

METROGAS S.A.

ANNUAL REPORT AND FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

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(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 seventh fiscal year, ended on December 31, 2018.

1. MACROECONOMIC CONTEXT

For a Company such as MetroGAS S.A ("MetroGAS", the "Company" or the "Licensee") that performs an activity deeply related to the Argentine market, and in particular to the gas distribution service, being this kind of service a very sensitive issue not only for the people in general but also for the majority of the economic activities, the evolution of the macroeconomic situation during the last year is more than relevant.

According to the last data published in the Monthly Estimate Report of Economic Activity, written by the National Institute of Statistics and Censuses of the Argentine Republic ("INDEC"), the temporary estimate showed a positive variation of the economic activity on the GDP (Gross Domestic Product) of 2.2% for the yearly total up to November 2018 compared to same period in 2017 (with an activity increase of 3.6% during the first trimester and a decrease during the following months) and 2.9% for the yearly total in 2017 compared to an equal yearly total in 2016.

In 2018, the increase in prices shown by consumer price index ("CPI") measured by INDEC, which represents the total number of homes in the country, was 47.6%, while Argentina's wholesale price index ("WPI"), also measured by INDEC, showed a 73.5% increase during the same period. In 2017, the increase in CPI had been 24.8% for the whole year while, during 2016, CPI had had an approximate 39% increase based on data measured by the General Directorate of Statistics and Censuses of the Autonomous City of Buenos Aires and by the INDEC as from June 2016, when it resumed publishing its own consumer price index.

As regards exchange matters, exchange rate peso/dollar, according to average quotation from the National Argentine Bank ("Banco Nación") exchange rate type selling and buying, ended 2018 at 37.70 ARS/USD; was having had a 102.2% approximate increase since the end of 2017 when it was 18.65 ARS/USD. The average quotation in 2018 was 69.8% higher than the average registered during 2017. The peso depreciation during the second and third trimester of this year took place within the context of capital investments removal in emerging countries, being more severe in our country due to the effect of existing current accounts and fiscal deficits, and to an extended drought that reduced soybean exports. However, dollar quotation showed a descending trend during the fourth trimester in 2018, being by the end of 2018, 9% lower compared to the third trimester when it was 41.25 ARS/USD.

In this context and aiming at going back to disinflation, the Central Bank of the Argentine Republic ("BCRA"), as it explains in its Monetary Policy Report from January 2019, has modified by the end of September, its monetary policy scheme, leaving aside the inflation targeting framework implemented up to that moment. By means of the new framework that came into effect on October 1st, 2018, the BCRA made a specific commitment to not increase the monetary base until June 2019. This monetary base objective is complemented with the definition of exchange intervention and non-intervention zones that were set for the exchange rate. The non-intervention zone was set in October for an exchange rate of 34 ARS per dollar at the lowest limit and 44 ARS per dollar at the upper limit; these limits are adjusted on a daily basis at a 3% monthly rate in the last trimester in 2018, a 2% monthly rate in the first trimester in 2019 (based on the limits in force as of December 31, 2018) and it will set the pace for future

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updates regarding the coming months. Within the non-intervention zone, the exchange rate fluctuates freely. During the last trimester in 2018, the exchange rate always operated within the non-intervention zone, although it got near the lower limit as the demand for pesos recovered. On January 2019, it was below the said limit, therefore it allowed the Central Bank to buy foreign currency in the stock exchange market by daily non sterilized tenders and thus increase the monetary target. In the same way, this new monetary policy scheme agrees with primary fiscal deficit targets in 2019 and surplus in 2020 set by the "Ministerio de Hacienda" (Ministry of Internal Revenue). On the other hand, the BCRA shall not make any transfer to the Treasury, thus eliminating this source of monetary emission and reinforcing its commitment with a decreasing inflation, over time.

