.

Besides, the Company assumed the commitment with the “Trabajo Bien Hecho” (Work Well Done) that implies that every task carried out by the company has to keep a balance among cost, quality, productivity, safety and environment.

### 8.9 Institutional Relationship

The Company continued with its communication strategy with its key audiences focused on consolidating MetroGAS' positive characteristics. As part of this, a public opinion survey was carried out by Sergio Berensztein consultancy. Its results were really significant. MetroGAS is better positioned than other utility service companies and has a better image than government Municipalities: it gets an average 6.6 points. As regards the general acceptance of MetroGAS as a utility service company, 37% of survey respondents gave the company between 8 and 10 points; and 35% between 6 and 7 points (based on a 1 to 10 scale, being 10 the most positive value).

In 2017, MetroGAS celebrated its 25th anniversary as a company; therefore different activities were carried out in the company's premises and off premises too, to commemorate this anniversary. Based on the concept of “Red de Confianza”, the objective was to continue building its corporate reputation and synchronizing the new business strategy where the



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customer is the main priority, operating in an efficient, safe and reliable way, focusing on the protection of the environment. In this way, the Company strengthened its bond with the media and opinion leaders, participated in events together with companies and entities from the industrial sector, and in the development of contents for institutional audiences, among others.

Regarding Public affairs, we intensified our relationship management with municipal officers from the service area related to Public Works. When the State's investment plan to improve the infrastructure of the districts was implemented, MetroGAS strengthened the communication of the Damage Preventive Program ("Programa de Prevención de Daños") by calling periodical institutional meetings with Secretaries of Public Works from each Municipality. The objective was to get closer to local authorities in order to work together so as to avoid possible incidents caused by contracting companies or else, by works under the responsibility of other service companies.

As regards the institutional framework, the Company consolidated its presence at the Council of Communications Directors ("DirComs"), the Professional Council of Public Relations of the Argentine Republic, the IDEA Colloquium, the Argentine Business Council for Sustainable Development ("CEADS"), and the Argentine Petroleum and Gas Institute ("IAPG"). Besides, the Company worked on strengthening its bond with the media through its spokesperson at different events with the media and through the management of meetings with the press, street reporters and producers with the objective to spread news of interest for the Company: Internal Connections, Carbon Monoxide, Customer Care and Service, safety protocols during incidents at public spaces, among others.

### 8.10 Community Service Activities

During 2017, MetroGAS continued working according to its renewed Sustainability strategy re-launched in 2015. By means of specific activities, it based its work on three main axes: education, safety and environment. These pillars constituted the foundations for a long term project focused on three levels of execution: the person, the family and the community aiming at fostering a cultural change as regards the safe use and responsible consumption of natural gas. As a consequence of joining these two variables 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 triennial work plan, projects at great local impact were developed:

- a) Level person
  - Program "Instalando Calor Seguro":
    - Training workshops addressed to students at their last year of technical schools, given by Corporate Volunteers. They are organized together with the Directorate of Technical Schools of the Government of the City of Buenos Aires and the Directorate General for Education and Culture of the Province of Buenos Aires. In this way, students incorporate in their Curricula Vitae, practices that are given a professional status.
    - Training addressed to Teachers from Technical Schools: In collaboration with the Directorate of Technical Schools of the City of Buenos Aires, we gave, together with the IAPG (Argentine Oil and Gas Institute) in the framework of the AOG, (Argentine Oil and Gas Expo), Introduction to the Oil and Gas Industry Workshop and explained the importance of good education and training to access this industry.

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- Program of Productive Practices: Development of supplies / products prototypes that are used in the industry, manufactured by technical schools during their workshop activities.
- b) Level Family
- Program “Hogar Cálido Hogar”: activity addressed to children between 7 and 11 years old, from primary schools from the City of Buenos Aires and the Province of Buenos Aires (CABA and PBA). This activity is focused on the importance of a safe gas connection, efficient gas usage, prevention of carbon monoxide accidents and the role of a registered gasfitter. Children are considered to be the main agents to raise awareness by communicating this message to their families.
- c) Level Community
- Educational Program for firefighters with the Technical Training Center: the objective is to develop strategic bonds with security forces and civil defense groups in charge of emergency situations; they are trained on topics related to natural gas (officers, student's firefighters from the Federal Police, Coast Guard, Civil Defense and Volunteer Firefighters)
  - Corporate Volunteer Program: activities to interact with the community (donation campaigns, recycling activities and protection of the environment, solidarity events, among others).

## 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.

Additionally, 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 Serie A Notes.

Moreover, under the terms and conditions of the signed provisional agreement as well as the conditions set in the temporary economic assistance, the Company shall not distribute dividends without the previous certification of the ENARGAS after the fulfillment of the terms and conditions stipulated.

On February 8, 2018, MetroGAS took a non-guaranteed loan that considers certain restrictions in the payment of dividends.

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**10. ISSUED CAPITAL STRUCTURE**

Issued Capital as of December 31, 2016 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.

<b>Classes of shares</b>	<b>subscribed, registered and paid- in Thousands of Ps.</b>
Class "A"	290,277
Class "B"	275,026
Class "C"	3,868
<b>Capital Stock as of December 31, 2017</b>	<b>569,171</b>

Of the total corporate stock as at December 31, 2017, 70% belongs to YPF S.A.

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

Class "B" shares represent 48% of the common stock. Of such percentage, 39% has been owned by YPF and the 61% was sold at public offering.

On November 2, 1994, through Resolution No. 10,706 the Argentine Securities Commission ("CNV") authorized the Company to sell at public offer all shares of company common stock up to that date, also, American Depositary Shares ("ADSs") were issued in the United States and were registered with the Securities and Exchange Commission ("SEC"). The Company quotes shares on the Buenos Aires Stock Exchange ("BYMA"). 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 December 28, 2016, MetroGAS received from the ENARGAS a note requesting to adapt the Company's share composition in accordance with the due date stipulated in the Emergency Law and in compliance with article No. 34 of Law No. 24,067. The Company has asked to examine all antecedents of the request from the ENARGAS and, as it considers that what has been requested mainly concerns its controlling shareholder, it has served notice in order to adopt those actions that are deemed appropriate.

Class "C" shares which represent 10% of the common stock, and were assigned during the privatization process to the Employee Stock Ownership Plan (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 No. 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 into the same number of ordinary book-entry Class "B" shares.

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**11. INCOME ALLOCATION PROPOSAL**

The Company's Board of Directors recommends approving as the Board of Directors' fees the amount of 3,454, which were allocated to the result of fiscal year 2017.

In the same way, the Company's Board of Directors recommends that the Shareholders' Meeting keeps in Accumulated Results the net income attributable to the fiscal year ended on December 31, 2017, that amounted to 772,893.

On December 31, 2017, the Company registered a positive shareholders' equity attributable to controlling interest of 8,985,219, attributable to the owners of the acquirer.

**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, February 28, 2018.

Marcelo Adrián Núñez  
Chairperson

**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 <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sub>3</sub>		
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			The Company counts on a “Policy about Agreements with Related Parties”. All those transactions or agreements made with related parties involving relevant amounts (1% of Shareholders’ Equity) will have to be approved by the Board of Directors of the Company and reported to the CNV and to those markets where the Company lists its marketable securities in compliance with Capital Markets Law No. 26,831 (“LMC”). Previous to its approval, the Board shall request the Audit Committee to state if the conditions of the transaction may be considered appropriate for the normal and usual conditions of the market. Notwithstanding this request to the Audit Committee, the Board will be able to decide whether to approve the transactions or not by having two (2) reports from independent examining firms. This procedure is in compliance with all guidelines stated by the LMC. Additionally, every transaction with related parties is included in the quarterly and annual financial statements.
Recommendation I.2: To	X			The Company counts on a Code of

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

<sup>2</sup> 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.

<sup>3</sup> Checkmark if it corresponds.

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	Total <sup>3</sup>	Parcial <sup>3</sup>		
ensure the existence of mechanisms for the prevention of conflicts of interest				Ethics and Conduct that ensures preventive mechanisms of conflicts of interests between MetroGAS' Directors and Personnel. All those affected by the Code of Ethics and Conduct will refrain from participating in or influencing any decision taking, in any situation, in which they may directly or indirectly have a personal interest. In case there is any evidence of a conflict of interests, it may be reported through the "Ethics Line".
Recommendation I.3: To prevent misuse of privileged information.	X			The Code of Ethics and Conduct and "MetroGAS' Internal Code of Conduct in the sphere of the Capital Market" (Annex to the Code of Ethics and Conduct), specifically regulate the use of privileged information not only giving detail of a number of obligations regarding the protection of privileged information but also establishing a number of prohibitions to those people who have any kind of privileged information. Additionally, these persons will not be able to make transactions with marketable securities belonging to MetroGAS and/or its majority stockholder and/or companies related to the latter, 15 consecutive days previous to each presentation of results (annual or quarterly) of the Company and/or its majority stockholder and/or companies related to the latter and up to (2) two trading days after the date of publication of those results, if they have non-public and substantial information related to the results, that is to say, privileged information. In the case of having other kind of privileged information they will have to refrain from negotiating the said marketable securities at the moment of finding out such information until it is made public.

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	Total <sup>3</sup>	Parcial <sub>3</sub>		
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			The Board of Directors approves the annual budget. Additionally, the Board considers strategic issues and management objectives, in compliance with its Rules of Procedure.
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 Directorate Committee and they are published on intranet available for personnel consultation. As regards Capital Assets, they are approved by the Investment Plan in the context of the Comprehensive Tariff Review (“RTT”), by the Board of Directors. Notwithstanding this, these Policies are not dully approved by the Board itself.
II.1.1.3 policy of corporate governance (compliance with the Corporate Governance Code)	X			Annually, the Board of Directors approves the Corporate Governance report together with the Annual report in compliance with Regulations from the CNV. Although the Company does not count on a Code of Corporate Governance, it does have a number of policies aiming at strengthening the practices of good corporate governance, such as: the Code of Ethics and Conduct (affecting all employees, Directors, Union members and suppliers; if there are changes to this code, they will have to be approved by the Board of Directors), the Policy of Conflicts of Interests, 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 regarding this recommendation approved by the Directorate Committee, and they are published on intranet available for personnel consultation. It is accomplished, as the Company counts on

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	Total <sup>3</sup>	Parcial <sup>3</sup>		
				Compensation and Appointment Committee composed of 3 members of the Board of Directors, the majority of whom are independent, and their objective is to safeguard all policies related to this recommendation. In compliance with Regulations of the Compensation and Appointment Committee, the role of this Committee is to deal with all matters regarding the selection, assessment and compensation of the members of the Directorate Committee.
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 Directorate Committee, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Board of Directors.
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.
II.1.1.7 policy of enterprise social responsibility.		X		The Company counts on policies related to this recommendation approved by the Directorate Committee, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Board of Directors.
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 Directorate Committee, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Board of Directors. The Audit Committee quarterly monitors the Company's risk and, on an annually a presentation is made to the Board of Directors.
II.1.1.9 policy of ongoing training for members of the Administrative Body and for first line managers.		X		The Company counts on policies related to this recommendation approved by the Directorate Committee, and they are published



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	Total <sup>3</sup>	Parcial <sup>3</sup>		
				on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Board of Directors. The Audit Committee has an annual Training Plan (whose budget is approved by the Shareholders' Meeting) and invites the Board of Directors and the Directorate Committee 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, through the Secretariat of the Board of Directors, the submittance of relevant information to all the members of the Board of Directors, with a prudent advance.
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 Directorate Committee has internalized a strong risk management culture. As a consequence of this, every relevant decision to be approved by the Board of Directors entails an analysis of the person responsible for the matter and 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			The Board of Directors quarterly verifies compliance, deviations or adaptations of the annual budget, as well as the business plan.
II.2.2 The performance of first line managers and the fulfillment of objectives set to them (the level of expected profits versus the	X			The Directorate Committee performance is assessed on an annual basis. This assessment and the variable compensation resulting from such assessment are

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	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
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 Administrative Body's monitoring.				approved by the Compensation Committee. In relation to Management Control, the board is presented quarterly with the key management indicators, containing the value of each indicator and its annual variation and comparison with the budget.
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. In November 2016, MetroGAS Board reviewed its internal regulations. These regulations govern all matters related to meetings as well as other issues within their purview.
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,		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.

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	Total <sup>3</sup>	Parcial <sup>3</sup>		
indicating the date when the General Assembly was held where such assessment was presented.				
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			At present The Board of Directors of the Company is composed of 11 directors appointment by Stockholders Meeting; being three of them independent according to what is stipulated by the CNV, and the other 8 members being external and appointed by the controlling stockholder, that is to say, being wisely connected to the capital structure of the Company.
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 have a policy related to this recommendation it complies with the CNV Standards and statute, so 30% of the members of the Board of Directors is independent. Up to this date, the independence of the members has never been questioned.
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	X			The said Committee is composed of three members of the

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Administrative Body, being their majority independent members,				Directorate; who 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			The Committee holds meetings at least four times a year. If necessary, it holds extra meetings to the ones that are scheduled periodically.
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 members.			X	Being a specific responsibility of the Shareholders' Meeting, the Compensation and Appointment Committee does not appoint or select members of the Board of Directors.
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 criteria to be considered for first line managerial level are analyzed at time of each incorporation. The Compensation and Appointment Committee does not recommend any criteria to select members of the Board of Directors.
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			X	The Compensation and Appointment Committee does not appoint members of the Board of Directors.

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	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
Administrative Body according to their background,				
II. 5.2.5 recommends the President of the Board of Directors not to be the General Manager of the Issuer,	X			Under the terms of this recommendation a person other than the Director General has been appointed as Chairman of the Board.
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		On the Company's web page there is detailed information about the length of Directors' term of office. The Curriculum Vitae of each of the members of the Board, of the Supervisory Committee and of the Directorate Committee is available on the web page of the CNV, in the prospectus of the Program for the Issuance of MetroGAS' Notes.
II.5.2.7 confirms the existence of a replacement plan for members of the Administrative Body and for first line managers.		X		The Compensation and Appointment Committee's sole function is to deal with succession planning of first line managers.
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
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			In compliance with its Rules of Procedure, the Compensation and Appointment Committee considers this issue.
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	X			The Audit Committee has an annual Training Plan and invites the Board of Directors and the Directorate Committee to participate in its activities. Within the training activities developed during the year we can mention the following issues: <ul style="list-style-type: none"> <li>Regulatory framework and tariffs</li> <li>Functioning of the</li> </ul>

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	Total <sup>3</sup>	Parcial <sup>3</sup>		
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.				distribution system <ul style="list-style-type: none"> <li>• Information systems</li> <li>• Commercial strategy</li> <li>• Fire prevention</li> <li>• Governance and transparency</li> <li>• Internal Audit</li> <li>• Human Resources</li> <li>• Technical revaluation</li> </ul>
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 and the rest of the personnel. Members of the Administrative Body are not included. The Company stipulates an annual budget for Training under the responsibility of the Human Resources Directorate which evaluates de need and convenience of the requested training.
<b>PRINCIPLE III. TO SUPPORT AN EFFECTIVE POLICY OF IDENTIFICATION, MEASUREMENT, ADMINISTRATION AND COMMUNICATION OF ENTERPRISE RISKS</b>				
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 these policies.	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 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	X			See previous point.

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	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
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.				
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 and report quarterly to the Audit Committee.
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 (COSO).
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.	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 <sup>3</sup>	Parcial <sup>3</sup>		
Specify the main points of the concepts described above.				
<b>PRINCIPLE IV. TO SAFEGUARD THE INTEGRITY OF FINANCIAL INFORMATION WITH INDEPENDENT AUDITS.</b>				
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	X			<p>There is an Internal Audit's function that reports to the Audit Committee and is responsible for assessing the Internal Control system.</p> <p>On an annual basis the Audit Committee assesses the performance of Internal Audit and its degree of independence.</p> <p>Internal Audit complies with the international standards for the professional practice of internal auditing issued by the Institute of Internal Auditors ("IIA")</p>



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	Total <sup>3</sup>	Parcial <sup>3</sup>		
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			<p>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:</p> <ul style="list-style-type: none"> <li>a) Background of the Auditing Company,</li> <li>b) The sworn statement by public accountant submitted by the Partner in charge of the audit in compliance with the regulations of sect. 104 of Law 26,831 of Capital Markets.</li> <li>c) The guidelines of work methodology.</li> <li>d) The quality control policies submitted by the Auditing Company, including the working team who gives support in specific areas.</li> <li>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.</li> </ul> <p>In order to assess the external auditor's Independence, the Audit Committee has:</p> <ul style="list-style-type: none"> <li>a) obtained a statement from auditors as regards their independence.</li> <li>b) made an assessment of the services rendered by the external auditor, verifying that none of these services compromises his independence.</li> </ul>
IV.4 The Issuer counts on a	X			The Company counts on a policy

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	Total <sup>3</sup>	Parcial <sup>3</sup>		
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.				regarding the rotation of partners of the auditing company, which conforms to the rules of the CNV policy.
<b>PRINCIPLE V. TO RESPECT THE RIGHTS OF THE SHAREHOLDERS.</b>				
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			Regular meetings are held - and upon request - with majority shareholders on a quarterly basis. Minority shareholders get the information by means of the of relevant facts to CNV and BYMA communications.
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 (<a href="http://www.metrogas.com.ar">www.metrogas.com.ar</a>); 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	X			The Company adopts the necessary measures to encourage attendance and participation of minority shareholders in assemblies. Among other measures

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	Total <sup>3</sup>	Parcial <sup>3</sup>		
Assemblies. Specify, making a difference between measures imposed by law from the ones voluntarily offered by the Issuer to its shareholders.				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.
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	It is not considered necessary to implement any kind of regulation to guarantee the availability of information to shareholders prior to a meeting, as the Company complies with regulations in force so as to guarantee the full exercise of the right to information and the access to all relevant information or to the one requested by the shareholder.
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 Assembly in compliance with what is stipulated by the regulations in force. Specify the results.	X			The Company accepts the participation of minority shareholders in accordance to regulations in force.
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			X	The Company considers that accepting the position of Director implies the obligation to comply with all standards about Corporate Governance and with the Company's bylaws related to this

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	Total <sup>3</sup>	Parcial <sup>3</sup>		
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.				issue.
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 N° 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 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	X			The Board of Directors makes up the proposal and takes it to the Annual Assembly for its approval.

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	Total <sup>3</sup>	Parcial <sup>3</sup>		
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.				
<b>PRINCIPLE VI. TO MAINTAIN A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY.</b>				
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			The Company has its own web site, <a href="http://www.metrogas.com.ar">www.metrogas.com.ar</a> ; it is of free access and easy to surf. It is constantly updated and contains plenty of information about the Company. Additionally, this web site can be used as a service channel to send questions and concerns to the Company.
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-Forética, AA 1000, Equator Principles, among others).		X		The Company develops activities connected to Corporate Social Responsibility (CSR) however, it was not considered necessary to have a Corporate Social Responsibility assessment. Moreover the Company describes in its Annual Report all Community Service Activities carried out during the year. The Sustainability Report corresponding to 2015 and 2016 is available on the Company's web page. This Report has been written in compliance with guidelines provided by the Global Reporting Initiative (GRI), in its G4 version, in accordance with the option "essential". The said Report considers all the activities related to CSR and sustainability that have been developed by the Company.
<b>PRINCIPLE VII. TO GIVE FAIR AND RESPONSIBLE COMPENSATIONS.</b>				
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				

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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 three independent Directors.
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			The Committee holds meetings at least four times a year. If necessary, it holds extra meetings to the ones scheduled periodically.
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 To date there is no variable remuneration scheme for the Board of Directors.

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	Total <sup>3</sup>	Parcial <sup>3</sup>		
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 establishes it within its functions.
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

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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
<b>PRINCIPLE VIII. TO ENCOURAGE ENTERPRISE ETHICS</b>				
Recommendation VIII: To guarantee ethical behavior within the Issuer.				
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	X			The Company counts on different mechanisms to receive complaints, including an anonymous and confidential complaint line managed by an external and independent company.



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	Total <sup>3</sup>	Parcial <sup>3</sup>		
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.				
VIII.3. The Issuer counts on policies, processes and systems for the management and solution of complaints mentioned in VIII.2. Make a 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.	X			The Company counts on a detailed protocol for the reception, management and handling of all complaints received. The Ethics Committee is responsible for managing the Code of Ethics and Conduct, and assessing and deciding actions to be taken. All complaints must be immediately reported to the Audit Committee: (i) any situation that may impact on supervision tasks of financial information or other relevant issues that are submitted to the CNV and the markets; and (ii) complaints related to the performance of MetroGAS' system of internal control , administrative-accounting system and auditing system.
<b>PRINCIPIO IX: TO EXTEND THE SCOPE OF THE CODE</b>				
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</p>

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	Total <sup>3</sup>	Parcial <sub>3</sub>		
				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.

Marcelo Adrián Núñez  
Chairperson

# **METROGAS S.A.**

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

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## METROGAS S.A.

### CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

#### LEGAL INFORMATION

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

**Fiscal Year:** No. 26 (initiated on January 1, 2017).

**Financial Statements Consolidated:** as of December 31, 2017 and comparatives.

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

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

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

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

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

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

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

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

#### Composition in Common Stock as of 12.31.17:

Classes of Shares	Subscribed, Registered and Paid-in (thousands of pesos)
Outstanding	
Common Certified Shares of Ps. 1 Par Value and 1 Vote each:	
Class "A"	290,277
Class "B"	275,026
Class "C"	3,868
<b>Issued Capital as of 12.31.17</b>	<b>569,171</b>

Marcelo Adrián Núñez  
Chairperson

## METROGAS S.A.

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2017 AND 2016 *(stated in thousands of pesos)*

	Notes	12.31.17	12.31.16
<b>Assets</b>			
<b>Non current Assets</b>			
Properties, plant and equipment	10	15,691,974	2,436,979
Intangible assets	12	177,624	125,295
Deferred tax assets and MPIT	28	-	157
Investment properties	11	2,272	2,333
Other receivables	14	73,488	7,299
<b>Total Non current assets</b>		<b>15,945,358</b>	<b>2,572,063</b>
<b>Current assets</b>			
Inventories		3,805	2,696
Trade receivables	13	3,404,024	2,731,286
Other receivables	14	345,988	943,824
Cash and cash equivalents	15	492,379	357,904
<b>Total Current assets</b>		<b>4,246,196</b>	<b>4,035,710</b>
<b>Total assets</b>		<b>20,191,554</b>	<b>6,607,773</b>
<b>Shareholders' Equity</b>			
Issued capital	16	569,171	569,171
Accumulated results (losses)		8,416,048	(1,943,940)
<b>Equity attributable to the owners of the parent</b>		<b>8,985,219</b>	<b>(1,374,769)</b>
Non-controlling interest		4,525	2,591
<b>Total Shareholders' Equity</b>	16	<b>8,989,744</b>	<b>(1,372,178)</b>
<b>Liabilities</b>			
<b>Non current Liabilities</b>			
Trade payable	21	71,146	57,631
Financial debt	18	-	2,740,933
Deferred tax liabilities	28	2,750,694	115,957
Reorganization liabilities	19	8,446	10,269
Other taxes payable	17	3,011	4,180
Provisions	20	342,475	260,998
<b>Total Non current Liabilities</b>		<b>3,175,772</b>	<b>3,189,968</b>
<b>Current Liabilities</b>			
Trade payable	21	3,857,290	4,120,568
Salaries and social securities	22	253,237	173,071
Income tax and minimum presumed income tax ("MPIT")		107	-
Other taxes payable	17	452,706	327,490
Financial debt	18	3,429,675	153,661
Deferred tax liabilities	28	342	-
Other accounts payable	23	32,681	15,193
<b>Total Current Liabilities</b>		<b>8,026,038</b>	<b>4,789,983</b>
<b>Total Liabilities</b>		<b>11,201,810</b>	<b>7,979,951</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>20,191,554</b>	<b>6,607,773</b>

The accompanying notes 1 to 32 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, 2017 AND 2016

(stated in thousands of pesos)

	Notes	For the years ended,	
		12.31.17	12.31.16
Revenues	24	12,181,739	7,982,844
Operating costs	25	(9,173,030)	(6,864,998)
<b>Gross profit</b>		<b>3,008,709</b>	<b>1,117,846</b>
Administration expenses	25	(764,780)	(610,164)
Selling expenses	25	(1,104,458)	(742,469)
Other income and expenses	26	(63,489)	(166,253)
<b>Result before Temporary Economic Assistance</b>		<b>1,075,982</b>	<b>(401,040)</b>
Temporary Economic Assistance	2.2	-	759,200
<b>Operating income</b>		<b>1,075,982</b>	<b>358,160</b>
Finance income	27	210,846	199,285
Finance cost	27	(1,217,660)	(1,228,380)
<b>Net financial results</b>		<b>(1,006,814)</b>	<b>(1,029,095)</b>
<b>Result before income tax and MPIT</b>		<b>69,168</b>	<b>(670,935)</b>
Income tax and MPIT	28	705,659	66,527
<b>Net result for the year</b>		<b>774,827</b>	<b>(604,408)</b>
<b>Other comprehensive income (1)</b>			
Essential assets revaluation		12,489,330	-
Income tax	28	(3,173,328)	-
<b>Total other comprehensive income</b>		<b>9,316,002</b>	<b>-</b>
<b>Net and comprehensive result for the year</b>		<b>10,090,829</b>	<b>(604,408)</b>
<b>Net and comprehensive result for the year attributable to controlling interest</b>		<b>772,893</b>	<b>(599,682)</b>
<b>Net and comprehensive result for the year attributable to non-controlling interest</b>		<b>1,934</b>	<b>(4,726)</b>
<b>Net and comprehensive result for the year</b>		<b>774,827</b>	<b>(604,408)</b>
<b>Net result per share</b>			
Basic and diluted	29	1.36	(1.05)

(1) Do not reversal to results.

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Marcelo Adrián Núñez  
Chairperson

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## METROGAS S.A.

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 *(stated in thousands of pesos)*

	Issued capital	Subtotal issued capital	Accumulated results		Subtotal accumulated results	Equity attributable to the owners of the parent	Non-controlling interest	Total Shareholders' Equity
			Other comprehensive income	Unappropriated retained losses				
<b>Balance as of December 31, 2015</b>	569,171	569,171	-	(1,344,258)	(1,344,258)	(775,087)	7,317	(767,770)
Net and comprehensive result for the year ended December 31, 2016	-	-	-	(599,682)	(599,682)	(599,682)	(4,726)	(604,408)
<b>Balance as of December 31, 2016</b>	569,171	569,171	-	(1,943,940)	(1,943,940)	(1,374,769)	2,591	(1,372,178)
Net and comprehensive result for the year ended December 31, 2017	-	-	-	772,893	772,893	772,893	1,934	774,827
Properties, plant and equipment revaluation	-	-	9,587,095	-	9,587,095 (1)	9,587,095	-	9,587,095
Properties, plant and equipment revaluation reversals	-	-	(271,093)	271,093	-	-	-	-
<b>Balance as of December 31, 2017</b>	<b>569,171</b>	<b>569,171</b>	<b>9,316,002</b>	<b>(899,954)</b>	<b>8,416,048</b>	<b>8,985,219</b>	<b>4,525</b>	<b>8,989,744</b>

(1) Includes 8,389,158 for the initial revaluation of the essential assets of PP&E and 1,197,937 for change effect of income tax rate on the deferred tax liability generated by said revaluation (See Note 28).

The accompanying notes 1 to 32 are an integral part of and should be read together with these statements.

Marcelo Adrián Núñez  
Chairperson



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## METROGAS S.A.

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (stated in thousands of pesos)

	12.31.17	12.31.16
<b>Cash flows generated by operating activities</b>		
Net result for the year	774,827	(604,408)
Adjustments to arrive to the net cash flow from operating activities		
Income tax and MPIT	(705,659)	(66,527)
Temporary Economic Assistance	-	(759,200)
Depreciation of properties, plant and equipment and investment properties and intangible assets	510,078	101,222
Net book value of disposals of properties, plant and equipment	21,768	20,656
Net charge on provisions	177,041	239,241
Net financial results	1,122,172	1,150,311
Changes in assets and liabilities		
Trade receivables	(728,049)	(1,807,400)
Other receivables	486,096	64,412
Inventories	(1,109)	(2,696)
Trade payable	(361,780)	2,317,003
Salaries and social securities	80,167	44,742
Reorganization liabilities	(1,823)	(5,015)
Other taxes payable	193,226	143,452
Provisions	(10,142)	(21,306)
Other accounts payable	18,636	(4,265)
Income tax and MPIT paid in the year	(3,515)	(44,114)
<b>Net cash flows generated by operating activities</b>	<b>1,571,934</b>	<b>766,108</b>
<b>Cash flows used in investing activities</b>		
Increase in properties, plant and equipment	(899,183)	(486,164)
Increase in intangible assets	(63,201)	(59,665)
<b>Net cash flows used in investing activities</b>	<b>(962,384)</b>	<b>(545,829)</b>
<b>Cash flows used in financing activities</b>		
YPF interest payment and loan payment	(167,298)	-
Financial debt interest payment	(290,426)	(284,935)
Commercial debt interest payment	(41,697)	(175,256)
Current account advances	20,610	-
<b>Net cash flows used in financing activities</b>	<b>(478,811)</b>	<b>(460,191)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>130,739</b>	<b>(239,912)</b>
Cash and cash equivalents at the beginning of year	357,904	596,223
Exchange differences on cash and cash equivalents	3,736	1,593
Cash and cash equivalents at the end of the year (1)	492,379	357,904
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>130,739</b>	<b>(239,912)</b>

(1) As of December 31, 2017 and 2016, funds collected and pending to be deposited for Trust Funds and Resolution I-2,621/2013 amount to 12,614 and 45,428, respectively.

The accompanying notes 1 to 32 are an integral part of and should be read together with these statements.

Marcelo Adrián Núñez  
Chairperson

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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION**

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

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

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

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

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

As of December 31, 2017, MetroGAS’ controlling shareholder is YPF S.A. (“YPF”) whose principal business is the study, exploration and exploitation of liquid and/or gaseous hydrocarbons and other minerals, as well as the industrialization, transportation and marketing of these products and their byproducts, also including petrochemical products, and non-fossil fuels and chemicals, biofuels and their components, electric power generation based on hydrocarbons, telecommunication services, as well as production and industrialization, processing, marketing, conditioning services, grain transportation and storage and their byproducts (see Note 16).

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.

As part of the above measures, Public Emergency and Foreign-Exchange System Law No. 25,561 (the “Emergency Law”) was enacted on January 6, 2002. This law was subsequently supplemented by other statutes, executive decrees and regulations issued by different governmental agencies.

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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION**

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

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.

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 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.

As of December 31, 2016, the Company recorded accumulated losses for 1,943,940 and kept a consolidated negative working capital of 754,273. 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 1,374,769, being subject to the provisions of Article 94, paragraph 5, and Article 96 of the General Corporations Law. During the exercise 2017, after the signing and implementation of the Provisional Agreement 2017 and the Comprehensive Letter of Understanding of Contractual Renegotiation Agreement, the Company was able to begin the process of recomposition the economic and financial position it had been experiencing. As of December 31, 2017, the positive equity of the Company amounted to 8,985,219.

Note 2.1.2 contains a description of subscribed agreements and they are in force as of December 31, 2017.

These consolidated financial statements have been prepared using accounting standards applicable to a going concern.

#### **2.1 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.

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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION**

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

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 Ente Nacional Regulador del Gas (“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.

#### **2.1.1 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 National 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 2.8.1).

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.

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.

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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION**

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

The License may be revoked by the National 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. 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 its parent or grant loans or encumber assets to secure debt of, or grant any other benefit to creditors of its parent.

#### **2.1.2 Tariff Renegotiation**

The Emergency Law published in the Official Gazette ("O.G.") on January 7, 2002, modified the legal framework in force for license contracts of public services.

The main provisions of Emergency Law that affected on the License duly granted to MetroGAS by the National Government and that modified express provisions of the Gas Law was 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 should continue to complying with all their obligations.

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, the Company signed a series of agreements with different entities representing the National Government.

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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION**

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

The subscribed agreements are described below and that are in force as of December 31, 2017.

#### **2.1.2.1 Provisional Agreement 2017**

On March 30, 2017, the Company signed with Ministries of Energy and Mining ("MINEM") and the Economy Ministry a provisional agreement ("Provisional Agreement 2017") which provides the temporary adjustment of prices and tariffs of the Public Natural Gas Distribution Service, the specific allocation of the amounts therein provided until the execution of the Memorandum of Agreement of the Integral Contract Renegotiation and the enforcement of the final tariff schedule resulting from the Integral Tariff Review ("ITR"). The Provisional Agreement 2017 is complementary to the Provisional Agreement 2008, and expansive of the Provisional Agreement 2014 and the Provisional Agreement 2016, subscribed in previous years.

The Provisional Agreement 2017, which is not subject to confirmation by the PEN, establishes a temporary tariff Schedule as of April 1, 2017, which consists of the readjustment of tariffs considering the necessary guidelines to maintain the continuity of the service in order to allow the Company to afford the operation and maintenance, and management and marketing expenses, as well as expenses for executing the mandatory investment plan determined by ENARGAS and fulfill the corresponding payment obligations, respecting its chain of payments to ensure the continuing rendering of its public service until the enforcement of the tariff regime resulting from the Memorandum of Agreement of Integral Contract Renegotiation.

Furthermore, the Provisional Agreement 2017 provides for the incorporation of the transfer resulting from changes in tax rules, except for income tax, which are pending resolution and incorporates a Mandatory Investments Plan for MetroGAS.

Finally, MetroGAS may not distribute dividends without prior presentation before ENARGAS of the integral fulfillment of the Mandatory Investments Plan.

On March 30, 2017, MINEM instructed ENARGAS, through Resolution No. 74 - E/2017, to enforce the tariff schedules resulting from the Integral Tariff Review process.

In this respect, it was decided that, for the gradual and progressive implementation of this measure, ENARGAS had to apply in stages the tariff increases resulting from the Integral Tariff Review according to the following progression: thirty per cent (30%) of the increase as from April 1, 2017; forty per cent (40%) of the increase as from December 1, 2017, and the remaining thirty per cent (30%) as from April 1, 2018.

Furthermore, and for the events in which the corresponding Memorandum of Agreement of the Integral Contract Renegotiation had not been enforced yet, the ENARGAS was instructed to apply to Licensees (MetroGAS among them) a temporary adjustment of the tariffs awaiting the Integral Tariff Review.

On March 31, 2017 ENARGAS Resolution No. 4,356/2017 was published in the O.G., approving, as from April 1, 2017, the tariff schedules resulting from the MetroGAS Integral Tariff Review and transition tariff schedules to be applied to MetroGAS customers. Through differentiated tariffs, ENARGAS Resolution No. 4,356/2017 determined tariff schedules for the residential customers with savings in consumption of or above 15% with respect to the same period of 2015,

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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION**

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

as well as those that would be applied to beneficiaries of the “Social Tariff” (MINEM Resolution No. 28/2016 and ENARGAS Resolutions No. I-2,905/2014 and No. 3,784/2016) and Welfare Institutions (Law No. 27,218).

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

Furthermore, ENARGAS Resolution No. 4,356/2017 further dismissed ENARGAS Resolutions No. I-2,407/12 and No. I-3,249/15 that allow the collection of a fixed amount per invoice under the heading Fund for Gas Distribution Consolidation and Expansion Works (“FOCEGAS”).

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

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

On December 1, 2017 the Official Gazette published: (i) ENARGAS Resolution No. 131/2017 in order to (a) declare valid the Public Hearing, convened through ENARGAS Resolution No. 74/2017, (b) approve MetroGAS’ temporary tariff scheme applicable as from December 1, 2017 and (c) approve new values for Rates and Charges collected by MetroGAS for Additional Services ; and (ii) ENARGAS Resolution No. 132/2017 that states a discount to be applied by MetroGAS in favor of users who (a) register a reduction in their gas consumption or (b) have the Social Tariff benefit.

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

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

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

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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION**

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

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

Under the terms therein, a set of guidelines have been established that shall consider the Integral Tariff Review process:

- Introduction of non-automatic mechanisms for the six-month adequacy of the distribution tariff, between the five-year tariff reviews, considering the variations observed in prices of the economy linked to service costs, in order to maintain the economic-financial sustainability of the service and the quality of the service rendered;
- Design and implementation of suitable methods to promote and measure in time improvements in the efficiency of the service rendered by the Company.
- ENARGAS will establish the criteria to determine the Capital Base and the Profitability Rate to be applied to the Integral Tariff Review, under the following general criteria:
  - c) The Capital Base will be established taking into account the assets required to render the public service. In order to value said assets shall be considered: a) the initial value of the assets at the beginning of the License Agreement, as well as the value corresponding to after incorporations, net of removals and depreciations, considering established in the following paragraph of this section, and b) the current value of those assets, resulting from applying founded technical criteria that express fairly and reasonably such estimate, taking into account the current condition of preservation of those assets. All valuations of those assets shall be in national currency and the evolution of representative official rates of price variations considering the cost structure of those assets.
  - d) The Profitability Rate will be established according to articles 38 and 39 of the Law Gas. Therefore, it shall weigh the retributions of the direct capital as well as third parties. While determining the retribution of direct capital, ENARGAS shall establish a fair and reasonable level for activities of similar or comparable risk, in proportion to the level of efficiency and satisfactory rendering of the service. In turn, in order to determine the cost of capital of third parties, ENARGAS shall reflect the cost of money in the terms and conditions valid for the financing of public utilities companies.
- ENARGAS shall require the presentation by the Company of an investment plan to be incorporated into the tariff calculation.
- ENARGAS shall perform a cost analysis to determine new values of rates and charges for services of the Company's regulated activity. The analysis shall be made on the basis of reasonable and efficient costs of these services.

The MetroGAS Tariff Schedule resulting from the Integral Tariff Review according to the established guidelines shall be applied once all the procedures provided for the enforcement of the Memorandum of Agreement are fulfilled. With respect to the enforcement of the Integral Tariff



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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION**

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

Review, it shall not extend beyond December 31, 2017. Should the ENARGAS provide the gradual and progressive application of the tariff increase resulting from the Integral Tariff Review, the application of the last stage shall fall on or before April 1st, 2018.

As a pre-condition to the ratification, the Memorandum of Agreement provides for the suspension and dismissal of all claims, remedies or actions filed, in progress, or to be executed, both via administrative, arbitration or judicial courts, either in Argentina or abroad, founded or linked to the facts or measures provided, with respect to the License Agreement, as from the Emergency Law and/or the cancellation of the USA PPI index. Furthermore, the Memorandum of Agreement shall be endorsed by the MetroGAS Shareholders’ Meeting, so that the Executive Power may issue the Decree to confirm the terms of the Memorandum of Agreement. On April 27, 2017, MetroGAS Shareholders’ Meeting confirmed the Memorandum of Agreement for the Adequacy of the Natural Gas Distribution License Agreement.

Finally, the Memorandum of Agreement anticipates the Company’s commitment to make, during the time of the License, plus its possible ten-year extension and within the territory of the License, additional sustainable investments equivalent to the amount of the award in the arbitration proceedings “BG Group Plc. vs. the Argentine Republic (UNC 54 KGA)” with the proportional percentage of reduction established in the payment agreement and excluding the amounts corresponding to the interest for delays in the payment of the award. The amount and the additional investment plan shall be established by ENARGAS, upon the Company’s proposal, and they shall not be incorporated into the tariff base.

To date, the Memorandum of Agreement is subject to controls provided by the Emergency Law so that the Executive Power may issue the confirmation Decree.

With respect to the Licensees whose Memorandum of Agreement have not become valid yet, the ENARGAS was instructed to apply to them a temporary tariff adjustment for the account of the ITR, considering to those effects the surveys performed within the framework of said ITR by virtue of the provisions of Article 1 of MINEM Resolution No. 31/2016.

#### **2.2 Temporary Economic Assistance**

On December 30, 2016 MINEM Resolution No. 312 - E/2016 was published in the O.G. providing a temporary economic assistance to Licensees of Natural Gas distribution Service by networks for the period April – September 2016, in order to be able to afford compulsory investments established (for MetroGAS) in ENARGAS Resolutions No. 3,726/2016 and No. 4,044/2016, and the payment to gas producers; all of this on account of the Comprehensive Tariff Review.

Under the terms of the Resolution, the allocation of amounts assigned to MetroGAS of 759,200 was applicable as long as , according to the ENARGAS, the economic-financial situation of the Company that resulted in the temporary economic assistance was maintained; taking into account the availability of funds to meet their investment obligations and payments to gas producers.

In order to issue the funds of the temporary economic assistance, MetroGAS should submit to the ENARGAS an affidavit, under the terms of ENARGAS Note No. 106/2017, about the purpose to which the required amounts shall be put. According to ENARGAS’ instructions, should the affidavits be in line with the provisions of MINEM Resolution No. 312 – E/2016, they would be

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forwarded to the Secretariat of Hydrocarbon Resources reporting to MINEM to provide the transfer of the assistance. Furthermore, the Resolution provided that Licensees would not be able to distribute dividends under the terms of MINEM Resolution No. 31/2016.

On March 31, 2017, MetroGAS received 759,200 corresponding to MINEM Resolution No. 312 – E/2016.

#### **2.3 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 different categories of users had to purchase natural gas volumes at the transportation system entry point (“PIST”) 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 Compressed Natural Gas (“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 constituted by MetroGAS 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 is 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.

On April 1, 2016, through Resolution No. 34/2016, the MINEM ordered a new arrangement for the supply of CNG stations establishing the obligation regarding these users to purchase natural gas for supply to the distributor of its area or range so that they provide full service (gas, transportation and distribution).

MINEM Resolution No. 212 – E/2016 established new PIST prices for natural gas allocated to GNC filling stations effective from October 7, 2016. As a consequence thereof, through ENARGAS Resolution No. 4,044/2016, new tariffs for GNC users were approved among others.