On May 8, 2018, President Macri announced that the Argentine government was going to start negotiations with the International Monetary Fund (IMF) aiming at acquiring a stand-by line of credit, which would allow Argentina to have financial aid from the IMF. On June 8, 2018, the key points of the negotiation were disclosed; it consists of a US\$50,000 million Stand-By Arrangement, with strict adjustments, mainly due to fiscal and political issues that the national government will be subject to during the next years. On June 22, 2018, the IMF allowed the authorities to make an immediate purchase of US\$15,000 million. Additionally, on September 26, 2018, Argentina made a new arrangement with the IMF; it backed up the three-year Stand-By Arrangement approved on June 20, 2018, including another US\$19,000 million of IMF financial support until the end of 2019. In the same way, the maximum available amount is extended to US\$57,100 million until 2021. Available funds in the framework of the program will no longer be treated as precautionary, as the Argentine government has stated that this amount will be used as budget support. The Argentine Authorities' economic plan backed up by the IMF aims at strengthening the country's economy, focusing on four key pillars: (a) to restore market confidence; (b) to protect society's most vulnerable; (c) to strengthen the credibility of the central bank's inflation targeting framework; (d) to progressively lessen the strains on the balance of payments. There are no guarantees about the impact that the Stand-By Arrangement (SBA) with the IMF will have on Argentine economy or its assets, the economic and financial situation of Argentine companies, or any other aspect of the project.

On September 26, 2018, the Central Bank announced a series of measures to modify the monetary policy that seeks to stabilize interest rate volatility and inflation. Thus, the Central Bank commits to keep the monetary base constant in nominal terms from October 2018 until June 2019. Moreover, the Central Bank commits to keep the monetary policy rate at an annual 60% until December 2018, respecting the previous monetary framework.

On October 26, 2018, the IMF approved the extension of the SBA allowing the equivalent of about US\$5,600 million. The IMF approved the first revision of Argentina's performance in the framework of the new Stand-By Arrangement and allowed a new draw of about US\$5,700 million. At the same time, a new time schedule of disbursements was set and an augmentation of the Stand-By Arrangement was approved to increase access for 2018 and 2019. Under this new time schedule, disbursements planned for the rest of 2018 were extended from US\$6,000 million to US\$ 13,400 million and it was established that on March 2019, an additional US\$ 11,000 million would be available. The impact that the SBA with the IMF shall have on Argentina's economy, and indirectly on our financial situation, our results and our operations or businesses, is unknown at present and cannot be currently assessed.

Furthermore, a substantial increase on the peso value against the American dollar represents risks for Argentina's economy. A real significant appreciation of the peso would adversely impact on exports and would increase commercial deficit, what might have a negative effect on GDP growth and employment, as well as an income reduction in the Argentine public sector as a

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consequence of a decrease in tax collection in real terms, as its highest collections depends on export taxes.

On this matter, 95% of MetroGAS' financial debt (\$ 8,882 million at the end of 2018) is nominated in dollars, and 58% is a long term debt (more than one year to its expiration date).

During fiscal year started on January 1, 2018, adjustments to the distribution service tariffs, that arose from the Integral Tariff Review ("RTI"), were materialized. This review set the values to be applied for the regulatory period April 2017-March 2022.

On November 29, 2017, upon request of the (former) Ministry of Energy and Mining ("MINEM"), MetroGAS subscribed the "Bases and Conditions to Supply Natural Gas to Gas Distributors through pipeline Networks" ("The Bases and Conditions") together with the rest of distributors and a group of gas producers. These Bases and Conditions have the guidelines to contract gas volumes to meet the demand of distributors for the period between January 1, 2018 and December 31, 2019 and among other issues, they set the price according to the category of customer and to period expressed in US\$/MMBTU.

As a consequence of the fluctuation in exchange parity, producers and distributors of natural gas started a renegotiation process of the agreements signed on compliance with the Bases and Conditions, with prices nominated in American dollars. The renegotiation process, not finished yet, includes two main issues: i) payment of debts generated by differences between type of exchange rate paid by distributors and the exchange rate stated under the agreement (period April - September 2018) and ii) gas price to be applied for the period October - December 2018.

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 of the country, and currently has approximately 2.4 million customers in its service area (Autonomous City of Buenos Aires 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 4.3.2), MetroGAS' Board decided to constitute MetroENERGÍA S.A ("MetroENERGÍA"); MetroGAS holds 95% of this corporation's share capital and its social objective is to act as a natural gas trading company and / or a gas transporting company on its own behalf, on third parties behalf or associated to third parties.

Since 1993 natural gas consumption in Argentina increased by approximately 100%. In that year consumption was approximately 21,828 MMm3 (millions of cubic meters) and it increased to 44,059 MMm3 in 2018 (*). 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 355,547 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 47,521 MMm3 (***) during the period January - December 2018, which 28,394 MMm3 coming from the Neuquén basin. Also, to be able to satisfy the requirements of domestic demand, some 9,830 MMm3 had to be imported from

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Bolivia and Chile, and the Liquefied Natural Gas ("LNG") was regasified at the Escobar and Bahía Blanca plants.

Approximately 69% of all gas purchased by MetroGAS during 2018 came from the Neuquén basin and the remaining 31% from the Austral and Gulf of San Jorge basins.

(*) According to the latest available information provided by the National Gas Regulatory Authority ("ENARGAS") – November 2018.

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

(***) According to the latest available information provided by the MINEM - December 2018.

3. 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 should continue to comply 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.

3.1 Memorandum of Agreement of the Adequacy Natural Gas Distribution License Contract

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

On March 30, 2017, and within the framework of the renegotiation of public services provided by the Emergency Law, extensions thereof and Decrees No. 367/2016 and 2/2017, the Company signed with the MINEM and the Ministry of Economy a Memorandum of Agreement for the Adequacy of the Natural Gas Distribution License Contract ("The Comprehensive Agreement"), which contains the terms of the comprehensive renegotiation and the conditions for the adequacy of the License Agreement. The Comprehensive 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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The provisions contained in the Comprehensive Agreement, 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 ("ITR") 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 MetroGAS.
- Establishment by the ENARGAS the criteria to determine the Capital Base and the Profitability Rate to be applied to the ITR, under the following general criteria:
 - a) The Capital Base is determinate taking into account the assets required to render the public service. In order to value said assets it is 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 are made in national currency and the evolution of representative official rates of price variations considering the cost structure of those assets.
 - b) The Profitability Rate is determinate according to articles 38 and 39 of the Gas. Law Therefore, it shall weigh the retributions of the direct capital as well as third parties. While determining the retribution of direct capital, ENARGAS shall be considered 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 must reflect the cost of money in the terms and conditions valid for the financing of public utilities companies.
- It was required 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.

With respect to the enforcement of the ITR, it was established it would not extend beyond December 31, 2017. However, should the ENARGAS provide the gradual and progressive application of the tariff increase resulting from the ITR, the application of the last stage shall fall on or before April 1st, 2018.

The MetroGAS Tariff Schedule resulting from the ITR according to the established guidelines shall be applied once all the procedures provided for the enforcement of the The Comprehensive Agreement are fulfilled.

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As a pre-condition to the ratification, the Comprehensive Agreement provided 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 Comprehensive Agreement shall be endorsed by the MetroGAS Shareholders' Meeting, so that the Executive Power may issue the Decree to confirm the terms of the Comprehensive Agreement.

On April 27, 2017, MetroGAS Shareholders' Meeting confirmed the Comprehensive Agreement, and on June 27, 2018 the Company proceeded to withdraw from the case "MetroGAS vs. National State – Ministry of Planning (Decree No. 293/02) - on Knowledge Proceeding" (Case No. 50,141/2011) before the Federal Court of first instance in the Federal National Administrative Contentious No. 12 (see item 4.2).

Finally, the Comprehensive Agreement anticipated 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.

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 ITR transition tariff schedules to be applied to MetroGAS customers.

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.