As from May 1, 2017, and under the Terms of MINEM Resolution No. 80 – E/2017, there has been an extension of the purchase options of natural gas by the owners of CNG stations, who can buy gas through Distribution Companies (complete service – MEM Resolution No. 34/2016) or directly via gas producers or marketers (respecting the mix of basins and percentages of fuel gas allocated to the regional distribution company). The CNG stations that modify their purchase modality shall remain in that modality at least twelve months from the moment they make that

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choice. On April 27, 2017, ENARGAS regulated MINEM Resolution No. 80 - E/2017 through ENARGAS Resolution No. 4,407/2017.

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

On January, 2004, Executive Order No. 181/04 authorized the Energy Secretariat (“ES”) to negotiate with gas producers a price adjustment mechanism to supply industries and electricity generation companies. In this context, through MPFIPyS Resolution No. 208/2004 approved the “Agreement for Implementing the Schedule for the Normalization of Natural Gas Prices at Points of Entry into the Transportation System by Executive Order No. 181/2004”, signed on April 2, 2004 between the ES and natural gas producers.

On June 14, 2007, the Argentine SE published Resolution No. 599/07 in the O.G. approving the proposal for the “Agreement with Natural Gas Producers 2007-2011” (“Agreement 2007-2011”). The Agreement established the volumes to be injected at the PITS by natural gas producers prioritizing mainly the supply of residential demand and CNG through redirection mechanisms and additional demands. Also, the parameters of the natural gas price adjustments in a staggered form.

In accordance with the Agreement 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.

On October 4, 2010, ENARGAS Resolution No. 1,410/2010 was published in the O.G. (later clarified by ENARGAS Note No. 13,934), which approved new rules named “Procedure for Gas Applications, Confirmations and Control”, which would 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.

The ENARGAS Resolution No. 1,410/2010 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.

Once the Urgent Demand is met, producers would had to confirm the 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. 6,866/09) and 4) Exports.

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On January 5, 2012, was published in the Official Gazette the ES Resolution No. 172/2012, which extended the effect of the ES Resolution No. 599/2007 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.

Under the terms of MINEM Resolution No. 89/2016, a process of standardization of agreements was started; based on that MetroGAS entered into different agreements with gas producers, either from the Austral basin, or the Neuquina basin. These contracted volumes work out volumes from ENARGAS Resolution No. 1,410/2010 not only for the producer but also for the distributing company. Contracted volumes based on MINEM Resolution No. 89/2016 were paid by distributing companies at a price settled by the MINEM.

On October 6, 2016, the MINEM issued Resolution No. 212 – E /2016 and fixed a price path for natural gas, stipulating natural gas value on a gradual and biannual basis up to October 1, 2019 (for MetroGAS’ License area).

Through Resolution No. 74 – E/2017, MINEM determined the new prices of the natural gas at the City Gate for the Transportation System of natural gas to be applied, as of April 1, 2017, to the customer categories mentioned therein. Furthermore, the resolution also established the new prices at the City Gate for the Transportation System subsidized for Residential customers with savings in their gas consumption of or above 15% with respect to the same period in 2015. These new prices at the City Gate for the transportation system have been provided for in ENARGAS Resolution No. 4,356/2017.

On December 1, 2017 and through Resolution No. 474 - E/2017, the MINEM stipulated new prices for natural gas in the PIST which were applied as from December 1, 2017 to the category of users therein indicated. Moreover, stipulated new prices in the PIST with a discount to Residential users of natural gas who registered a reduction in their consumption equal or superior to twenty percent (20%) compared to the same period in 2015 and the discount corresponding to users with the Social Tariff benefit. These new prices in the PIST were contemplated in ENARGAS Resolutions No. 131/2017 and No. 132/2017.

On November 29, 2017, at the request of the MINEM, MetroGAS subscribed the “Bases and Conditions for the Supply of Natural Gas through Networks to Gas Distributors” (the “Bases and Conditions”) together with the rest of the distributors and a group of gas producers. These Bases and Conditions set the guidelines for contracting gas volumes to meet the demand from distributors for the period included between January 1, 2018 and December 31, 2019. These guidelines establish: i) the daily volumes that each signing producer has to inject per basin to meet the demand from distributors, ii) the daily available volumes per basin for each distributor, iii) the price according to customer’s category and per period expressed in u\$s/MMBTU, iv) the obligation of the producer to deliver or pay 100% of the volume, v) the obligation of distributors to take or pay 100% of the volume, except when there is no demand and no gas volumes are assigned, of contracts not included in the Bases and Conditions ,vi) due date of the invoice is 75 days after the invoice date.

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#### **2.5 Incentive Policies**

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. The various schemes include: (i) the Gas Plus Program, regulated by ES Resolutions No. 24/08, No. 1,031/08 and No. 695/09; (ii) the Program to Encourage the Surplus Injection of Natural Gas, regulated by the Strategic Planning and Coordination Committee under the National Hydrocarbon Investment Plan No. 1/13, No. 60/13 and No. 185/15, (iii) the Program to Encourage New Natural Gas Projects, regulated by Resolution No. 74/2016 of MINEM and (iv) the Promotion Program for Investments in Natural Gas Developments from Non-Conventional Reservoirs, regulated by Resolution No. 46-E/2017 of MINEM.

#### **2.6 Trust Funds**

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

The specific charge I (ruled by Decree No. 180/2004 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.

It is important to point out that none of these two 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.

#### **2.7 Municipal Rates**

The regulatory framework contemplates to pass through to tariffs all new charges or rate increases, and under certain circumstances, the free use of public space for purposes of laying natural gas pipelines.

Under the terms of the regulatory framework, ENARGAS Resolution No. 4,356/2017 establishes that with respect to local taxes (provinces and municipalities) the same shall be incorporated to the final bill of the service in an independent line in order to make clear the tax charges included in the tariffs and differentiate them from the regulated components and their variations, thus preventing taxes and rates that tax the distribution and transportation public services in some jurisdictions from influencing the final tariff to be applied to all customers of a tariff subzone.

On July 3, 2017 ENARGAS Resolution No. 4,530/2017 was published in the O.G., which approves the “Methodology to include in the bills of gas distribution public service of local taxes”, which will be valid from April 1, 2017 until March 31, 2018, with respect to the street work Survey, Review and Inspection Rate (GCBA) and other local taxes specifically excluding Public Space Occupation Rates.

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The incorporation of local taxes to the customers’ final bills shall be authorized through the corresponding administrative act provided by ENARGAS. On July 7, 2017, ENARGAS authorized the inclusion in a separate line of the bill of the Inspection, Safety and Health Rate of the municipalities of Avellaneda, Quilmes, Esteban Echeverría and Lomas de Zamora, and the Street Work Survey, Review and Inspection Rate of the City of Buenos Aires. With respect to the Municipality of Avellaneda, on September 19, 2017 and through Note No. 8,993, the corresponding rate was modified, with the increase in the rate established by Municipal Ordinance No. 27,744.

On January 12, 2018 ENARGAS Resolution No. 228/2018 was published in the O.G., approving the methodology to include in the invoice the tax that levies the occupation or use of public space for the term between April 1, 2017 and March 31, 2018. Also, this Resolution stipulates that, for the term following March 31, 2018, the ENARGAS will issue previous proposal from Distributors a new procedure.

MetroGAS has not been able to pass-through to its tariffs any payment made for those items in some municipalities of the Province of Buenos Aires and the City of Buenos Aires made before March 31, 2017, which amount to \$ 392.6 million.

## **2.8 Obligations and restrictions upon privatization**

### **2.8.1 Restricted assets**

A substantial portion of the assets transferred by Gas del Estado (“GdE”) 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 S.A. (“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.

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#### **2.8.2 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 provisions of 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.

Pursuant to the terms and conditions of issuance of the 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.

Likewise, under the terms of the provisional agreements signed as well as under the conditions established in the temporary economic assistance, the Company may not distribute dividends without the prior accreditation of ENARGAS after compliance with the established conditions.

Additionally, on February 8, 2018, MetroGAS took a non-guaranteed loan that considers certain restrictions in the payment of dividends (See Note 32).

#### **2.8.3 Limitation on the transferability of shares the controlling company**

The Pliego contemplates the 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 whom the controlling company 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.

The General Ordinary and Extraordinary Shareholders’ Meeting of Gas Argentino on April 29, 2016 approved: i) the Merger by absorption of Gas Argentino and YPFIESA (“YPFIESA”) by YPF under the terms of Article 82, following and related provisions, of the General Corporations Law No. 19,550; ii) the Special Merger Balance of Gas Argentino and the Consolidated Merger Statements of Financial Position of YPFIESA, Gas Argentino, and YPF, closed on December 31, 2015, iii) the Prior Merger Commitment celebrated among YPFIESA, Gas Argentino and YPF,

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and iv) the Merger Prospect. The process of company reorganization was timely informed to ENARGAS.

On December 22, 2016, the CNV approved by Resolution No. 18,415 the merger by absorption under the terms of article 82 of the General Corporations Law No. 19,550. On November 22, 2017, the Definitive Merger Agreement was registered with the General Inspection of Justice (“IGJ”), with retroactive effect on January 1, 2016.

Under the terms and conditions of article 82 of the General Corporations Law No. 19,550, the merger implies Gas Argentino to be dissolved without liquidation so that the approved process of reorganization is possible according to the restrictions of the said Document.

#### **2.9 Procedure for Management of the Dispatch of the Emergency Executive Committee**

Supply of natural gas to distribution companies consists of a mechanism of request, confirmation and re-direction of gas provided for in ENARGAS Resolutions No. 1,410/2010 and 3,833/2016, which modify and complement the management procedures for the dispatch of natural gas provided by ENARGAS Resolution No. 716/1998.

On June 7, 2017 ENARGAS Resolution 4,502/2017 that approves the “Management Procedure for the Dispatch of the Emergency Executive Committee” and adapts the provisions in the “Complementary Procedure for Gas Requests, Confirmations and Controls”, approved ENARGAS Resolution No. 3,833/16.

Furthermore, and within the framework of the process to normalize the contracting of natural gas at the Point of Entry to the Transportation System, provided by MINEM Resolution No. 89/2016, ENARGAS should prepare an orderly text of the regulations issued regarding on gas dispatch within 180 days from the date ENARGAS Resolution No. 716/1998 is published.

#### **2.10 Residential Customers – Deferred payment in bills**

On August 25, 2017, ENARGAS submitted Note No. 8,265 providing that bills issued as from August 25, 2017 and until October 31, 2017 for residential customers, shall consider a fifty per cent (50%) deferment of the total amount corresponding to the billing period, without interest. The amounts subjected to the deferral shall be included in the first bill issued after October 31, 2017, in accordance with the guidelines related to the issuance of Public Service Liquidation Bills in two-monthly bills with monthly payments that is two monthly, equal and consecutive installments.

Under the terms of Note No. 8,265, should MetroGAS income be financially affected due to the deferral and potential postponement of payments to gas producers and/or transporters, the same shall be duly assessed and assumed by the National Government through the relevant Budget operations.

The provided deferral is not applicable to residential customers with Social Tariff.



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

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

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

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

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

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#### **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 April 2016, the FACPCE issued TR No. 43 accepting only the alternative to apply the equity method to measure investments in controlled companies in the financial statements separated from a controlling company according to the International Accounting Standard (“IAS”) 27.

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.

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 No. 664/03 from the PEN, the Company suspended the preparation of the financial statements in homogeneous currency.

IAS 29, “Financial Reporting in hyperinflationary economies”, requires financial statements of an entity whose functional currency is that of a hyperinflationary economy to be expressed in terms of the current unit of measure on the date of closure of the fiscal year that is being reported. To that purpose, in general terms, inflation generated since the date of acquisition or since the date of revaluation must be calculated on nonmonetary items, as appropriate. . The standard details a series of quantitative and qualitative factors to be considered in order to determine if an economy is or not hyperinflationary. The Board of Directors of the Company has concluded that there is not enough evidence to consider Argentina an inflationary country as of December 2017, within the framework of guidelines set forth in IAS 29. For this reason, the restatement criteria of the financial reporting stipulated in the mentioned standard have not been applied to the current fiscal year.

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During the last years, certain macroeconomic variables that impact on the Company’s businesses, such as wage cost, loan rates and types of exchange, have suffered considerable variations. If the restatement of financial statements into homogeneous currency were applicable, the adjustment will have to be resumed based on the last date when the Company adjusted its financial statements to reflect the effects of inflation, as it is stipulated in the applicable regulation. Both circumstances have to be taken into account by users of the present financial statements.

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 February 28, 2018.

#### **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, 2017.

##### **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 “US\$” or “U.S. dollars” refer to united states dollars.

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#### **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 and the valuation of Property, plant and equipment at fair values with changes Other Comprehensive Income.

#### **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 and commercial debts are presented within financing activities. The interests received 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. 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**

#### **4.2.1 Amendments to IFRSs became mandatorily effective in the current year**

This year, the Company has adopted some of the amendments to IFRSs issued by the IASB that are mandatorily effective for annual periods beginning on or after 1 January 2017.

As required by IAS 8, we shall introduce and briefly summarize the standards or interpretations issued by the IASB whose application is mandatory at the closing date of these consolidated financial statements and therefore have been adopted by the Company.

#### ***Amendments to IAS 7 – Disclosure Initiative***

On January 2016, the IASB modified IAS 7 that is applicable to fiscal years beginning on or after 1 January 2017 with earlier application permitted.

The amendments to Disclosure Initiative require an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities (and certain assets) arising from financing activities.

The explanation for the changes should differentiate “changes from cash flows from financing” to “changes other than cash”.

Also, to the extent necessary to satisfy the requirement of disclosure, an entity shall disclose the following changes in liabilities arising from financing activities: (i) changes arising from obtaining or losing control of subsidiaries or other businesses; (ii) the effect of changes in foreign exchange

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rates; (iii) changes in fair values; and (iv) other changes (with separate identification of any variation deemed relevant).

The IASB defines the liabilities arising from financing activities “are liabilities for which cash flows were or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities”. In addition, the disclosure requirement also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if they comply the same definition.

One way to accomplish the new disclosure objective by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments establish that changes in liabilities arising from financing activities should be disclosed separately from changes in other assets and liabilities.

The application of the amendments to the aforementioned had no effect on these Company’s financial statements.

#### ***Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses***

On January 2016, the IASB modified IAS 12 that is applicable to fiscal years beginning on or after 1 January 2017 with earlier application permitted.

The amendments to IAS 12 provides that when an entity assesses whether taxable profits will be available against which it can utilize a deductible temporary difference, it considers whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences. However, if tax law restricts the utilization of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

The application of the amendments to the aforementioned had no effect on these Company’s financial statements.

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#### *Amendments to IFRS 12 include annual improvements to IFRSs - Cycle 2014 - 2016*

In December 2016, the IASB issued the 2014 - 2016 annual improvements for fiscal years started on or as from January 1, 2017, with earlier application permitted.

Standard	Objective of the modification	Description
IFRS 12- Disclosure of Interests in Other Entities	Clarification of the scope of the Standard.	IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments apply retrospectively.

The application of the amendments to the aforementioned had no effect on these Company's financial statements.

#### **4.2.2 New and revised IFRSs issued have not been adopted to date**

##### *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

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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 take 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 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.

The Company made the evaluation of the expected credit losses as of December 31, 2017 to determine the impact that the application of this standard will have in the annual period beginning on January 1, 2018.

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

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

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

After the analysis made, the Company considers that the application of this standard will not have a significant effect on the financial statements for the period beginning on January 1, 2018.

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#### 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.

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 with regard to the classification and measurement of financial assets and liabilities.

Also, the Company has evaluated the effects that the adoption of the revised version in IFRS 9 will have in 2014 and considers that the changes will not have a significant effect on the financial statements.



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#### ***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 Standard retrospectively only to contracts that are not completed contracts at the date of initial applications.

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.

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- 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 “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. The Company must disclose the following information in note to its financial statements:

- Disaggregation of income by type of client.
- Disaggregation of impairment.
- Modify the revenue recognition criteria, incorporating the concept of “control”.
- Information about performance obligations.

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

1. To identify the agreement with the customer

Regarding MetroGAS’ residential customers the agreement is an implicit contract that contains enforceable rights and liabilities. During September 2017, MetroGAS’ agreements with Industrial and Commercial Customers, Public Entities and Power Plants were examined. Also, MetroENERGÍA’ agreements were examined.

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

2. To identify individual liabilities of the contract

It consists in identifying all assets or services (including implicit ones) that are promised in the contract and it must be assessed if the asset or service is differentiable, that is to say, (i) if the

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customer may benefit from that only asset or service or jointly with other available resources and, (ii) if the asset or service may be individualized from other promises in the contract.

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

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

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

#### 3. To determine the price of the transaction

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

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

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

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

In agreements with industries and electric plants there are fines for non authorized consumption by the customer; in this case MetroGAS will be able to impose a fine for each m3 non authorized and consumed that is determined by a detailed calculation in the contracts with each customer.

In the case of revenues arising from networks assigned by third parties, they are registered by a reasonable value according to the compensation received. The said value is determined according to amounts to be compensated to third parties, equivalent to m3 of gas established by the ENARGAS.

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

- The cost of natural gas managed by MetroENERGÍA for third-party producers and/or suppliers;

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

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

#### 4. To distribute the price of the transaction among the liabilities of the agreement

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

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

#### 5. To recognize revenue once the organization fulfills liabilities

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

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

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

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

After making the assessment, the Company considers that the implementation of this standard will not have a significant effect on the Company's financial statements, except for the information to be disclosed.

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#### *IFRS 16 – Leases*

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 Revenues from Contracts with Customers at or before the date of initial application of IFRS 16.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The changes incorporated it impact mainly on the accounting of the lessees. It will supersede the following lease Standard and Interpretations upon its effective date:

- IAS 17 “Leases”;
- IFRIC 4 “Determining whether an arrangement contains a lease”;
- SIC-15 “Operating Leases – incentives”; and
- SIC-27 “Evaluating the substance of transactions involving the legal form of a lease”.

This standard applies to all leases, including leases of right-of-use assets in a sublease, except for:

- Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;
- Leases of biological assets within the scope of IAS 41 “Agriculture” held by a lessee;
- Service concession arrangements within the scope of IFRIC 12 Service Concession Arrangements;
- Licenses of intellectual property granted by a lessor within the scope of IFRS 15 “Revenue from Contracts with Customers”; and
- Rights held by a lessee under licensing agreements within the scope of IAS 38 “Intangible Assets” for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

A lessee may, but is not required to, apply IFRS 16 to leases of intangible assets other than those described in paragraph 3(e).

The new leasing standard has introduced many more prescriptive indications:

- Measurement of the right-of-use asset

The cost of the right-of-use asset shall comprise:

- (a) the amount of the initial measurement of the lease liability (as described below);
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at

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the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequently, a lessee shall measure the right-of-use asset applying a cost model, or applies the revaluation model in IAS 16; (which recognizes therefore the amortization and impairment in profit and loss account and in case of application of the revaluation model, revaluations in equity). However, IFRS 16 requires that the measure the right-of-use of investment property be measure to a fair value under the provisions of IAS 40 Investment property for the investment property that it holds.

- Measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lease liability comprises the following:

- (a) fixed payments (including essentially fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (for example, payments linked to a consumer price index, payments linked to a benchmark interest rate, such as LIBOR, or payments that vary to reflect changes in market rental rates.) at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease (there is reasonable certainty about it).

Subsequently, a lessee shall increasing the carrying amount to reflect interest on the lease liability (recognizes in profit and loss); reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised "in-substance" fixed lease.

- Reassessment of the lease liability

A lessee shall remeasure the lease liability by discounting the revised lease payments, if either:

- there is a change in the amounts expected to be payable under a residual value guarantee.
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review.

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- there is a change in the lease term, as a result of a change in the non-cancellation period of the lease (for example, if the lessor does not have an option previously included in the determination of the lease term); or
- there is a change in the assessment of an option to purchase the underlying asset.

- Lessor accounting

IFRS 16 required lessors to classify their leases as either finance leases or operating leases. A lease is classified as a finance lease if it transfers substantially risks and rewards inherent in ownership of an underlying asset. The lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the underlying asset), or changes in circumstances (for example, default by the lessee), do not give rise to a new classification of a lease for accounting purposes.

- Sale and leaseback transactions

This aspect is treated from the point of view of the seller-lessee as buyer-lessor. The fundamental aspect of dealing with these transactions depends on the transfer of the asset in the question and criteria of IFRS 15 Revenue from Contracts with Customers, for recognition as a sale.

The new model requires extensive disclosures.

The Company is assessing the impact that this standard might have on the Company's financial statements.

#### ***Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts***

On September 2016, the IASB modified IFRS 4 that is applicable to fiscal years beginning on or after 1 January 2018.

The amendments to IFRS 4 clarify the following:

- permits insurers that meet specified criteria to apply a temporary exemption from IFRS 9;
- permits insurers to apply the overlay approach to designated financial assets; and
- permits insurers to reclassify in specified circumstances some or all of their financial assets so that the assets are measured at fair value through profit or loss.

The company estimates that the applications of these amendments will not a significant effect on the Company's financial statements.