3.2 Lawsuit against the National Government

In 2011, MetroGAS filed an interruptive action of prescription against the National Government 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 ("BLSG") was filed aiming at the exemption of payment of court fees and costs as a consequence of the lawsuit for damages. Once the BLSG was implemented, MetroGAS was exempted from court fees at the time of initiating the main action and until the resolution of the BLSG.

Such advance, dated March 30, 2017, MetroGAS signed with the National Government the Comprehensive Agreement in compliance with the terms of the Comprehensive Agreement, within a 90-day term counted from the date of issuance and enforcement of the Resolution that approves the tariff scheme resulting from the ITR, MetroGAS had 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.

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On March 28, 2018, the Official Gazette published Resolution No. 252/2018 that ratified the Comprehensive Agreement. As a result, on June 27, 2018 the company withdrew from the case "MetroGAS S.A. vs./ National Government – Ministry of Planning (Decree No. 293/02) – UNIREN on Knowledge Proceeding". Through resolution dated October 3, 2018 MetroGAS action and rights were deemed waived. The intervening court will decide about the origin of the BLSG.

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 (see Note 19 to the condensed interim consolidated financial statements as of December 31, 2018).

4. 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.

4.1 Ministry Law

On September 5, 2018, and within the framework of the strategic reorganization in terms of budget cuts, Decrees No. 801/2018 and No. 802/2018 were published that ordered to (i) appoint the Economy Ministry to take over the Ministry of Energy, thus modifying its denomination whenever referring to the latter; and (ii) create the position of State Secretariat for Energy under the Ministry of Economy.

4.2 Natural gas distribution tariff

4.2.1 Tariff Scheme

Resolution No. 91/2018 issued by the MINEM, substitutes Numeral 9.4.2.3 from the Basic Rules of the Distribution License ("RBLD") approved as Annex B, sub-annex I, by Decree No. 2,255 from December 2, 1992, establishing, as it may correspond, that "adjustments will be seasonal, including the periods from April 1 to September 30 from each year, and from October 1 to March 31 of the following year".

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

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

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On August 15, 2018 the Official Gazette published ENARGAS Resolution No. 184/2018 convening a public hearing for on September 4, 2018, to consider (i) the application of the tariff half-year adjustment methodology as established by ENARGAS Resolution No. I-4,356/17 (in relation with MetroGAS); and (ii) the application of the pass through to the tariff of the price of the gas purchased in accordance with 9.4.2 of the Distribution License Basic Rules and considering the Cumulated Daily Differences ("DDA") corresponding to January – September 2018 period, pursuant to 9.4.2.5 of the Distribution License Basic Rules.

On October 8, 2018 the Official Gazette published ENARGAS Resolution No. 281/2018 in order to (i) declare valid the aforementioned Public Hearing, (ii) approved MetroGAS tariff scheme applicable as from as of publication and (iii) approved the new values for Rates and Charges collected by MetroGAS for additional services. It is worth pointing out that the mentioned tariff charts do not consider the DDA corresponding to the period April 1 to September 30, 2018.

On October 12 the Official Gazette published ENARGAS Resolution No. 292/2018 that ratified the tariff scheme as per Resolution No. 281/2018 and its application shall be brought back to October 8, 2018, date on which the last Resolution was published.

As regards the Methodology of the biannual Tariff adjustment, the ENARGAS observed that, for the period to be considered for the adjustment, applicable as from October 2018, that is to say, the variation between February and August 2018, there was an evident disparity between Argentina's Wholesale Price Index ("WPI") variation and other economic indicators. To this regard, ENARGAS thought it reasonable to apply the methodology from Annex V for the biannual adjustment, but taking into account a proper combination of indexes that best reflect the variation of the general economic indicators so as to apply the Resolutions that approved the ITR, claiming that "such decision neither meant a change in methodology nor a change of the general principle stated in Annex V of ENARGAS Resolution No.1-4,356/17, but a proper assessment of the said criterion if it were to be applied to the semester to be started on October 2018 where a significant disparity between the WPI and other macroeconomic indicators are observed.