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#### ***Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions***

On June 2016, the IASB modified IFRS 2 that is applicable to fiscal years beginning on or after 1 January 2018 with earlier application permitted.

The amendments to IFRS 2 clarify the following:

- For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability, subject to the requirements of this standard. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.
- Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, vesting conditions, other than market conditions, shall be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. Accordingly, the entity shall recognise an amount for the goods or services received during the vesting period. That amount shall be based on the best available estimate of the number of awards that are expected to vest.
- If the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Specifically: (a) The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date. The equity-settled share-based payment transaction is recognised in equity on the modification date to the extent to which goods or services have been received. (b) The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date. (c) Any difference between the carrying amount of the liability derecognized and the amount of equity recognised on the modification date is recognised immediately in profit or loss.

The company estimates that the applications of these amendments will not a significant effect on the Company’s financial statements.

#### ***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:



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- 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.

The company estimates that the applications of these amendments will not a significant effect on the Company's financial statements.

#### ***Amendments to IAS 40 – Investment Property***

On December 2016, the IASB modified IAS 40 that is applicable to fiscal years beginning on or after 1 January 2018.

IAS 40 has been amended to reflect that in relation to transfers an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use, evidenced by. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

The company does not expect that applying these amendments shall have a significant effect over the Company's financial statements.

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#### *Annual improvements to IFRSs - Cycle 2014 - 2016*

In December 2016, the IASB issued the 2014 - 2016 annual improvements that are applicable for years beginning on or after January 1, 2018, allowing early application.

Annual improvements include amendments to various IFRS, which are summarized below. It includes amendments to IFRS 12 Disclosure of Interests in Other Entities that is detailed in section 4.2.1 of this note.

Standard	Objective of the modification	Description
IFRS 1 - First-time Adoption of International Financial Reporting Standards	Deletion of short-term exemptions for first-time adopters.	The amendment introduces the elimination of paragraphs that consider the limited exemption from comparative IFRS 7 disclosures for first-time adopters, information disclosure of transfers of financial assets and paragraph 39AA consider the annual improvements to IFRS standards 2014–2016 Cycle
IAS 28 - Investments in Associates and Joint Ventures	Measuring an associate or joint venture at fair value.	The amendment introduces changes in relation to the exemption and the procedures to be applied the equity method, an entity that applies in this exemption or the method separately for each of the associates or joint venture, in the case of the exemption in the initial recognition of the joint venture partnership, and with the subsequent date method among the following: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The company does not expect that applying these improvements shall have a significant effect over the Company’s financial statements.

#### *IFRIC 22 – Foreign Currency Transactions and Advance Consideration*

In December 2016, the IASB approved IFRIC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”, that is applicable to fiscal years started on or as from January 1, 2018, with earlier application permitted. The scope of this interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it). This Interpretation does not apply when an entity measures the related asset, expense or income on initial recognition: (a) at fair value; or (b) at the fair value of the consideration paid or received at a date other than the date of

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initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying IFRS 3 Business Combinations).

The company does not expect that applying this interpretation shall have a significant effect over the Company's financial statements.

#### ***IFRS 17 – Insurance Contracts***

On May 2017, the IASB issued IFRS 17 that is applicable to all fiscal years started on or as from January 1, 2021, allowing its early application.

IFRS 17 Insurance Contracts, states the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts.

IFRS 17 abolishes IFRS 4 Insurance Contracts.

An entity shall apply IFRS 17 to:

- Insurance Contracts, including reinsurance contracts that it issues.
- Reinsurance Contracts it holds; and
- Investment Contracts that it issues with discretionary participation features; providing that the entity also issues insurance contracts.

#### **Separation of the components of an insurance contract**

An insurance contract may contain one or more components that would be within the scope of another Standard if they were separate contracts. For example, an insurance contract may contain an investment component or a service component (or both)

An entity shall: (a) apply IFRS 9 to determine whether there is an embedded derivative to be separated and, if there is, how to measure to account for such derivative. (b) Separate an investment component from a host insurance contract, if and only if this investment component is different. The entity will apply IFRS 9 to account for the separated investment component.

After separating cash flows related to embedded derivatives and different investment components, the entity shall separate from the host contract any obligation to transfer distinct non-insurance assets or services, to an insurance policyholder, applying paragraph 7 from IFRS 15. The entity shall account for these obligations applying IFRS 15.

After applying previous paragraphs, an entity shall apply IFRS 17 to all remaining components of the host insurance contract.

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#### Level of aggregation of insurance contracts

IFRS 17 requires that an entity identifies portfolios of insurance contracts. A portfolio has contracts that are subject to similar risks and are managed together as one.

Each portfolio of insurance contracts shall be divided into a minimum of three groups:

- A group of contracts that is onerous at initial recognition, if any;
- A group of contracts that at initial recognition has no significant possibility of becoming onerous subsequently, if any; and
- A group of remaining contracts in the portfolio, if any.

An entity is not permitted to include contracts issued more than one year apart in the same group. Besides, if contracts within a portfolio fall into different groups only because the law or regulation constrains the entity's practical ability to set a different price or level of benefits for policyholders with different characteristics, the entity may include those contracts in the same group.

#### General description of the new accounting model

The standard measures insurance contracts either under the general model or a simplified version of it, called Premium Allocation Approach. The general model is defined in such a way that at initial recognition an entity shall measure a group of contracts at the total of (a) the amount of fulfillment cash flows ("FCF"), which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money ("TVM") and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; and (b) the contractual service margin ("CSM")

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the group at that date. The liability for incurred claims is measured as the FCF related to past services allocated to the group at that date.

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach on the condition that, at initial recognition, the entity reasonably expects that doing so will produce a reasonable approximation of the general model, or the coverage period of each contract in the group is one year or less.

#### Presentation in the statement of financial report

An entity shall disaggregate the amounts recognized in the statements of financial performance in an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income. Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall exclude any investment components.

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#### ***IFRIC 23 – Uncertainty over income tax treatment***

On June 2017, the IASB approved the interpretation of IFRIC 23 "Uncertainty over income tax Treatment", that is enforceable to all fiscal years started as of January 1, 2019, with early application.

This interpretation explains how to apply the recognition and measurement requirements in IAS 12 where there is uncertainty over income tax treatment. In this circumstance, the entity shall recognize and measure its current or deferred tax assets and liabilities applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax loss, unused tax credits and tax rates determined applying this interpretation.

#### ***Amendments to IFRS 9 – Prepayment Features with Negative Compensation***

On October 2017, the IASB modified IFRS 9 issued Prepayment Features with Negative Compensation, to be applied for fiscal years beginning on January 1, 2019. Early application is allowed.

Amendments to IFRS 9 allow companies to measure prepayable financial assets with so-called negative compensation due to the early termination of the contract at amortized cost or at fair value through other comprehensive income if a specified condition is met; instead of at fair value through profit or loss.

#### ***Amendments to IAS 28-Long- term Investments in Associates and Joint Ventures***

On October 2017, the IASB modified IAS 28 Long-term Investments in Associates and Joint Ventures. These amendments shall be applied retrospectively and for annual periods starting on or as January 1, 2019. Early application is allowed.

The amendment establishes that long-term investments in associates or joint ventures will apply IFRS 9 as long as they are not accounted for using the equity method.

The IASB clarified that an entity applies IFRS 9 including its impairment requirements to long-term interests. When applying IFRS 9 to long-term interests, the entity does not take into account the adjustments to its book value required in IAS 28 (i.e., adjustments to book value of long-term interests arising from loss allocation of the investee or from the impairment valorization in accordance to IAS 28).

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#### *Annual improvements to IFRSs - Cycle 2015 - 2017*

In December 2017, the IASB issued the 2015 - 2017 annual improvements for fiscal years started on or as from January 1, 2019, with earlier application permitted.

Standard	Subject of amendment	Description
IFRS 3 - Business Combinations  IFRS 11 - Joint Arrangements	Previously held interest in a joint operation.	When a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation, the acquirer shall therefore apply the requirements for a business combination achieved in stages. The acquirer shall remeasure its entire previously held interest in the joint operation.  On the other hand, in accordance with IFRS 11 when obtaining joint control of a business that was a joint operation, the interest previously held in the joint operation will not be remeasured.
IAS 12 - Income Taxes	Income tax consequences of payments on financial instruments classified as equity.	An entity shall recognise the income tax consequences of dividends as defined in IFRS 9 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
IAS 23 - Borrowing Costs	Borrowing costs eligible for capitalization.	Clarified when a qualifying asset is ready for its intended use or sale, an entity will treat any outstanding specific borrowing to obtain that qualifying asset as part of the funds it has taken as borrows generally.

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#### **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 of its consolidated financial statements.

#### **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.

#### **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, 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.

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.

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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.

#### **4.5.1 Income recognition from the Temporary Economic Assistance**

The Temporary Economic Assistance granted by the National ES through Resolution No. 312 E/2016 issued by MINEM are within the scope of IAS 20 “Government Grants”, 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 this income was carried out in the year 2016 at a fair considering the existence of assurance regarding its collection.

This item has been disclosed in the line “Temporary Economic Assistance Resolution” within the Consolidated Statements of Profit and Loss and Other Comprehensive Income in the year 2016.

#### **4.6 Properties, Plant and Equipment**

At the date of the transition of the International Financial Reporting Standards (“IFRS”) January 1, 2012, the Company had chosen to consider as cost attributed to Property, plant and equipment, that includes, Essential assets to render the service and other assets, their cost re-stated in constant currency as at March 1, 2003, according to the previous accounting rules and CNV rules.

In order to determine the cost, for assets received when the License was granted, the total transfer amount taken was that defined in the Transfer Agreement, which resulted as a counterpart of the contributions made and the liabilities transferred. Based on a special work undertaken by independent experts in 1993, the total allocation of the original total value was distributed among the various asset categories included, establishing as useful life the remaining years of estimated service based on each type of asset, condition of preservation and renewal and maintenance plans.

Any assets acquired after the date when the License was granted have been valued at their purchase cost as detailed in the first paragraph, except in the case of distribution networks built by third parties, which are valued under IFRIC 18 to the fair value of the consideration received. 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.

Effective April 1, 2017, MetroGAS decided to use, within the two models provided for in IFRS standards, the revaluation model to value its Essential assets in Property, Plant and Equipment, which include High pressure mains, Medium and low pressure mains, Pressure and/or regulating stations, Consumption measurement installations and Distribution network extensions constructed by third parties. The change in the valuation criteria from the cost to the revaluation model applies prospectively according to NIC 8.



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This modification in the accounting policy enables the valuation of Essential assets to values near their fair value and thus, the provision of more relevant information in the financial statements. As explained in Note 2, in March 2017, the integral tariff review process and adequacy of the distribution license came to an end. This process establishes a temporary tariff scheme valid April 1, 2017, a six-month adjustment system, the five-year tariff review process and the five-year and additional mandatory investments.

#### **4.6.1 Essential assets**

As mentioned in the paragraph above, effective April 1, 2017, Essential assets are measured with the “revaluation model” established in NIC 16 – Property, Plant and Equipment-, less any accumulated depreciation and subsequent impairment losses.

As required by the current legislation of Argentine Securities Commission in the event of valuation of Property, Plant and Equipment at fair values, the Company orders said valuation to independent experts, who act as advisors to the Board, who takes final responsibility for the measurement. The Company’s Board approved on June 30, 2017, the valuation of the Essential assets through the revaluation method effective April 1, 2017.

Revaluations are made as frequently as necessary so that the value in the accounts does not differ significantly from the fair value of the Essential assets at the time of each measurement. The accumulated depreciation at the time of each revaluation is netted against the original value of the revalued Essential assets.

The fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions.

In order to measure the fair value of the Essential assets, the valuation technique used is “income approach” established in IFRS 13 - Measurement of fair value -. The Company uses the model of discounted cash flows prepared based on estimates about the future behavior of certain variables sensitive for the determination of the fair value: (i) gas distribution tariffs and gas and transportation costs, (ii) mandatory and additional investments, (iii) gas distribution costs; (iv) weighed rate of discount, and (v) macroeconomic variables such as the estimated demand, inflation rate, devaluation rate, among others.

The cash flows used in the model cover a period of approximately 20 years: the remaining 10 years up to 35 year original maturity date of the Gas Distribution License and the 10 year renewal period that the Licensee may apply for. Additionally, the Company incorporated to the deduced cash flow an additional amount as provided by the License upon expiration of same, where the Company shall exercise the right collect the lowest amount between the net book value of the Essential assets and the amount resulting from a new bidding process, after expenses and taxes paid by the winning bidder. Said amount has been incorporated to a perpetual income to that date.

The measurement of the Essential assets at a fair value is classified according to IFRS 7 Level 3, considering that given the particular nature of the asset, there is no equivalent market value.

The increase in the registration amount of a certain asset as a result of a reassessment will be recognized in the account Properties, plant and equipment Revaluation under Other Accumulated

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Comprehensive Income (ORIA, as per its acronym in Spanish) on Shareholders' Equity, after the corresponding deferred tax. When the registered amount of an asset decreases as a result of a reassessment, said decrease will be recognized in the result of the reported period when it exceeds the Other Accumulated Comprehensive Income account balance.

Based on the estimation carried out pursuant the application of the revaluation model, following differences have been established between the book value measured by the cost model and the revaluation model, for the Essential assets under Properties, plant and equipment as of April 1st, 2017:

Essential Assets	Net book value as of March 31, 2017	Higher value	Fair value as of April, 1 2017
High pressure mains	169,100	3,023,473	3,192,573
Medium and low pressure mains	1,514,006	8,351,105	9,865,111
Pressure regulating stations	29,428	675,671	705,099
Consumption measurement installations	160,024	485,446	645,470
Distribution network extensions constructed by third parties	53,907	370,701	424,608
<b>Total</b>	<b>1,926,465</b>	<b>12,906,396</b>	<b>14,832,861</b>

Depreciation, based on a principle involving components, is calculated on a straight line basis during the useful life remaining at the time of revaluation:

	Estimated useful life
• Medium and low pressure mains	28-33
• High pressure mains	20
• Pressure regulating stations	9
• Consumption measurement installations	8

The depreciation charge for each period is recognized in the income statement for the period, unless it is included in the carrying amount of other assets.

The account Properties, plant and equipment Revaluation included in Other Comprehensive Income of Shareholders' Equity, is reduced by the consumption, retirement and disposition of the Essential Assets, with a contra entry in the Unappropriated retained losses of Shareholders' Equity account, without affecting the Statements of Profit and Loss and Other Comprehensive Income for the period or year.

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If the Company had measured the Essential assets in accordance with the previous cost method, the net book value of said assets at the end of the period would have been as follows:

<b>Essential Assets</b>	<b>Net book value as of December 31, 2017</b>
Medium and low pressure mains	1,624,310
High pressure mains	164,389
Pressure regulating stations	27,389
Consumption measurement installations	148,417
Distribution network extensions constructed by third parties	54,395
Work in progress	686,806
<b>Total</b>	<b>2,705,706</b>

#### 4.6.2 Other no essential assets

Properties, plant and equipment which are not essential assets are: Land, Buildings and civil constructions, Other Technical Installations, Machinery, equipment and tools, Computer and telecommunications equipment, Vehicles, Furniture and fixtures, Materials, Gas in pipelines and Work in progress.

The assets are valued at cost less accumulated depreciation and the impairment accumulated amount.

Depreciation, based on a principle involving components, is calculated on a straight line basis during the useful life of assets, as detailed below:

	<u><b>Estimated useful life</b></u>
• 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 net book value and useful life of assets are reviewed and adjusted if applicable, not less frequently than at the end of each fiscal year.

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#### **4.6.3 Measurement criteria for essential and Non-essential assets**

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 period or fiscal year in which they are incurred.

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.

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 Statement of Profit and Loss and Other Comprehensive Income. In the case of the Essential assets, the Reserve for revaluation of Property, plant and equipment included in Other comprehensive income of Shareholders' Equity is also reversed with a corresponding entry in the Unappropriated retained losses.

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.

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.

If there is an impairment loss it will be recognized immediately in profit or loss for the period or year unless the asset is accounted for using the revaluation method, in which case the impairment

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loss will be treated as a decrease in the Revaluation of Property, Plant and Equipment of the ORIA and the surplus will be charged to the Statement of Profit and Loss and Other Comprehensive Income.

#### **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.

#### **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.

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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:

- 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, 2017 and 2016, 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, 2017 and 2016, 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.

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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 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.

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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.

#### **4.14 Inventories**

Inventories include natural gas and carbon monoxide detectors. Inventories are valued by the lowest value between cost and net realizable value. Cost includes purchasing costs (excluding discounts, returns or similar), transformation costs and any other cost incurred regarding stock location and conditions to be commercialized.

#### **4.15 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 item "Trust Funds" within this account include collected amounts which deposit was pending at the end of each year corresponding to any charges under Note 2.6.

#### **4.16 Other accounts payable**

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

#### **4.17 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



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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 Company determines the accounting charge resulting from income tax, based on deferred tax, which deals with the accounting of temporary differences that rise from the different ways of accounting assets and liabilities according to accounting and tax principles, tax rate enacted or substantially enacted on the date of issuing accounting statements, is expected to be in force when it is recovered or settled, that in agreement with the last amendments issued by Tax Reform Law No. 27,430 published on the Official Gazette on December 29, 2017, the current 35% is reduced to 30% for fiscal years 2018 and 2019, and 25% as from 2020.

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

Argentine entities are subject to Income Tax and Minimum Presumed Income Tax (“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. However, according to the aforementioned Tax Reform Law, this tax is eliminated for the profits generated as of 2018.

Law No. 26,893 was enacted on September 20, 2013, it 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

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stock or equity interests – to beneficiaries domiciled abroad and to individuals resident in the country, notwithstanding the above mentioned 35% withholding.

On July 22, 2016 Law No. 27,260 “National Plan of historical Remedial for retired and pensioned workers” was published in the Official Gazette; it includes a fiscal amnesty system, tax extension and tax modifications. Among other modifications, the said Law No. 27,260 invalidates the 10% tax on dividends distributed by companies in cash or in kind-except in shares of stock or equity interests- to beneficiaries abroad and residents in the country being in a definitive and lump-sum payment.

Finally, the Tax Reform Law No. 27,430 also stated, among other issues, 7% retention over dividends for fiscal years 2018 and 2019, and 13% retention as from 2020.

#### **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 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 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.

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In order to account for the exchange of liabilities under the reorganization proceedings for new notes consummated on January 11, 2013, 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 considered that the terms of the liabilities included in the reorganization proceedings and subject to exchange were 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 were 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 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.

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#### **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, 2017, 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.

#### **4.25 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 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**

Issued capital is composed of contributions made by shareholders and represented by shares, and comprises outstanding shares at their par value.

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#### **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 affected against the Legal reserve was amounted 45,376.

#### **c) Accumulated results**

The ORIA item included in the accumulated results of Shareholders' Equity section includes the Revaluation of Property, plant and equipment, net deferred tax. This Property, plant and equipment revaluation account is reduced by the consumption, withdrawal and disposition of the Essential assets, with a contra entry in the account of Unappropriated retained losses of Shareholders' Equity, without affecting the Statement of Profit and Loss and Other Comprehensive Income for the period or exercise.

When the net balance of the ORIA at the end of a financial year or period is positive, it cannot be distributed, capitalized or used to absorb accumulated losses, but should be computed as part of the accumulated results for the purpose of comparisons to determine the situation of the Company in relation to Articles 31, 32 and 206 of the General Corporations Law No. 19,550, or other complementary legal or regulatory rules in which reference is made to limits or relations with capital and reserves, which do not have a particular treatment expressed in CNV Rules. When the net balance of these results at the close of a financial year or period is negative, there will be a restriction on the distribution of unappropriated results by the same amount.

#### **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. Measurement of Essential Assets
- 5.2. impairment of properties, plant and equipment and intangible assets;
- 5.3. recognition of revenues and trade receivables;
- 5.4. provisions;
- 5.5. deferred income tax and MPIT;
- 5.6. application of IFRIC 12 "Service Concession Arrangements".

##### **5.1 Measurement of Essential Assets**

On April 1, 2017, MetroGAS decided to use, within the two models provided in the IFRS, the revaluation model of essential Assets within Property, Plant and Equipment, which include: high pressure mains, medium and high pressure mains and networks, Regulating Stations and/or pressure measurement, Consumption measurement installations and Networks assigned by third parties. This change in the accounting policy allows the valuation of essential Assets to be close to its fair value and in this way supply more relevant information in the accounting financial statements.

Fair value is the price that would be received by selling an asset or paid to transfer a liability in a transaction between market participants at the measurement date within the current conditions of the market.

To measure the fair value of Essential assets the IFRS 13 sets a valuation "approach based on income". - Measurement of fair value-. The Company uses this discounted cash flow model based on estimates regarding the future behavior of specific variables that are important in determining the fair value: (i) gas distribution tariffs and gas and transportation costs, (ii) mandatory and additional investments, (iii) gas distribution costs, (iv) weighted discount rate and (v) macroeconomic variables as estimated demand, inflation rate, devaluation rate, among others.

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Used discounted cash flow funds cover a period of approximately 20 years: the 10 remaining years until the original due date of the 35 years of the License of the Gas Distribution and the 10 year renewal period that the licensee may request. Additionally the Company has incorporated to discounted cash flows an additional amount specified in the License at its due date, and the Company shall have the right to collect the lowest amount between residual value of Essential assets and the amount resulting from a new bid, free of expenses and taxes paid by the winning bidder, the Company integrated this amount as a fixed income as of that date.

The measurement of Essential assets at fair value is classified according to Level 3 in the IFRS 7, because due to the special nature of these assets, there are no comparable market values.

Revaluations take place with sufficient frequency so that the value in the accounting entry does not significantly differ from the fair value of Essential assets at the date of each measurement. In accordance with IAS 16, the frequency will be annual in the case of countries with high inflation, unless there are impairment events or other events that justify a revaluation with a lower frequency.

As of December 31, 2017 the Company performed a quantitative sensitive assessment based on the cash flow model elaborated for the revaluation of essential assets with effective date on April 1, 2017.

At the end of the year ended on December 31, 2017, the Company considered that there were no significant changes in the behavior of variables that are important in determining fair value: (i) gas distribution tariffs and gas and transportation costs, (ii) mandatory and additional investments, (iii) gas distribution costs, (iv) weighted discount rate and (v) macroeconomic variables as estimated demand, inflation rate, devaluation rate, among others. Therefore, the Company gave a quantitative confirmation of the value of Essential assets registered up to December 31, 2017, which do not differ significantly from the essential assets value.

#### **5.2 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 higher of fair value less costs of the asset's disposal and value in use. Value in use is determined based on projected and discounted cash flows applying discount rates that reflect time value of money and specific risks of the assets considered.

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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.

The Company believes that its accounting policy in relation to Properties, plant and equipment and Intangible assets impairment is a “critical accounting policy” due to a recognition or reversion of an impairment or recoverable amount has a significant impact on the assets disclosed in the Company’s separate 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.

#### **5.2.1 Impairment test for the fiscal year ended December 31, 2017**

As it is mentioned in Note 2, during 2017 the Company:

- a) Subscribed with the MINEM and the Ministry of Treasury and Finance a Provisional Agreement that provides for the temporary adjustment of prices and tariff of the Public Service for the Distribution of Natural Gas, the specific impact of the amounts provided therein until the signing of the Renegotiation Agreement Act. Comprehensive Contractual and the entry into force of the final tariff schemes resulting from the RTI. In this respect, it was decided that, for the gradual and progressive implementation of this measure, ENARGAS had to apply in stages the tariff increases resulting from the Integral Tariff Review according to the following progression: thirty per cent (30%) of the increase as from April 1, 2017; forty per cent (40%) of the increase as from December 1, 2017, and the remaining thirty per cent (30%) as from April 1, 2018.
- b) On March 31, 2017 and December 1, 2017, they were published in the O.G. Resolutions of the ENARGAS through which the transitory tariff schemes were approved applicable to MetroGAS users from April 1, 2017 and December 1, 2017, respectively.
- c) The public hearings related to the MetroGAS’ RTI were carried out and the public hearing was convened on February 22, 2018 to consider (i) the application of the Semester Rate Adjustment Methodology, corresponding, for the adjustment of MetroGAS tariff; (ii) the application of the transfer to tariffs of the price of gas purchased and (iii) methodological alternatives for a more predictable invoicing of residential users.

As a consequence, for fiscal year ended on December 31, 2017, the Company has not identified deterioration indicators for property, plant and equipment and intangible assets in accordance with the IFRS.

However, in accordance with what is set forth in the Company’s policies (see Notes 4.7 and 4.10) a deterioration test was performed comparing the book value of property, plant and equipment and intangible assets to their recoverable value, determining the present value of the future flow of funds to be generated by those assets. The estimate was performed taking into account tariffs in force as of the end of the fiscal year; these tariffs were approved by the ENARGAS and would be applied as from April 2018 as a consequence of the Integral Tariff Review in progress according to their occurrence probability. As the estimate of the value of the discounted future flow of funds significantly surpasses the accounting value of those assets, the Company determined that they were not deteriorated.



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#### **5.2.2 Impairment test for the fiscal year ended December 31, 2016**

For fiscal year ended on December 31, 2016, the Company has not identified deterioration indicators for property, plant and equipment and intangible assets in accordance with the IFRS.

However, in accordance with what is set forth in the Company's policies (see Notes 4.7 and 4.10) a deterioration test was performed comparing the book value of property, plant and equipment and intangible assets to their recoverable value, determining the present value of the future flow of funds to be generated by those assets. The estimate was performed taking into account tariffs in force as of the end of the fiscal year; these tariffs were approved by the ENARGAS and would be applied as from April 2017 as a consequence of the Integral Tariff Review in progress according to their occurrence probability. As the estimate of the value of the discounted future flow of funds significantly surpasses the accounting value of those assets, the Company determined that they were not deteriorated.

#### **5.3 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, segment and level of savings for its valuation depending on the applicable tariff that is carried out based on historical information of segmentation and levels of savings for each monthly invoice.

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. In the event of unpaid invoices, the Distributor shall have the right to suspend the service supply. ENARGAS Resolution No. 4,313/17, that modified the Service Regulations, rules the procedure for the suspension of gas service and establishes a two-business day term beginning as of the date of debt notice to the user.

#### **5.4 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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#### **5.5 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 expected to be in force at the time of its reversal or use.

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.

#### **5.6 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.

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 182,802 thousand as of December 31, 2017, and to a nominal amount of U\$S 194,564 thousand.

As of December 31, 2017, the Company's net monetary liabilities position amounted to U\$S 194,152 thousand.

In 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 341 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.

##### **b) Interest rate risk**

MetroGAS has a limited exposure to risks associated with interest rate fluctuations that almost all of its financial and commercial bears interest at a fixed rate.

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#### 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 2.1.2).

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.

#### 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. In the event of unpaid invoices, the Distributor shall have the right to suspend the service supply. ENARGAS Resolution No. 4,313/17, that modified the Service Regulations, rules the procedure for the suspension of gas service and establishes a two-business day term beginning as of the date of debt notice to the user.

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. Total overdue balances not covered by provisions for bad debts amount to 894,212 as of December 31, 2017, and to 118,930 as of December 31, 2016. The tariff increase began in October 2016, particularly for residential customers, and the delay in billing for the second half of 2016, which in turn caused the delay in the start of collection procedures for these credits, generated an increase in the balances of credits due during fiscal year 2017. The Company estimates that additional collections will be made during the year 2018 in order to recover part of the overdue debt.

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.

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

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

	Maximum exposure as of	
	12.31.17	12.31.16
Cash and cash equivalents	492,379	357,904
Trade receivables	3,404,024	2,731,286
Other receivables	419,476	951,123

As of December 31, 2017 and 2016, the allowance for doubtful accounts amounts to 180,603 and 115,814, respectively. This provision represents the best Company's estimate of losses incurred in relation to 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.

On February 8, 2018, MetroGAS took a non-guaranteed loan with (i) the Industrial and Commercial Bank of China Limited-Dubai (DIFC) Branch and (ii) the Itaú Unibanco-New York Branch, for a total amount of USD 250 million for a thirty six- month term and amortizable in nine quarterly installments counting as of twelve months since the date of payment. The Company shall allocate these funds (i) to rescue, on February 27, 2018, the total number of Notes (ii) to refinance current liabilities; and (iii) to finance working capital.

As of December 31, 2017 MetroGAS recorded a consolidated negative working capital of 3,779,842.

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

Maturities of financial assets are detailed in Notes 13, 14 and 15 and maturities of financial liabilities are detailed in notes 18, 19, 21, 22 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.

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In the table below the debt rate for the years reported is as follows:

	12.31.17	12.31.16
Financial debt	3,429,675	2,894,594
Cash and cash equivalents	(492,379)	(357,904)
Net financial debt	2,937,296	2,536,690
Equity	8,989,744	(1,372,178)
Debt rate	33%	(185)%

## 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).

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- 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.

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 6% below from their fair value.

Total profits for the fiscal year include a profit of 102,690 and 136,522 for years 2017 and 2016, 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	
	12.31.17	12.31.16
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 the latest financial statements of MetroENERGÍA as of December 31, 2017 for the calculation of its share of such company, the equity of MetroENERGÍA at December 31, 2017 amounts to 90,492 and a positive result amounts to 90,181.

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.

General Ordinary Shareholders' Meeting held on April 29, 2016, decided the distribution of the profit for the year 2015 to 146,030 to the payment of a dividend in cash, in the opportunity that the Boards of Directors is deemed relevant, taking into account cash availability and financial conditions of the business and any other factor deemed the organ of Administration. In this meeting, the representatives of YPFIESA decided to maintain their commitment by means of which they have renounced for the collection of dividends for as long as the financial debt of

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MetroGAS arising as a result of the restructuring and/or refinancing of the outstanding debt, is cancelled, pursuant to which the dividends approved shall be paid in full to the major shareholder MetroGAS.

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

According to the provisions of MetroENERGÍA's Board of Directors on November 21, 2017, considering cash flow availability and the financial conditions of the business, total dividends for the amount of 73,000, were made available to the company's main shareholder, MetroGAS, and cancelled considering that the minority shareholder has resigned to collect these dividends.

## **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.



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

	12.31.17			
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	Total
Revenues	8,259,736	3,991,745	(69,742)	12,181,739
Operating income	1,007,175	157,054	(88,247)	1,075,982
Results of interest in subsidiaries	88,247	-	(88,247)	-
Finance income	141,853	68,993	-	210,846
Finance cost	(1,129,773)	(87,887)	-	(1,217,660)
Result before income tax	19,255	138,160	(88,247)	69,168
Income tax and MPIT	753,638	(47,979)	-	705,659
Total net and comprehensive result for the year	772,893	90,181	(88,247)	774,827
Total assets	19,541,760	911,537	(261,743)	20,191,554
Total liabilities	10,556,541	821,045	(175,776)	11,201,810
Depreciation of properties, plant and equipment, Investment properties and Intangible assets	(509,632)	(446)	-	(510,078)
Increase in Properties, plant and equipment	899,183	-	-	899,183
Increase in Intangible Assets	63,201	-	-	63,201
Investments in subsidiaries	85,967	-	(85,967)	-

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

	12.31.16			
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	Total
Revenues	5,040,774	3,014,620	(72,550)	7,982,844
Operating income	303,021	111,371	(56,232)	358,160
Results on investments in subsidiaries	56,232	-	(56,232)	-
Finance income	134,465	64,820	-	199,285
Finance cost	(1,155,875)	(72,505)	-	(1,228,380)
Result before income tax	(718,389)	103,686	(56,232)	(670,935)
Income tax and MPIT	118,707	(52,180)	-	66,527
Total net and comprehensive result for the year	(599,682)	51,506	(56,232)	(604,408)
Total assets	6,311,782	510,786	(214,795)	6,607,773
Total liabilities	7,686,551	458,969	(165,569)	7,979,951
Depreciation of Properties, plant and equipment and Investment properties	(101,148)	(74)	-	(101,222)
Increase in Properties, plant and equipment	486,164	-	-	486,164
Increase in Intangible Assets	57,434	2,231	-	59,665
Investments in subsidiaries	49,226	-	(49,226)	-

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								
	AT BEGINNING OF YEAR	TRANSFERS BETWEEN JANUARY 1, 2017 AND MARCH 31, 2017	RETIREMENTS BETWEEN JANUARY 1, 2017 AND MARCH 31, 2017	REVALUATION AS OF APRIL 1, 2017	TRANSFER ACCUMULATED DEPRECIATION AS OF MARCH 31, 2017	INCREASES	TRANSFERS FROM APRIL 1, 2017 TO DECEMBER 31, 2017	RETIREMENTS FROM APRIL 1, 2017 TO DECEMBER 31, 2017	AT END OF YEAR
<b>Essential Assets</b>									
High pressure mains	387,642	-	-	3,023,473	(218,542)	-	4	(20)	3,192,557
Medium and low pressure mains	2,255,694	48,509	-	8,351,105	(790,197)	-	151,679	(9,595)	10,007,195
Pressure regulating stations	82,394	-	-	675,671	(52,966)	-	-	-	705,099
Consumption measurement installations	382,280	6,025	(7)	485,446	(228,274)	-	10,937	(29)	656,378
Distribution network extensions constructed by third parties	75,869	339	-	370,701	(22,301)	-	1,913	(115)	426,406
Work in progress	-	-	-	-	-	686,806	-	-	686,806
<b>Subtotal Essential Assets</b>	<b>3,183,879</b>	<b>54,873</b>	<b>(7)</b>	<b>12,906,396</b>	<b>(1,312,280)</b>	<b>686,806</b>	<b>164,533</b>	<b>(9,759)</b>	<b>15,674,441</b>
<b>No Essential Assets</b>									
Land	15,654	-	-	-	-	-	-	-	15,654
Building and civil constructions	72,000	-	-	-	-	-	7,986	-	79,986
Other technical installations	61,854	-	-	-	-	-	-	-	61,854
Machinery, equipment and tools	39,106	-	-	-	-	-	6,730	-	45,836
Computer and telecommunications equipment	250,601	-	-	-	-	-	22,098	(38)	272,661
Vehicles	35,180	-	-	-	-	-	45,818	(283)	80,715
Furniture and fixtures	6,475	-	-	-	-	-	436	-	6,911
Materials	74,308	-	-	-	-	164,800	(71,565)	(18,896)	148,647
Gas in pipelines	214	-	-	-	-	-	-	-	214
Work in progress	339,294	(54,873)	-	-	-	47,577	(176,036)	-	155,962
<b>Subtotal No Essential Assets</b>	<b>894,686</b>	<b>(54,873)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>212,377</b>	<b>(164,533)</b>	<b>(19,217)</b>	<b>868,440</b>
<b>Subtotal</b>	<b>4,078,565</b>	<b>-</b>	<b>(7)</b>	<b>12,906,396</b>	<b>(1,312,280)</b>	<b>899,183</b>	<b>-</b>	<b>(28,976)</b>	<b>16,542,881</b>
Allowance for obsolescence of materials	(6,441)	-	-	-	-	(3,277)	-	4,279	(5,439)
Allowance for disposal of properties, plant and equipment	(5,463)	-	-	-	-	(26,396)	-	2,610	(29,249)
<b>Total as of December 31, 2017</b>	<b>4,066,661</b>	<b>-</b>	<b>(7)</b>	<b>12,906,396</b>	<b>(1,312,280)</b>	<b>869,510</b>	<b>-</b>	<b>(22,087)</b>	<b>16,508,193</b>
<b>Total as of December 31, 2016</b>	<b>3,641,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>477,855</b>	<b>-</b>	<b>(52,926)</b>	<b>4,066,661</b>

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

MAIN ACCOUNT	DEPRECIATION							NET BOOK VALUE 12.31.17	NET BOOK VALUE 12.31.16
	AT BEGINNING OF YEAR	INCREASES AS OF MARCH 31, 2017	RETIREMENTS AS OF MARCH 31, 2017	TRANSFER ACCUMULATED DEPRECIATION AS OF APRIL 1, 2017	RETIREMENTS FROM APRIL 1, 2017 TO DECEMBER 31, 2017	INCREASES (1)	ACCUMULATED AT END OF YEAR		
<b>Essential Assets</b>									
High pressure mains	216,934	1,607	-	(218,543)	(3)	91,045	91,040	3,101,517	170,708
Medium and low pressure mains	777,289	12,908	-	(790,197)	(211)	254,562	254,351	9,752,844	1,478,405
Pressure regulating stations	52,287	679	-	(52,969)	-	48,851	48,848	656,251	30,107
Consumption measurement installations	224,491	3,787	(4)	(228,274)	(2)	46,484	46,482	609,896	157,789
Distribution network extensions constructed by third parties	21,921	380	-	(22,299)	160	9,273	9,435	416,971	53,948
Allowance for disposal of properties, plant and equipment	-	-	-	-	-	-	-	(29,249)	(5,463)
Work in progress	-	-	-	-	-	-	-	686,806	-
<b>Subtotal Essential Assets</b>	<b>1,292,922</b>	<b>19,361</b>	<b>(4)</b>	<b>(1,312,282)</b>	<b>(56)</b>	<b>450,215</b>	<b>450,156</b>	<b>15,195,036</b>	<b>1,885,494</b>
<b>No Essential Assets</b>									
Land	-	-	-	-	-	-	-	15,654	15,654
Building and civil constructions	30,663	-	-	-	-	1,986	32,649	47,337	41,337
Other technical installations	51,030	-	-	-	-	1,004	52,034	9,820	10,824
Machinery, equipment and tools	30,441	-	-	-	-	1,772	32,213	13,623	8,665
Computer and telecommunications equipment	206,007	-	-	-	(13)	18,056	224,050	48,611	44,594
Vehicles	13,032	-	-	-	(253)	6,628	19,407	61,308	22,148
Furniture and fixtures	5,587	-	-	-	-	123	5,710	1,201	888
Materials	-	-	-	-	-	-	-	148,647	74,308
Gas in pipelines	-	-	-	-	-	-	-	214	214
Work in progress	-	-	-	-	-	-	-	155,962	339,294
<b>Subtotal No Essential Assets</b>	<b>336,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(266)</b>	<b>29,569</b>	<b>366,063</b>	<b>502,377</b>	<b>557,926</b>
<b>Subtotal</b>	<b>1,629,682</b>	<b>19,361</b>	<b>(4)</b>	<b>(1,312,282)</b>	<b>(322)</b>	<b>479,784</b>	<b>816,219</b>	<b>15,697,413</b>	<b>2,443,420</b>
Allowance for disposal of properties, plant and equipment	-	-	-	-	-	-	-	(5,439)	(6,441)
<b>Total as of December 31, 2017</b>	<b>1,629,682</b>	<b>19,361</b>	<b>(4)</b>	<b>(1,312,282)</b>	<b>(322)</b>	<b>479,784</b>	<b>816,219</b>	<b>15,691,974</b>	<b>-</b>
<b>Total as of December 31, 2016</b>	<b>1,565,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,645)</b>	<b>97,267</b>	<b>1,629,682</b>	<b>-</b>	<b>2,436,979</b>

As mentioned in Note 2.8.1 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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### METROGAS S.A.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

### 11. INVESTMENT PROPERTIES

MAIN ACCOUNT	ORIGINAL VALUE		DEPRECIATION				NET BOOK VALUE 12.31.17	NET BOOK VALUE 12.31.16
	AT BEGINNING OF YEAR	AT END OF YEAR	ACCUMULATED AT BEGINNING OF YEAR	ANNUAL RATE	INCREASES	ACCUMULATED AT END OF YEAR		
Land	729	729	-	-	-	-	729	729
Building	3,049	3,049	1,445	2.00%	61	1,506	1,543	1,604
<b>Total as of December 31, 2017</b>	<b>3,778</b>	<b>3,778</b>	<b>1,445</b>		<b>61</b>	<b>1,506</b>	<b>2,272</b>	
<b>Total as of December 31, 2016</b>	<b>3,778</b>	<b>3,778</b>	<b>1,384</b>		<b>61</b>	<b>1,445</b>		<b>2,333</b>

As of December 31, 2017, the fair value amounted to 57,124.

The fair value of investment properties of the Company at December 31, 2017 was obtained by independent valuers not related to MetroGAS.

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### 12. INTANGIBLE ASSETS

MAIN ACCOUNT	ORIGINAL VALUE					DEPRECIATION					NET BOOK VALUE 12.31.17	NET BOOK VALUE 12.31.16
	AT BEGINNING OF YEAR	INCREASES	TRANSFERS	DECREASE	AT END OF YEAR	ACCUMULATED AT BEGINNING OF YEAR	ANNUAL RATE	INCREASES	DECREASE	ACCUMULATED AT END OF YEAR		
Software development in progress	103,412	52,217	(34,593)	-	121,036	-		-	-	-	121,036	103,412
Software	25,960	10,984	34,593	-	71,537	4,077	20%	10,872	-	14,949	56,588	21,883
<b>Total as of December 31, 2017</b>	<b>129,372</b>	<b>63,201</b>	<b>-</b>	<b>-</b>	<b>192,573</b>	<b>4,077</b>		<b>10,872</b>	<b>-</b>	<b>14,949</b>	<b>177,624</b>	
<b>Total as of December 31, 2016</b>	<b>70,157</b>	<b>59,665</b>	<b>-</b>	<b>(450)</b>	<b>129,372</b>	<b>258</b>		<b>3,894</b>	<b>(75)</b>	<b>4,077</b>		<b>125,295</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

#### 13. TRADE RECEIVABLES

	12.31.17	12.31.16
<b>Current</b>		
Trade receivables	1,953,413	1,040,771
Unbilled revenues	1,455,241	1,701,937
Related parties (Note 30)	49,359	79,891
Tax on banking transactions to be recovered	41,346	22,317
Study rate, revision and inspection in the public thoroughfare of the GCABA (Transferable balance)	61,767	-
Health and Safety rate (Transferable balance)	6,970	-
Allowance for doubtful accounts	(164,072)	(113,630)
<b>Total Current</b>	<b>3,404,024</b>	<b>2,731,286</b>

The aging analysis of the trade receivables is as follows:

	12.31.17	12.31.16
-Past due		
under 3 months	538,926	60,157
from 3 to 6 months	174,980	21,169
from 6 to 9 months	86,382	14,269
from 9 to 12 months	65,141	14,019
from 1 to 2 years	51,279	61,966
more than 2 years	105,406	42,542
Subtotal	<b>1,022,114</b>	<b>214,122</b>
-Becoming due		
under 3 months	2,445,983	2,613,010
from 3 to 6 months	79,199	6,473
from 6 to 9 months	10,413	5,732
from 9 to 12 months	10,387	5,579
Subtotal	<b>2,545,982</b>	<b>2,630,794</b>
Allowance for doubtful accounts	(164,072)	(113,630)
<b>Total</b>	<b>3,404,024</b>	<b>2,731,286</b>

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

	12.31.17	12.31.16
Pesos	2,977,434	2,371,242
US Dollars	426,590	360,044
<b>Total</b>	<b>3,404,024</b>	<b>2,731,286</b>

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

	<u>12.31.17</u>	<u>12.31.16</u>
<b>Balance at beginning of year</b>	115,814	68,466
Revaluation of foreign currency	11,621	(9,748)
Increases (*)	56,898	68,493
Decreases	(3,730)	(3,708)
Uses	-	(7,689)
<b>Balance at end of year</b>	<u><b>180,603</b></u>	<u><b>115,814</b></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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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

#### 14. OTHER RECEIVABLES

	12.31.17	12.31.16
<b>Non current:</b>		
Social security and tax credits	12,948	7,271
Advances to employees	1,439	-
Recoverable expenses	52,822	
Expenses paid in advance	6,279	28
<b>Total non current</b>	<b>73,488</b>	<b>7,299</b>
<b>Current:</b>		
Advances to employees	2,308	791
MPIT credit (Note 28)	95,332	-
Insurance paid in advance	1,474	47
Expenses paid in advance	6,353	4,012
Trust Fund Resolution No. 2,407	-	1,351
Social security and tax credits	50,149	85,344
Recoverable expenses	9,019	14,188
Related parties (Note 30)	8,981	3,058
Advances to suppliers	71,414	26,773
Temporary Economic Assistance (Note 30)	-	759,200
Advances and anticipated purchases of gas	17,411	9,622
Management service for third parties constructions	3,449	9,382
Miscellaneous	96,629	32,240
Allowance for doubtful accounts	(16,531)	(2,184)
<b>Total current</b>	<b>345,988</b>	<b>943,824</b>
<b>Total</b>	<b>419,476</b>	<b>951,123</b>

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## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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The aging analysis of the other receivables is as follows:

	12.31.17	12.31.16
-Past due		
under 3 months	10,864	14,585
from 3 to 6 months	20,280	2,830
from 6 to 9 months	15,451	736
from 9 to 12 months	8,328	287
from 1 to 2 years	14,557	1,249
more than 2 years	2,114	935
Subtotal	<b>71,594</b>	<b>20,622</b>
-Without due	4,901	785,973
-Becoming due		
under 3 months	158,710	94,783
from 3 to 6 months	26,340	35,894
from 6 to 9 months	4,496	4,777
from 9 to 12 months	96,478	3,959
from 1 to 2 years	56,800	20
more than 2 years	16,688	7,279
Subtotal	<b>359,512</b>	<b>146,712</b>
Allowance for doubtful accounts	(16,531)	(2,184)
<b>Total</b>	<b>419,476</b>	<b>951,123</b>

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

	12.31.17	12.31.16
Pesos	410,387	946,548
US Dollars	9,089	3,095
Euros	-	1,480
<b>Total</b>	<b>419,476</b>	<b>951,123</b>

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## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

#### 15. CASH AND CASH EQUIVALENTS

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

	<u>12.31.17</u>	<u>12.31.16</u>
Cash and banks	322,864	154,385
Mutual funds	166,946	203,519
Short-term investments	2,569	-
<b>Total</b>	<u><b>492,379</b></u>	<u><b>357,904</b></u>

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

	<u>12.31.17</u>	<u>12.31.16</u>
Pesos	483,549	353,988
US Dollars	8,830	3,916
<b>Total</b>	<u><b>492,379</b></u>	<u><b>357,904</b></u>

As of December 31, 2017 and 2016, fund collected and pending to be deposit for Trust Funds and Resolution I-2,621/2013 amount to 12,614 and 45,428, respectively.

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

As of December 31, 2017, 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
<b>Issued Capital at 12.31.17</b>	<u><b>569,171</b></u>

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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION**

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

Of the total corporate stock as at December 31, 2017, 70% belongs to YPF S.A.

The total number of Class "A" shares, representing 51% of the Company's common stock is owned by YPF and their transferability is subject to the approval of the regulatory authority.

Class "B" shares represent 48% of the common stock. Of such percentage, 39% has been owned by YPF and the 61% was sold at public offering.

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

Class "C" shares are owned by some MetroGAS' employees by a Residual Employee Stock Ownership Plan

As of December 31, 2017, MetroGAS owns 95% of MetroENERGÍA, with the remaining 5% owned by YPF.

As of December 31, 2016, the Company registered accumulated losses attributable to controlling interest amounting to 1,943,940 and registered a negative Shareholders' equity attributable to controlling interest of 1,374,769, being affected by regulations from Art. 96, S. 5° and Art. 96 of the General Corporations Law.

The Company's Board approved on June 30, 2017, the valuation of the Essential assets through the revaluation method effective April 1, 2017.

ORIA included in the accumulated results of Shareholders' Equity section includes the Revaluation of Property, plant and equipment, net deferred tax. This Property, plant and equipment revaluation account is reduced by the consumption, withdrawal and disposition of the Essential assets, with a contra entry in the account of Unappropriated retained losses of Shareholders' Equity, without affecting the Statement of Profit and Loss and Other Comprehensive Income for the period or exercise.

When the net balance of the ORIA at the end of a financial year or period is positive, it cannot be distributed, capitalized or used to absorb accumulated losses, but should be computed as part of the accumulated results for the purpose of comparisons to determine the situation of the Company in relation to Articles 31, 32 and 206 of the General Corporations Law No. 19,550, or other complementary legal or regulatory rules in which reference is made to limits or relations with capital and reserves, which do not have a particular treatment expressed in CNV Rules. When the net balance of these results at the close of a financial year or period is negative, there will be a restriction on the distribution of unappropriated results by the same amount.

As of December 31, 2017, the Company registered a positive Shareholders' equity attributable to controlling interest of 8,985,219.

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## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

#### 17. OTHER TAXES PAYABLES

	12.31.17	12.31.16
<b>Non current:</b>		
Others taxes	3,011	4,180
<b>Subtotal non current</b>	3,011	4,180
<b>Current:</b>		
Value added tax	84,109	66,180
GCABA study, revision and inspection of works in public space levy	168,648	86,012
GNC Tax	4,845	43,149
Turnover tax	76,296	46,589
Provincial and municipal taxes	100,387	56,497
Hydric infrastructure rate	12	10,630
Withholding to third parties	16,312	16,258
Others taxes	2,097	2,175
<b>Subtotal current</b>	452,706	327,490
<b>Total</b>	<b>455,717</b>	<b>331,670</b>

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

The aging analysis of other taxes payables is as follows:

	12.31.17	12.31.16
-Without due	235,326	130,600
-Becoming due		
under 3 months	213,967	195,897
from 3 to 6 months	2,704	326
from 6 to 9 months	352	331
from 9 to 12 months	357	336
from 1 to 2 years	1,707	748
more than 2 years	1,304	3,432
<b>Subtotal</b>	<b>220,391</b>	<b>201,070</b>
<b>Total</b>	<b>455,717</b>	<b>331,670</b>

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## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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#### 18. FINANCIAL DEBT

	12.31.17	12.31.16
<b>Non current:</b>		
Negotiable Obligations ("Notes")	-	2,678,537
Related parties ("Notes") - (Note 30)	-	62,396
<b>Subtotal Non current</b>	<b>-</b>	<b>2,740,933</b>
<b>Current:</b>		
Negotiable Obligations ("Notes")	3,330,324	-
Interest to be paid ("Notes")	1,169	2,284
Related parties (Interest "Notes") - (Note 30)	77,572	-
Related parties (Line of credit) - (Note 30)	-	151,377
Current account advances	20,610	-
<b>Subtotal Current</b>	<b>3,429,675</b>	<b>153,661</b>
<b>Total</b>	<b>3,429,675</b>	<b>2,894,594</b>

As of December 31, 2017, financial debt denominated in U.S. dollars amounted to 3,409,065 and financial debt denominated in pesos amounted to 20,610. As of December 31, 2016, financial debt denominated in U.S. dollars amounted to 2,743,217 and financial debt denominated in pesos amounted to 151,377.

The table below shows the changes occurred in the balance of financial debt as of December 31, 2017 and 2016:

	12.31.17	12.31.16
Balance at beginning of year	2,894,594	2,280,807
Accrued interest at effective interest rate - Notes (1)	453,550	381,634
Accrued interest on YPF line of credit	15,921	35,568
Exchange difference	502,724	481,520
YPF loan payment	(126,043)	-
YPF interest payment	(41,255)	-
Interest payment	(290,426)	(284,935)
Current account advances	20,610	-
<b>Balance at end of year</b>	<b>3,429,675</b>	<b>2,894,594</b>

(1) Includes accrued interest on notes issued to YPF.

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The aging analysis of financial debt is as follows:

	<u>12.31.17</u>	<u>12.31.16</u>
-Becoming due		
under 3 months	20,610	86,239
from 3 to 6 months	331,695	67,422
from 9 to 12 months	3,077,370	-
from 1 to 2 years	-	2,740,933
Subtotal	<u>3,429,675</u>	<u>2,894,594</u>
<b>Total</b>	<b><u>3,429,675</u></b>	<b><u>2,894,594</u></b>

#### 18.1 Negotiable Obligations

As a consequence the mandatory debt exchange made on January 11, 2013, within the framework of reorganization proceedings requesting on December 2010 (the “Reorganization Proceedings”) MetroGAS issued the Series A and Series B Notes with maturity on December 31, 2018 (the “Notes”). Also, the Notes were issued to be delivered to any new unsecured creditors after their claims have been allowed pursuant to a judgment entered under the Reorganization Proceedings.

Said Notes had accrued a fixed annual interest rate of 8.875%. Interest is payable semiannually on June 30 and December 31 of each year. MetroGAS exercised its option to capitalize 100% of interest as of June 30, 2013, and 50% as of December 31, 2013 and June 30, 2014.

Having the limit date (June 30, 2014, in accordance with the terms of the Trust Agreement), and no Triggering Event has been produced Series B Notes, which represented the withdrawal of the agreement with creditors under the Reorganization Proceedings, were canceled.

As of December 31, 2017, MetroGAS’ financial debt consists mainly of Series A Notes.

Under the terms and conditions for the issue of Notes, the Company and its subsidiaries shall comply with a series of restrictions which, among others, and in general terms, are those listed below.

- 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, 2017.

During the fiscal year 2017, MetroGAS paid semiannual interest.

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On February 8, 2018, MetroGAS took a non-guaranteed loan with (i) the Industrial and Commercial Bank of China Limited-Dubai (DIFC) Branch and (ii) the Itaú Unibanco-New York Branch, for a total amount of USD 250,000,000 for a thirty six- month term and amortizable in nine quarterly installments counting as of twelve months since the date of payment (“the Loan”).

Once the Loan has been received, the Company shall allocate these funds to rescue, on February 27, 2018, the total number of Notes at a Rescue Price equal to 100% of the capital amount of the Notes to be rescued, with and plus accrued and unpaid interests, and every other amount owed at the time of the Rescue. Notes shall stop accruing interests on and after Rescue Date. For all intents and purposes under the Fund trust Agreement, Notes shall not be considered valid as of and after Rescue Date, inasmuch as Rescue Price is deposited by the Trustee according to the Trust fund Agreement, and all rights related to the Notes, shall cease on Rescue Date. The payment of the Rescue Price shall be made through The Bank of New York Mellon (See Note 31 to these financial statements) (See Note 32 to these financial statements).

#### 18.2 Related parties

On December 12, 2013, the Board of Directors of MetroGAS unanimously approved a contract with YPF where YPF granted MetroGAS a “Non-Committed” credit facility for up to 180,000 for a period of 180 days as from the date of the proposal. This credit facility was a BADLAR cost plus an annual 6% spread and MetroGAS was entitled to request any drawdown as it deemed necessary up to the maximum amount of the credit facility and for the above mentioned period, and to make partial or total advance payments without penalty. Finally, an annual 10% default interest was applied in the event of default. On February 26, 2015 an extension was granted for 365 days counted from its corresponding due dates in the same conditions, limiting the amount to 140,000. Dated February 25, 2016 and April 18, 2016, new extensions were granted being the new due dates of February 27, 2017, for the first drawdown request, and April 21, 2017 for the second. During the fiscal year ended as of December 31, 2017, the Company has canceled the capital and interest on these loans.

#### 19. REORGANIZATION LIABILITIES

	<u>12.31.17</u>	<u>12.31.16</u>
<b>Non current:</b>		
Taxes payable	8,413	9,910
Trade payables	23	23
Salaries and social security	10	336
<b>Total Non current</b>	<u><u>8,446</u></u>	<u><u>10,269</u></u>

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



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#### 20. PROVISIONS

Provisions	Civil, labor and other claims	Tax claims and other fines	Regulatory claims and interpretation disagreements	Claims against The Government	Total
<b>Balance at 12.31.16</b>	<b>113,283</b>	<b>4,257</b>	<b>19,700</b>	<b>123,758</b>	<b>260,998</b>
Net increases of the year (*)	12,041	(255)	(4,126)	82,810	90,470
Reclassification to other accounts payable	524	(1,282)	1,907	-	1,149
Uses of the year	(7,764)	(2,378)	-	-	(10,142)
<b>Balance at 12.31.17</b>	<b>118,084</b>	<b>342</b>	<b>17,481</b>	<b>206,568</b>	<b>342,475</b>

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

#### 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, 2017, the Company recorded a provision of 118,084, of which 66,128 correspond to labor lawsuits and 39,233 to civil liability claims for damages, while 12,723 corresponds to mediation proceedings. During the fiscal year ended December 31, 2017, the Company increased the provision for these items of 12,401.

#### 20.2 Tax claims and other fines

As of the date of issuance of these financial statements, the Company claims keeps of fines from GCBA, which amount to 342 as of December 31, 2017.

#### 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, 2017, the provision for these items amounted to 17,481; no having significant changes in the fiscal year ended 2017.

#### 20.4 Payment of Court Fee – Lawsuit against the National Government

In 2011, MetroGAS filed an interruptive action of prescription against the National Government (“MetroGAS S.A. vs./ National Government on/ damages” Case Record 50,141/2011) aiming at, once all possibilities regarding administrative claims were exhausted, demanding the National Government to compensate all damages caused to MetroGAS, resulting from the Emergency Law due to the non-fulfillment of the agreement's obligations to keep the economic-financial equation of this distributing company according to the terms and conditions of the regulatory framework stipulated by Law No. 24,076.

As a complementary action and once exhausted the administrative way, in 2013 the claim was extended and the amount was fixed at 4,125,167 (as of December 31, 2011) and a request to Waive Court Fees and Costs was filed (“BLSG”) (Article 78 and following ones of the Civil and Commercial Code of Argentina) - aiming at the exemption of payment of court fees and costs

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(Court Fees –Law No. 23,898) as a consequence of the lawsuit for damages. Once the Waiver of Court fees and Costs was implemented, MetroGAS was exempted from court fees at the time of initiating the main action and until the resolution of the Waiver of Court fees and Costs.

On March 30, 2017, MetroGAS signed with the National Government the Letter of Understanding for the Renegotiation of the License Contract for Natural Gas Distribution. In compliance with the terms of the Letter of Understanding, within a 90-day term counted from the date of issuance and enforcement of the Resolution that approves the Tariff Scheme resulting from the Comprehensive Tariff Review stipulated on the seventh clause of the Letter of Understanding, or the last increase stage, as it corresponds, MetroGAS will have to waive entirely and expressly all rights that may eventually invoke, as well as all legal actions started or in progress or future ones, based on or related to actions or measures stated, regarding the License Contract. At present, the legal actions directed are suspended until the Comprehensive Tariff Review is completed in compliance with the terms and conditions of the Letter of Understanding and aiming at avoiding an unnecessary legal disbursement.

After waiving the above mentioned rights, the tax authorities could demand the payment of the court fee to MetroGAS in accordance to the terms and conditions of Law No. 23,898, which is three percent (3%) of the total amount of the claim.

As of December 31, 2017 the Company registered an entry as regards these concepts of 206,568.

### 21. TRADE PAYABLES

	<u>12.31.17</u>	<u>12.31.16</u>
<b>Non current:</b>		
Gas creditors	-	23,057
Related parties (Note 30)	71,146	34,574
<b>Total Non current</b>	<u>71,146</u>	<u>57,631</u>
<b>Current:</b>		
Gas and transportation creditors	1,570,416	2,055,147
Other purchases and services creditors	255,907	250,523
Resolution No. I-2,621/2013	12,614	45,428
Related parties (Note 30)	2,018,353	1,769,470
<b>Total current</b>	<u>3,857,290</u>	<u>4,120,568</u>
<b>Total</b>	<u><u>3,928,436</u></u>	<u><u>4,178,199</u></u>

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

	12.31.17	12.31.16
Pesos	3,272,101	3,876,778
US Dollars	656,183	300,448
Euros	-	973
Sterling pound	152	-
<b>Total</b>	<b>3,928,436</b>	<b>4,178,199</b>

The aging analysis of the trade payables is as follows:

	12.31.17	12.31.16
-Past due		
under 3 months	634,992	983,560
from 3 to 6 months	136,272	823,930
from 6 to 9 months	19,542	201
from 9 to 12 months	90,751	33,193
from 1 to 2 years	397,639	145,600
more than 2 years	1,430	167
Subtotal	1,280,626	1,986,651
-Becoming due		
under 3 months	2,044,740	1,980,699
from 3 to 6 months	166,334	47,989
from 6 to 9 months	176,779	51,010
from 9 to 12 months	188,811	54,219
from 1 to 2 years	71,146	57,631
Subtotal	2,647,810	2,191,548
<b>Total</b>	<b>3,928,436</b>	<b>4,178,199</b>

## 22. SALARIES AND SOCIAL SECURITY

	12.31.17	12.31.16
Salaries	41,505	19,993
Social securities	46,011	33,626
Related parties (Note 30)	16,552	13,624
Vacation provision	89,204	69,863
Bonus provision	59,639	35,753
Others	326	212
<b>Total</b>	<b>253,237</b>	<b>173,071</b>

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

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

	<b>12.31.17</b>	<b>12.31.16</b>
-Becoming due		
under 3 months	130,430	131,979
from 3 to 6 months	87,386	13,698
from 6 to 9 months	17,451	13,697
from 9 to 12 months	17,970	13,697
Subtotal	<b>253,237</b>	<b>173,071</b>
<b>Total</b>	<b>253,237</b>	<b>173,071</b>

### 23. OTHER ACCOUNTS PAYABLE

	<b>12.31.17</b>	<b>12.31.16</b>
Payables for works on behalf of third parties	29,280	10,686
ENARGAS' Fines	2,356	2,346
GCBA' Fines	542	1,406
Miscellaneous	503	755
<b>Total</b>	<b>32,681</b>	<b>15,193</b>

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

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

	<b>12.31.17</b>	<b>12.31.16</b>
-Without due	2,356	2,346
-Becoming due		
under 3 months	29,920	4,265
from 3 to 6 months	135	8,442
from 6 to 9 months	135	140
from 9 to 12 months	135	-
Subtotal	<b>30,325</b>	<b>12,847</b>
<b>Total</b>	<b>32,681</b>	<b>15,193</b>

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## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

#### 24. REVENUES

	For the years ended,	
	12.31.17	12.31.16
Gas sales	7,145,548	4,502,294
MetroENERGÍA's gas sales and transportation	3,986,812	3,005,487
Transportation and distribution services	918,446	378,117
Other sales	126,000	86,320
Natural gas liquids processing	-	1,494
MetroENERGÍA's other revenues	4,933	9,132
<b>Total</b>	<b>12,181,739</b>	<b>7,982,844</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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#### 25. EXPENSES BY NATURE

	For the years ended,				12,31,16
	12,31,17				
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	TOTAL
Payroll and other employees benefits	393,453	348,143	224,334	965,930	707,120
Social security contributions	83,123	41,861	46,690	171,674	138,719
Cost of natural gas	6,300,918	-	-	6,300,918	5,553,405
Transportation of natural gas and natural gas liquids processing	1,503,338	-	-	1,503,338	612,499
Directors and Supervisory committee fees	-	3,454	-	3,454	2,714
Fees for professional services	2,993	20,868	5,918	29,779	20,492
Sundry materials	24,628	-	-	24,628	24,732
Fees for sundry services	106,644	40,920	130,475	278,039	169,694
Post and telephone	2,637	10,304	91,367	104,308	63,053
Rent and leases	-	-	5,157	5,157	4,508
Transportation and freight charges	-	16,932	-	16,932	8,550
Office materials	1,616	7,007	2,840	11,463	5,942
Travelling expenses	2,467	1,412	1,089	4,968	2,912
Insurance premium	-	23,205	3	23,208	18,086
Properties, plant and equipment maintenance and repair	183,001	103,819	123	286,943	187,592
Properties, plant and equipment, Investment properties and Intangible assets depreciation	478,969	31,109	-	510,078	101,222
Taxes, rates and contributions	59,163	112,928	416,312	588,403	485,183
Publicity	-	-	18,949	18,949	11,842
Doubtful accounts	-	-	56,898	56,898	68,493
Bank expenses and commissions	-	1,238	100,464	101,702	20,592
Others expenses	30,080	1,580	3,839	35,499	10,281
<b>Total as of December 31, 2017</b>	<b>9,173,030</b>	<b>764,780</b>	<b>1,104,458</b>	<b>11,042,268</b>	
<b>Total as of December 31, 2016</b>	<b>6,864,998</b>	<b>610,164</b>	<b>742,469</b>		<b>8,217,631</b>

The expenses included in the above table are net of the Company's own expenses capitalized in properties, plant and equipment for 90,314 at December 31, 2017 and for 33,819 at December 31, 2016.

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#### **26. OTHER INCOME AND EXPENSES**

	<b>For the years ended,</b>	
	<b>12.31.17</b>	<b>12.31.16</b>
Leases	6,642	-
GCBA' Fines	(454)	(13,419)
Contractors penalties	8,329	2,429
Management service for third parties constructions	3,392	1,696
Other income	9,072	4,392
Revenues from rendering services to Controlling Company (Note 30)	-	1,330
Increases in provisions for claims and contingencies and others	(90,470)	(162,681)
<b>Total</b>	<b>(63,489)</b>	<b>(166,253)</b>

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### **27. NET FINANCIAL RESULTS**

#### **Finance income**

	<b>For the years ended,</b>	
	<b>12.31.17</b>	<b>12.31.16</b>
Financial assets at fair value	102,690	136,522
Interest income	73,245	32,101
Exchange difference on cash and cash equivalents	3,736	1,593
Exchange difference on commercial operations	29,777	26,374
Other financial expenses	1,398	2,695
	<b>210,846</b>	<b>199,285</b>

#### **Finance costs**

	<b>For the years ended,</b>	
	<b>12.31.17</b>	<b>12.31.16</b>
Exchange difference on financial debt	502,724	481,520
Exchange difference on commercial debt	53,437	39,283
Accrued interest on financial debt	453,550	381,634
Accrued interest on YPF line of credit (Note 30)	15,921	35,568
Accrued interest on commercial debt	153,713	253,182
Other financial expenses	38,315	37,193
	<b>1,217,660</b>	<b>1,228,380</b>



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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

	Tax losses	Trade receivables and Other receivables	Provisions	Total deferred tax assets
Balances at 12.31.16	-	131,868	71,257	203,125
Movements of the year	535,663	(115,017)	1,983	422,629
<b>Balances at 12.31.17</b>	<b>535,663</b>	<b>16,851</b>	<b>73,240</b>	<b>625,754</b>

##### Deferred income tax liabilities

	Properties, plant and equipment revaluation	Properties, plant and equipment	Financial debt	Cash and cash equivalents	Others	Total deferred tax liabilities	Total net deferred tax liabilities
Balances at 12.31.16	-	(196,179)	(121,558)	(1,265)	(80)	(319,082)	(115,957)
Movements of the year	(3,173,328)	58,795	55,822	1,265	80	(3,057,366)	(2,634,737)
<b>Balances at 12.31.17</b>	<b>(3,173,328)</b>	<b>(137,384)</b>	<b>(65,736)</b>	<b>-</b>	<b>-</b>	<b>(3,376,448)</b>	<b>(2,750,694)</b>

##### MetroENERGÍA

##### Deferred income tax assets

	Investments	Total
Balances at 12.31.16	157	157
Movements of the year	(499)	(499)
<b>Balances at 12.31.17</b>	<b>(342)</b>	<b>(342)</b>

The net consolidated position as of December 31, 2017 accounted for a deferred income tax liability amounting to 342, as regards MetroENERGÍA, and a deferred income tax liability amounting to 2,750,694, as regards MetroGAS, and as of December 31, 2016 accounted for a deferred income tax asset amounting to 157, as regards MetroENERGÍA, and a deferred income tax liability amounting to 115,957, 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,	
	12.31.17	12.31.16
Income tax expense on result before income tax	(24,209)	234,827
<u>Tax effect due to:</u>		
Net non deductible expenses and non taxable income	21,709	(17,659)
Tax loss carry forwards recognized / (not recognized)	709,064	(162,145)
Change effect of income tax rate (Note 4.18)	(69,978)	-
<b>Total income tax credit to results</b>	<b>636,586</b>	<b>55,023</b>

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

	For the years ended,	
	12.31.17	12.31.16
Income tax determined for fiscal purposes MetroGAS	(84,124)	155,228
Current income tax MetroENERGÍA	(47,480)	(42,962)
Temporary differences	129,104	97,986
Tax loss carry forward adjustment (before years)	-	6,917
Tax loss carry forwards recognized / (not recognized)	709,064	(162,146)
Change effect of income tax rate (Note 4.18)	(69,978)	-
<b>Total income tax credit to results</b>	<b>636,586</b>	<b>55,023</b>

According to notes 2.1.2.1 and 2.1.2.2 of these financial statements, the Company produces tax profits in fiscal year 2017 and expects to generate fiscal profits in the following years. For this reason, the Company has recognized a credit for tax losses arising from previous years of 535,663 and a 95.332 credit for MPIT.

On the other hand, during the fiscal year 2016, the MPIT credit for fiscal year 2009 was recognized by 11,503 (3,792 as current credit and 7,711 as non-current credit) under the AFIP resolution dated November 23, 2016, which resulted in the claim Administrative appeal filed by the Company in 2014.

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The table below sets forth the years in which the credits for tax losses as of December 31, 2017 expire:

Expiration year	Deferred tax losses assets	Recognized credit
2019	190,513	190,513
2020	218,310	218,310
2021	126,840	126,840
<b>TOTAL</b>	<b>535,663</b>	<b>535,663</b>

Below shows the evolution of net deferred liabilities during the year:

	<b>12.31.17</b>
Deferred tax liabilities at beginning of year	(115,800)
Deferred tax effect in ORAI (1)	(3,319,302)
Income tax charged MetroENERGÍA	(499)
Income tax charged MetroGAS	684,565
<b>Deferred tax liabilities at end of year</b>	<b>(2,751,036)</b>

(1) Includes 4,517,239 for the initial revaluation of the essential assets of net PP&E and 1,197,937 for change effect of income tax rate on the deferred tax liability generated by said revaluation.

The charge for income tax and minimum presumed income tax for the year ended December 31, 2017 and 2016 is as follows:

	<b>For the years ended,</b>	
	<b>12.31.17</b>	<b>12.31.16</b>
Income tax deferred MetroGAS	684,565	107,204
MetroENERGÍA income tax	(47,979)	(52,180)
Minimum presumed income tax recognized in the year (before years)	69,073	11,503
<b>Total income tax and MPIT charged</b>	<b>705,659</b>	<b>66,527</b>

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The table below shows the years in which credits for MPIT expire as of December 31, 2017:

Expiration year	MPIT recognized in the year	Credit at end of year
2018	10,399	10,399
2020	14,211	14,211
2021	14,442	-
2022	14,842	-
2023	15,179	15,179
2027	-	55,543
<b>TOTAL</b>	<b>69,073 (1)</b>	<b>95,332</b>

(1) Includes 29,284 which offset by other taxes.

## 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,	
	12.31.17	12.31.16
Net and comprehensive result for the year attributable to controlling interest	772,893	(599,682)
Average of common shares outstanding	569,171	569,171
<b>Net basic and diluted result per share</b>	<b>1.36</b>	<b>(1.05)</b>

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

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

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

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

The information described in the following charts shows the balances with related companies as of December 31, 2017 and December 31, 2016, as well as operations with these companies for the years ended on December 31, 2017 and 2016.

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The transactions shown below have been made with related parties:

	For the years ended, 12.31.17								
	Gas & transportation sales	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs on loans	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
<b>Controlling company:</b>									
YPF (1)	7,740	1,233,893	4,606	7,215	-	15,921	116,019	-	-
<b>Other related parties:</b>									
Central Dock Sud S.A.	102,247	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	18,932	-	-	-	-	-	-	-	-
A-Evangelista S.A.	2,213	-	-	-	-	-	-	-	-
ENARSA	-	150,677	-	-	-	-	49,341	-	-
Profertil S.A.	171,933	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	25,985	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	2,975	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	964	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	4,290	-	-	-	-	-	-	-	-
Others (2)	2,108	-	-	-	-	-	-	-	-
<b>Key directors and management:</b>	-	-	-	-	-	-	-	-	51,183
	<b>309,463</b>	<b>1,410,555</b>	<b>4,606</b>	<b>7,215</b>	<b>2,975</b>	<b>15,921</b>	<b>165,360</b>	<b>964</b>	<b>51,183</b>

(1) On January 9, 2017 we were notified of the merger by absorption of YSUR Energía Argentina S.R.L. and YSUR Petrolera Argentina S.A. with YPF S.A.

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

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	For the years ended,										
	12.31.16										
	Gas & transportation sales	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Other income and expenses	Insurance premium	Finance costs on loans	Finance costs on commercial debt	Post and telephone expenses	Temporary Economic Assistance	Salaries and others employee benefits
<b>Controlling company:</b>											
YPF	1,507	1,200,263	2,085	3,605	1,330	-	35,568	106,669	-	-	-
<b>Other related parties:</b>											
YSUR Energía Argentina S.R.L. (2)	-	176,842	-	-	-	-	-	4,593	-	-	-
YSUR Petrolera Argentina S.A. (2)	-	38,636	-	-	-	-	-	-	-	-	-
Central Dock Sud S.A.	62,710	-	-	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	40,574	-	-	-	-	-	-	-	-	-	-
A-Evangelista S.A.	1,793	-	-	-	-	-	-	-	-	-	-
ENARSA	-	397,185	-	-	-	-	-	47,160	-	-	-
Profertil S.A.	625,417	-	-	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A.	-	113,997	-	-	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	6,620	-	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	-	1,007	-	-
MINEM	-	-	-	-	-	-	-	-	-	759,200	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	5,868	-	-	-	-	-	-	-	-	-	-
Others (1)	1,468	-	-	-	-	-	-	-	-	-	-
<b>Key directors and management:</b>	-	-	-	-	-	-	-	-	-	-	42,002
	<b>739,337</b>	<b>1,926,923</b>	<b>2,085</b>	<b>3,605</b>	<b>1,330</b>	<b>6,620</b>	<b>35,568</b>	<b>158,422</b>	<b>1,007</b>	<b>759,200</b>	<b>42,002</b>

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

(2) Company merged with YPF S.A. from January 1, 2017.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

The balances shown below are outstanding with related parties:

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

(1) On January 9, 2017 we were notified of the merger by absorption of YSUR Energía Argentina S.R.L. and YSUR Petrolera Argentina S.A. with YPF S.A.

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



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### METROGAS S.A.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

	12.31.16						
	Trade receivables	Other receivables	Trade payable		Financial debt		Salaries and social securities
	Current	Current	Current	Non current	Current	Non current	Current
Controlling company:							
YPF	1,677	3,058	977,253	23,267	151,377	59,918	-
Other related parties:							
YSUR Energía Argentina S.R.L. (3)	-	-	52,165	843	-	2,478	-
YSUR Petrolera Argentina S.A. (3)	-	-	8,853	-	-	-	-
Central Dock Sud S.A.	19,767	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	3,258	-	-	-	-	-	-
A-Evangelista S.A.	256	-	-	-	-	-	-
ENARSA	5	-	714,825	10,464	-	-	-
Profertil S.A.	50,862	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	-	14,763	-	-	-	-
Nación Seguros S.A.	-	-	1,611	-	-	-	-
MINEM	-	759,200 (2)	-	-	-	-	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	4,055	-	-	-	-	-	-
Others (1)	11	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	13,624
	79,891	762,258	1,769,470	34,574	151,377	62,396	13,624

(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”.

(3) Companies merged with YPF S.A. from January 1, 2017.

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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION**

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

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

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

Pursuant to Resolution No. I-2,621/2013 of ENARGAS, MetroGAS currently bills on behalf and for the account of ENARSA the injected volumes in relation to CNG as from June 2013. Furthermore, as explained in Note 2.6 MetroGAS must invoice, collect and settle two specific charges, with different appropriations, which are done for the order and account of Nación Fideicomisos S.A. Balances of these operations 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 MetroGAS are: YPF S.A., Total Austral, Wintershall Energía, Pan American Energy, and other producers of Tierra del Fuego, Neuquén and Santa Cruz.

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" ("Agreement 2007-2011"). The Agreement 2007-2011 established the volumes to be injected at the points of entry to the transportation system by natural gas producers, prioritizing mainly the supply of residential and CNG demand through redirection mechanisms and additional demands. It also set the parameters of natural gas price adjustments in a step-by-step manner (See Note 2.4).

ES Resolution No. 599/07 and ENARGAS Resolution No. 1,410/10 were complemented by MINEM Resolution No. 89/2016 that established natural gas volumes would be requested by distributing companies to meet the Prior Demand and by ENARGAS Resolution No. 3,833/2016 regarding the Procedure for Natural Gas Requests, Confirmations and Control.

Under the terms of MINEM Resolution No. 89/2016, a process of standardization of agreements was started; based on that MetroGAS entered into different agreements with gas producers, either from the Austral basin, or the Neuquina basin. These contracted volumes work out volumes from ENARGAS Resolution No. 1,410/2010 not only for the producer but also for the distributing company. Contracted volumes based on MINEM Resolution No. 89/2016 were paid by distributing companies at a price settled by the MINEM.

On October 6, 2016, the MINEM issued Resolution No. 212 – E /2016 and fixed a price path for natural gas, stipulating natural gas value on a gradual and biannual basis up to October 1, 2019 (for MetroGAS' License area).

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## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

Through Resolution No. 74 – E/2017, MINEM determined the new prices at the PIST of natural gas to be applied, as of April 1, 2017, to the customer categories mentioned therein. Furthermore, the resolution also established the new prices at the PIST subsidized for Residential customers with savings in their gas consumption of or above 15% with respect to the same period in 2015. These new prices at the City Gate for the Transportation System have been provided for in ENARGAS Resolution No. 4,356/2017.

On December 1, 2017 and through Resolution No. 474 - E/2017, the MINEM stipulated new prices for natural gas in the PIST which were applied as from December 1, 2017 to the category of users therein indicated. Moreover, stipulated new prices in the PIST with a discount to Residential users of natural gas who registered a reduction in their consumption equal or superior to twenty percent (20%) compared to the same period in 2015 and the discount corresponding to users with the Social Tariff benefit. These new prices in the PIST have been contemplated in ENARGAS Resolutions No. 131/2017 and No. 132/2017.

On November 29, 2017, at the request of the MINEM, MetroGAS subscribed the “Bases and Conditions for the Supply of Natural Gas through Networks to Gas Distributors” (the “Bases and Conditions”) together with the rest of the distributors and a group of gas producers. These Bases and Conditions set the guidelines for contracting gas volumes to meet the demand from distributors for the period included between January 1, 2018 and December 31, 2019. These guidelines establish: i) the volumes that each signing producer has to inject per basin to meet the demand from distributors, ii) the daily available volumes per basin for each distributor, iii) the price according to customer’s category and per period expressed in u\$s/MMBTU, iv) the obligation of the producer to deliver or pay 100% of the volume, v) the obligation of distributors to take or pay 100% of the volume, except when there is no demand and no gas volumes are assigned, of contracts not included in the Bases and Conditions ,vi) due date of the invoice is 75 days after the invoice date.

Within the framework of the Bases and Conditions, MetroGAS agreed to gas supply contracts with an approximate value of firm gas purchase for:

<u>Periods</u>	<u>Contractual Commitments</u> (Millions of Pesos)
2018	8,783.4
2019	3,921.7

Once MetroENERGÍA was registered in the Marketeers’ Register, it entered into natural gas supply agreements with different agents of the market in order to supply users that had to acquire gas from third parties. At present, MetroENERGÍA has different purchasing agreements to supply natural gas to industries and stores, up to April 2018. The approximate annual value of firm gas purchase to be paid by MetroENERGÍA during 2018 amounts to 1,286.5 of million.

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## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

#### 31.2 Gas Transportation

MetroGAS has entered into various transportation contracts, with expiration dates ranging between 2018 and 2027, with TGS, TGN and other companies, in order to ensure a firm transportation capacity of 19.49 MMCM per day, taking into account the ongoing contracts as of December 31, 2017.

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)
2018	2,989
2019	2,737
2020	2,644
2021	2,504
2022/27	8,374

On August 2017, MetroGAS submitted an irrevocable offer during TGS' capacity open bid No. 1/2017, aiming at renewing the firm transportation capacity with due date on April 30, 2018. As a result of this Bid, MetroGAS was able to renew 100% of the offered capacity, being the new due dates between 2019 and 2027.

On November 30, 2017 ENARGAS Resolutions No. 120/17 and No121/17 were published, which established a new tariff scheme to be applied to TGS and TGN as from December 1, 2017.

#### 31.3 Gas sales and transportation

MetroGAS entered into agreements which generates firm transportation with industries and GNC to sell and transport natural gas and GNC. The annual estimated valuation for firm transportation capacity to be collected to the Company under these contracts is stated below:

<u>Periods</u>	<u>Contractual Commitments</u> (Millions of Pesos)
2018	269.16
2019	45.76

MetroENERGÍA entered into natural gas supply agreements with large SGG and SGP users, according to the different dates when those users had to purchase natural gas from other suppliers rather than the licensees of the distribution service. These agreements were renewed according to the ones entered into with natural gas suppliers. The approximate annual valuation of firm gas sale to be collected by MetroENERGÍA during the year 2018 amounts to 2,629.6 million and during 2019 amounts to 481.2 million.

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## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION

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

#### 31.4 Mandatory Investments Plan

According to what is stipulated in the Provisional Agreement 2016, dated January 29, 2016 MetroGAS submitted to the ENARGAS the Investments Plan designed for 2016, which included a fund outlay of 715 of millions. The said Plan involves infrastructure works, connection works, re-potentiating, expansion and/or technological modification of the systems of gas distribution through networks, safety, 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. The Plan covered the period between April 2016 and March 2017. On April 27, 2017, the Company sent ENARGAS a note with the reformulation of the Mandatory Investments Plan that ended on December 31, 2017. The amount of investments made as of December 31, 2017 based on the Mandatory Investments Plan amounts to \$ 724.1 million, resulting in an increase of \$ 8.8 million over the originally committed.

Under the terms of the Provisional Agreement 2017, on March 31, 2017 ENARGAS Resolution No. 4,356/2017 was published in the O.G., which mentions in Annex III the Mandatory Investments Plan to be implemented by MetroGAS within the five-year term 2017-2021. For the purposes of this Resolution, Mandatory Investments are considered as indispensable to attend to the operation and maintenance of the systems operated, the commercialization and the administration in reliable and safe conditions of the natural gas, with standards equal to or greater than those required by the regulations valid. In the event that MetroGAS carries out mandatory investments at a total cost lower than the sum specified in the resolution, it must invest that difference in works and/or projects contemplated as non-mandatory or complementary investments or in others that are approved by the regulatory authority within of the five-year period 2017-2021. MetroGAS must annually submit to the regulatory authority a detailed progress report on its Investment Plan and the regulatory authority may apply penalties in case of default.

The mandatory investments amount to \$ 7,784 millions to be disbursed as follows arises from the Resolution: \$ 773 of millions in the first year (which as of December 31, 2017 486.5 million were realized), \$ 1,724 of millions in the second year, \$ 1,666 of millions in the third year, \$ 1,825 of millions in the fourth year and \$ 1,796 of millions in the fifth year.

#### 31.5 Leases

##### a. As lessee

As of December 31, 2017, the future minimum payments related to MetroGAS' operating leases, are detailed below:

<u>Periods</u>	<u>Contractual Commitments</u> (Millions of Pesos)
2018	1.21
2019	0.58
2020	0.32
Total minimum payments	<u>2.11</u>

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## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2017 AND COMPARATIVE INFORMATION** (amounts in thousands of pesos, except where expressly stated otherwise)

#### **31.6 Other Contractual Commitments**

As of December 31, 2017 MetroGAS is committed with third parties by means of service contracts (such as software, insurance, communications) for an approximate amount of 1,279 of million; from which 1,128 of million with due date during 2018, 140 million during 2019 and 11 million during 2020.

#### **32. SUBSEQUENTS EVENTS**

On February 8, 2018, MetroGAS took a non-guaranteed loan with (i) the Industrial and Commercial Bank of China Limited-Dubai (DIFC) Branch and (ii) the Itaú Unibanco-New York Branch, for a total amount of USD 250,000,000 for a thirty six- month term and amortizable in nine quarterly installments counting as of twelve months since the date of payment ("the Loan").

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

Once the Loan has been received, the Company allocated these funds:

- a) to rescue, on February 27, 2018, the total number of Notes at a Rescue Price equal to 100% of the capital amount of the Notes to be rescued, with and plus accrued and unpaid interests, and every other amount owed at the time of the Rescue. Notes shall stop accruing interests on and after Rescue Date. For all intents and purposes under the Fund trust Agreement, Notes shall not be considered valid as of and after Rescue Date, inasmuch as Rescue Price is deposited by the Trustee according to the Trust fund Agreement, and all rights related to the Notes, shall cease on Rescue Date. The payment of the Rescue Price shall be made through The Bank of New York Mellon (See Note 31 to these financial statements) (See Note 32 to the consolidated financial statements).
- b) to refinance current liabilities; and
- c) to finance working capital.

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

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

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

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

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

ENARGAS Resolution No. 4,356/2017 further dismissed ENARGAS Resolutions No. I-2,407/12 and No. I-3,249/15 that allow the collection of a fixed amount per invoice under the heading Fund for Gas Distribution Consolidation and Expansion Works (“FOCEGAS”).

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

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

On December 1, 2017 the Official Gazette published: (i) ENARGAS Resolution No. 131/2017 in order to (a) declare valid the Public Hearing, convened through ENARGAS Resolution No. 74/2017, (b) approve MetroGAS’ temporary tariff scheme applicable as from December 1, 2017 and (c) approve new values for Rates and Charges collected by MetroGAS for Additional Services ; and (ii) ENARGAS Resolution No. 132/2017 that states a discount to be applied by MetroGAS in favor of users who (a) register a reduction in their gas consumption or (b) have the Social Tariff benefit.



## **METROGAS S.A.**

### **INFORMATIVE SUMMARY OF ACTIVITY**

#### **RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION**

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

#### **Analysis of transactions in the years ended December 31, 2017 and 2016**

The sales of the Company for the fiscal year ended December 31, 2017 increased by 52.6%, and operating costs rose by 33.6% as compared with the previous fiscal year, as a result of which gross profit increased by 1,890,863, amounted to 3,008,709 during the year ended on December 31, 2017, as compared with 1,117,846 shown for the preceding fiscal year.

Administrative expenses increased by 25.3%, from 610,164 during the year ended on December 31, 2016, as compared with 764,780 shown for the present fiscal year, and selling expenses increased by 48.8%, from 742,469, during for the year ended December 31, 2016, to 1,104,458 shown for the present fiscal year.

During the year ended December 31, 2016 an income was recorded as the Temporary Economic Assistance for 759,200.

Consequently, during the year ended December 31, 2017 an operating income of 1,075,982 was recorded, as compared to an operating income of 358,160 for the previous fiscal year.

During the year ended December 31, 2017 net financial results was a loss of 1,006,814, as compared with a loss of 1,029,095 sustained in the previous fiscal year.

Consequently, the Company's net income for the year ended December 31, 2017 amounted to 774,827, as compared to a net loss of 604,408 for the previous fiscal year.

The Company's Board approved on June 30, 2017, the valuation of the Essential assets through the revaluation method effective April 1, 2017, which produced a total of other comprehensive income of 9,316,002 as of December 31, 2017.

#### **Results of Operations and Financial Condition**

##### **Sales**

Total consolidated sales increased by 52.6% during the year ended December 31, 2017 and amounted to 12,181,739, as compared with 7,982,844 shown for the previous fiscal year.

The increase in sales for the year ended on December 31, 2017, was mainly due to increase in MetroGAS' sales to residential and due to increase in MetroENERGÍA's sales.

MetroGAS' gas sales to residential customers increased by 122.7%, from 2,689,570 to 5,990,787 for the year ended on December 31, 2016 and 2017, respectively, mainly due to the increase in tariffs for the Resolution No. 4,044/2016 effective as of October 7, 2016, Resolution No. 4,356/2017, effective as of April 1, 2017 and Resolution No. 131/2017, effective as of December 1, 2017, partially offset by a decrease of the volumes delivered to this customer category by 14.7%.

**METROGAS S.A.****INFORMATIVE SUMMARY OF ACTIVITY****RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION**

MetroGAS' gas sales to industrial and commercial customers and governmental entities increased by 3.7%, to 682,732 during the year ended on December 31, 2017 from 658,073 during the previous fiscal year, mainly due to the increase in tariffs for the Resolution No. 4,044/2016 effective as of October 7, 2016, Resolution No. 4,356/2017, effective as of April 1, 2017 and Resolution No. 131/2017, effective as of December 1, 2017, partially offset by a decrease of the volumes delivered to this customer category by 23.5%.

Gas sales to CNG stations decreased by 59.1% from 1,154,651 to 472,029 for the years ended on December 31, 2016 and December 31, 2017, respectively, and a decrease of the volumes delivered to this customer category by 54.7% due to as from May 1, 2017, and under the Terms of MINEM Resolution No. 80 – E/2017, there has been an extension of the purchase options of natural gas by the owners of CNG stations, who can buy gas through Distribution Companies (complete service – MEM Resolution No. 34/2016) or directly via gas producers or marketers (respecting the mix of basins and percentages of fuel gas allocated to the regional distribution company). Most of the CNG stations that operate in the MetroGAS area chose to purchase the gas directly from MetroENERGÍA.

Consequently, sales of transportation and distribution services to CNG stations increased 574.6% from 25,738 during the year ended December 31, 2016 to 173,626 during the present fiscal year.

On the other hand, sales of transportation and distribution services to power stations increased by 137.0%, from 200,868 during the year ended on December 31, 2016, to 476,013 for the present fiscal year, due to an increase in average tariff and increase in volumes delivered to this customer category by 43.1%.

Sales of transportation and distribution services to industrial and commercial customers and governmental entities increased by 77.4%, from 151,511 during the year ended on December 31, 2016 to 268,807 for the present fiscal year, mainly due to an increase in average, partially offset by a decrease of the volumes delivered to this customer category by 11.1%.

MetroENERGÍA's gas sales during the year ended on December 31, 2017 amounted to 3,991,745 increased 32.4% as compared to the previous fiscal year amounted to 3,014,619, mainly due to the increase in the average tariff and the increase in sales to CNG according to Resolution No. 4,407/2017 effective as of May 1, 2017 (the resolution allows the option to purchase directly from marketers).

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

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

The table below shows the consolidated sales of the Company by type of service and customer categories for the year ended on December 31, 2017 and 2016, in thousands of pesos:

	<b>Revenues</b>			
	For the years ended December 31,			
	2017		2016	
	Thousands of Ps.	% of Total Sales	Thousands of Ps.	% of Total Sales
<b>MetroGAS</b>				
<i>Gas sales:</i>				
Residential	5,990,787	49.2%	2,689,570	33.7%
Industrial, Commercial and Governmental entities	682,732	5.6%	658,073	8.2%
Compressed Natural Gas	472,029	3.9%	1,154,651	14.5%
Subtotal	7,145,548	58.7%	4,502,294	56.4%
<i>Transportation and Distribution Services</i>				
Power Plants	476,013	3.9%	200,868	2.5%
Industrial, Commercial and Governmental entities	268,807	2.2%	151,511	1.9%
Compressed Natural Gas	173,626	1.4%	25,738	0.3%
Subtotal	918,446	7.5%	378,117	4.7%
Processed Natural Gas	-	-	1,494	-
<b>MetroENERGÍA</b>				
Gas and transport sales	3,986,812	32.7%	3,005,487	37.7%
Other income	4,933	-	9,132	0.1%
<b>Other sales</b>	<b>126,000</b>	<b>1.1%</b>	<b>86,320</b>	<b>1.1%</b>
<b>Total of Sales</b>	<b>12,181,739</b>	<b>100%</b>	<b>7,982,844</b>	<b>100%</b>

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

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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, 2017 and 2016, in millions of cubic meters:

	<b>Volumes</b>			
	For the years ended December 31,			
	2017		2016	
	MMMC	% of Volumes of gas delivered	MMMC	% of Volumes of gas delivered
<b>MetroGAS</b>				
<i>Gas sales:</i>				
Residential	1,695.9	22.8%	1,988.3	28.3%
Industrial, Commercial and Governmental entities	394.0	5.3%	514.8	7.3%
Compressed Natural Gas	158.0	2.1%	349.0	5.0%
Subtotal	2,247.9	30.2%	2,852.1	40.6%
<i>Transportation and Distribution Services:</i>				
Power Plants	3,680.0	49.5%	2,572.3	36.5%
Industrial, Commercial and Governmental entities	704.0	9.5%	792.0	11.3%
Compressed Natural Gas	306.0	4.1%	173.8	2.5%
Subtotal	4,690.0	63.1%	3,538.1	50.3%
Other Gas Sales and Transportation and Distribution Services	500.8	6.7%	642.9	9.1%
<b>Total delivered volume by MetroGAS</b>	<b>7,438.7</b>	<b>100.0%</b>	<b>7,033.1</b>	<b>100.0%</b>
<b>Total gas volumes delivered and transported by MetroENERGÍA</b>	<b>1,324.5</b>	<b>100.0%</b>	<b>1,192.0</b>	<b>100.0%</b>

**Operating Costs**

Operating costs increased by 33.6% amounting to 9,173,030 during the year ended on December 31, 2017, respect to 6,864,998 registered during the previous fiscal year. This variation was mainly due to the increase in gas purchase costs, in gas transportation cost, in depreciation of properties, plant and equipment, investment properties and intangible assets, in payroll and other employees' benefits.

The costs of natural gas purchases increased by 13.5%, from 5,553,405 for the year ended on December 31, 2016 to 6,300,918 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, 2017 2,800 million cubic meters were purchased by MetroGAS, and 1,325 million cubic meters by MetroENERGÍA, which as a whole represent a 12,3% decrease with respect to gas volumes purchased in the previous fiscal year.

Gas transportation costs increased by 145.4% during the year ended on December 31, 2017 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 the application of ENARGAS Resolutions No. 4,053/2016, No. 4,363/2017 and No. 121/2017 for TGN and No. 4,054/2016, No. 4,362/2017 and No. 120/2017 for TGS.

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

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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, 2017 and 2016, in thousands of pesos.

	<b>Operating costs</b>			
	For the years ended December 31,			
	2017		2016	
	Thousands of Ps.	% of Total Operating Costs	Thousands of Ps.	% of Total Operating Costs
Cost of natural gas	6,300,918	68.7%	5,553,405	80.9%
Transportation of natural gas	1,503,338	16.4%	612,499	8.9%
Depreciation of properties, plant and equipment, investment properties and intangible assets	478,969	5.2%	78,529	1.1%
Payroll and other employees benefits	476,576	5.2%	329,130	4.8%
Maintenance and repair	183,001	2.0%	112,318	1.6%
Sundry materials	24,628	0.3%	24,732	0.4%
Fees for sundry services	106,644	1.2%	60,467	0.9%
Taxes, rates and contributions	59,163	0.6%	81,984	1.2%
Other operating expenses	39,793	0.4%	11,934	0.2%
<b>Total</b>	<b>9,173,030</b>	<b>100.0 %</b>	<b>6,864,998</b>	<b>100.0 %</b>

**Administrative expenses**

Administrative expenses increased by 25.3%, from 610,164 for the year ended on December 31, 2016 to 764,780 for the present fiscal year. This increase was mainly due to the increase in payroll and other employee's benefits, in fixed assets maintenance and in fees for sundry services.

**Selling expenses**

Selling expenses increased by 48.8%, from 742,469 for the year ended on December 31, 2016 to 1,104,458 for the present fiscal year. This increase was mainly due to the increase in taxes, rates and contributions, in commissions in bank expenses, in payroll and other employee's benefits, in fees for sundry services and in post and telecommunication expenses.

**Other income and expenses**

Other income and expenses amounted to a loss of 166,253 for the year ended December 31, 2016 and a loss of 63,489 in the current fiscal year. The variation was mainly due to a decreased in provisions for claims and contingencies during the year 2017.

**Net financial results**

During the year ended on December 31, 2017 net financial results was a loss of 1,006,814, as compared to a 1,029,095 loss for the previous fiscal year. The variation in financial results was mainly due to the decrease in interest accrued on commercial debt, interest on the loan with YPF and the increase in interest on arrears, partially offset by the increase in loss due to exchange rate.

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

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**Income tax**

During the year ended on December 31, 2017 the Company accrued gain of 705,659, as compared to a gain of 66,527 shown for the previous fiscal year. This variation was mainly due to the Company has acknowledged a credit for tax losses arising from previous years of 535,633 and a 95.332 credit for MPIT.

**Net cash flows from operating activities**

Net cash flows from operating activities for the year ended on December 31, 2017 amounted to 1,571,934, as compared with 766,108 for the previous fiscal year. The variation is basically due to the higher funds generated by operating results, partially offset by the lower funds generated by working capital.

**Net cash flows used in investing activities**

Net cash flows used in investment activities for the year ended on December 31, 2017 amounted to 962,384. This variation was mainly due to the YPF loan payment partially offset by lower commercial interest payment.

**Net cash flows used in financing activities**

Net cash flows used in financing activities amounted to 478,811 for the year ended on December 31, 2017 as compared with 460,191 for the previous fiscal year. This variation was mainly due to the YPF loan payment partially offset by lower commercial interest payment.

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

As of December 31, 2017, the financial debt accounted for the Company amounted to 3,429,675. Also, nominal debt amounted to 194,564 and U\$S 194,495 thousand as of December 31, 2017 and 2016, respectively.

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

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**Comparative Structure of Consolidated Statement of financial position <sup>(1)</sup>**

Consolidated Statement of financial positions as of December 31, 2017, 2016, 2015, 2014 and 2013.

	<b>12.31.17</b>	<b>12.31.16</b>	<b>12.31.15</b>	<b>12.31.14</b>	<b>12.31.13</b>
	Thousands of Ps.				
Non current Assets	15,945,358	2,572,063	2,167,859	1,968,680	1,860,591
Current assets	4,246,196	4,035,710	1,857,638	836,487	484,407
<b>Total assets</b>	<b>20,191,554</b>	<b>6,607,773</b>	<b>4,025,497</b>	<b>2,805,167</b>	<b>2,344,998</b>
Non current Liabilities	3,175,772	3,189,968	2,666,712	1,649,189	1,260,707
Current Liabilities	8,026,038	4,789,983	2,126,555	1,363,040	660,174
Total Liabilities	11,201,810	7,979,951	4,793,267	3,012,229	1,920,881
Non-controlling interest	4,525	2,591	7,317	3,124	2,883
Equity attributable to the owners of the parent	8,985,219	(1,374,769)	(775,087)	(210,186)	421,234
<b>Total Liabilities and Shareholders' Equity</b>	<b>20,191,554</b>	<b>6,607,773</b>	<b>4,025,497</b>	<b>2,805,167</b>	<b>2,344,998</b>

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

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

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

**Comparative Consolidated Structure of Profit and loss and other comprehensive income <sup>(1)</sup>**

Consolidated Statements of Profit and Loss and Other Comprehensive Income for the years ended on December 31, 2017, 2016, 2015, 2014 and 2013.

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
	Thousands of Ps.				
Revenues	12,181,739	7,982,844	4,547,457	3,160,838	1,921,580
Operating costs	(9,173,030)	(6,864,998)	(3,730,263)	(2,561,287)	(1,428,055)
<b>Gross profit</b>	<b>3,008,709</b>	<b>1,117,846</b>	<b>817,194</b>	<b>599,551</b>	<b>493,525</b>
Administration expenses	(764,780)	(610,164)	(426,317)	(335,371)	(228,647)
Selling expenses	(1,104,458)	(742,469)	(506,846)	(360,639)	(262,143)
Other income and expenses	(63,489)	(166,253)	1,243	9,133	49,547
<b>Result before Temporary Economic Assistance</b>	<b>1,075,982</b>	<b>(401,040)</b>	<b>(114,726)</b>	<b>(87,326)</b>	<b>52,282</b>
Temporary Economic Assistance	-	759,200	711,000	-	-
<b>Operating income (loss)</b>	<b>1,075,982</b>	<b>358,160</b>	<b>596,274</b>	<b>(87,326)</b>	<b>52,282</b>
Finance income	210,846	199,285	131,875	43,537	41,266
Finance cost	(1,217,660)	(1,228,380)	(1,206,981)	(561,569)	(372,278)
<b>Net financial results</b>	<b>(1,006,814)</b>	<b>(1,029,095)</b>	<b>(1,075,106)</b>	<b>(518,032)</b>	<b>(331,012)</b>
Debt restructuring result	-	-	-	-	757,470
<b>Result before income tax</b>	<b>69,168</b>	<b>(670,935)</b>	<b>(478,832)</b>	<b>(605,358)</b>	<b>478,740</b>
Income tax and minimum presumed income tax	705,659	66,527	(81,876)	(25,821)	(221,910)
<b>Net result for the year</b>	<b>774,827</b>	<b>(604,408)</b>	<b>(560,708)</b>	<b>(631,179)</b>	<b>256,830</b>
<b>Other comprehensive income (1)</b>					
Essential assets revaluation	12,489,330	-	-	-	-
Income tax	(3,173,328)	-	-	-	-
<b>Total other comprehensive income</b>	<b>9,316,002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net and comprehensive result for the year</b>	<b>10,090,829</b>	<b>(604,408)</b>	<b>(560,708)</b>	<b>(631,179)</b>	<b>256,830</b>

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



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

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**Comparative Statistical Data**

The information shown below makes reference to the years ended on December 31, 2017, 2016, 2015, 2014 and 2013.

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
	<b>Volumes</b>				
	<b>In millions of cubic meters</b>				
Gas purchased by MetroGAS	2,800	3,509	2,741	2,719	3,088
Gas contracted by third parties	5,392	4,373	5,225	5,106	5,468
	8,192	7,882	7,966	7,825	8,556
Volume of gas withheld:					
- Transportation	(450)	(472)	(493)	(478)	(528)
- Loss in distribution	(303)	(377)	(368)	(343)	(353)
- Transportation and processing of natural gas	-	-	-	-	(4)
Volume of gas delivered by MetroGAS	7,439	7,033	7,105	7,004	7,671
Volume of gas purchased and delivered by MetroENERGÍA	1,325	1,192	1,579	960	839

**Comparative Ratios** <sup>(1) (2)</sup>

The information below makes reference to the years ended on December 31, 2017, 2016, 2015, 2014 and 2013.

	12.31.17	12.31.16	12.31.15	12.31.14	12.31.13
Liquidity	0.53	0.84	0.87	0.61	0.73
Solvency	0.80	(0.17)	(0.16)	(0.07)	0.22
Immobilization	0.79	0.39	0.54	0.70	0.79
Profitability	0.20	0.56	1.15	(5.82)	0.87

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

<sup>(2)</sup> As of December 31, 2016, 2015 and 2014, the ratio is not representative of the economic reality of the Company since it has negative result for the year and Equity

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

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**Additional Information****Changes in MetroGAS Shares Prices:**

		Share Price on the Buenos Aires Stock Exchange (1)
		\$
December	2013	1.29
December	2014	3.12
December	2015	7.35
January	2016	8.45
February	2016	8.75
March	2016	9.00
April	2016	8.00
May	2016	7.00
June	2016	7.60
July	2016	8.15
August	2016	7.50
September	2016	9.02
October	2016	10.30
November	2016	10.25
December	2016	12.45
January	2017	14.50
February	2017	21.90
March	2017	24.40
April	2017	25.80
May	2017	25.65
June	2017	23.00
July	2017	19.90
August	2017	26.50
September	2017	29.20
October	2017	32.40
November	2017	36.00
December	2017	45.00

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

**Perspectives**

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

Autonomous City of Buenos Aires, February 28, 2018

Marcelo Adrián Núñez  
Chairperson

## Independent Auditors' Report

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

### **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 include the consolidated statement of financial position as of December 31, 2017, 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, and other explanatory information included in notes 1 to 32.

The figures and other information corresponding to the fiscal year ended on December 31, 2016 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 of the Company 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 the internal control system that deems necessary to enable the preparation of financial statements that are free from material misstatements.

### **3. Auditors' 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") issued by the International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC") adopted in Argentina with the validity established by the FACPCE through Technical Resolution No. 32 and the Circulars of Adoption of Standards Issued by the IAASB and the IESBA of IFAC N ° 1 and 2. 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 in section 1 of this report, presents fairly, in all material respects, the consolidated financial position of METROGAS S.A. and its controlled company as of December 31, 2017, their loss and profit and other consolidated comprehensive income, their changes in its consolidated shareholders' equity and their consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards.

#### **5. Emphasis of Matter**

Without modifying our previous opinion, we emphasize as mentioned in more detail in Note 4.6 of the accompanying consolidated financial statements that, the properties, plant and equipment corresponding to the essential assets to provide the public natural gas distribution service, have been measured by the revaluation model since April 1, 2017. This change in the valuation criteria of the essential assets from the cost model to the revaluation model is applied prospectively, therefore, comparative information corresponding to the previous year, should be read considering this change in accounting policy.

#### **6. 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  
February 28, 2018

Deloitte & Co. S.A.

Ricardo C. Ruiz  
Partner