Based on this, the tariff adjustment index was a simple average of the following indexes: a) Argentina's WPI between the months of February 2018 and August 2018, b) "Construction Cost Index" between the months of February 2018 and August 2018 (CCI), and c) "Wage Variation Index" between the months of December 2017 and June 2018 (WVI), which results in a 19.67% total variation for the seasonal period compared to a 30.50% variation for having only applied the WPI. The Company filed, in due course, an appeal seeking reconsideration of the methodology followed by the ENARGAS to recognize the distribution tariff adjustment.

On February 5, 2019, ENARGAS Resolution No. 1/2019 was published in the Official Gazette calling for Public Hearing to be held on February 26, 2019 to consider (i) the implementation of the Methodology of the Biannual Tariff Adjustment, in the terms and conditions set (as regards MetroGAS) by ENARGAS Resolution No. 1-4,356/17; (ii) the implementation of the reallocation on tariffs of the price of gas bought under the conditions of Numeral 9.4.2 of the BRDL and the consideration of the DDA corresponding to the seasonal period in process, under the terms and conditions of Numeral 9.4.2.5 of the BRDL; (iii) the consideration of the creation of a Point of Entry into the Transportation System in Escobar and of a GBA-GBA (Greater Buenos Aires area) transportation route; and (iv) the considerations regarding tariffs for networks supplied with Liquefied Petroleum Gas ("LPG").

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4.2.2 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 (see item 4.3.1), 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, compensation is resulting from the difference between purchasing price from the natural gas producer and the sale to your customers.

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

Furthermore, and pursuant to Resolution No. 14/2018, the State Secretariat for Energy ("SGE"), (i) reverses caps and subsidies duly set by Resolutions No. 212/2016 and No. 474/2017 from MINEM, and establishes a new subsidy of 100% of the base consumption portion as provided for by MINEM Resolution No. 474/2017 for Social Tariff customers; and (ii) establishes a gas value maximum increase for SGP1 and SGP2 full service customers in case they are listed in the MiPyMES Companies Register (as provided for in Law No. 24,467) or they are beneficiaries of the regime established by Law 27,218 for Public Welfare Entities.

At the date of approval of these financial statements, delays have been registered as to the payments of economic compensation by the National State. Should these delays continue, the company will pay invoices for the injection of gas distributing the impact arisen from the mentioned delays among producers with whom the company has ongoing natural gas supply contracts.

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4.2.3 Daily Differences

Section No. 37 of Decree No. 1,738/92, ruling Law 24,076 establishes on subsection 5 that the variations in the gas acquisition price would be pass through to the final customer tariff to offset Distributors benefits or losses. Furthermore, the RBLD establish on subsection 9.4.2.5 that Licensees shall conduct a separate accounting for the price and the value of gas purchased and included in the real sales, and for the differences between the latter and the value of gas included in the invoicing of those real sales. This way, it is not mandatory that the supply invoices be settled, but the acquisition cost must be certain, this being materialized once the exchange rate at which liabilities with gas producers should be paid is known.

The same subsection 9.4.2.5, last paragraph, establishes that in case the difference between the cost of gas acquired by Distributors and the value of said gas contained in the customer tariffs exceeds the absolute value of 20%, then the company may submit new tariff charts for Regulator's approval.

In April 2018 Argentina experienced changes in the macroeconomic conditions that led to an abrupt variation in the exchange rate parity between the national currency and that in which prices are established in contracts.

For gas delivered between January and March 2018, payments were cancelled by the company respecting the exchange rate at payment date pursuant to the provision of the corresponding sales contracts. However, due to the abovementioned circumstances, for payments to gas producers as to gas delivered in the following months the exchange rate applied to the gas component included in the rate was the one established through Resolution No. 300/2018 effective as from April 1, 2018 (AR\$/US\$ 20.345), then ratified by Resolution No. 292/2018 effective as from October 8, 2018 (AR\$/US\$ 37.69).

The adopted criterion is due to the necessity to maintain the payment chain related to the operation and maintenance of the natural gas service network and guarantee the continuity of the service provision.

Pursuant to the aforementioned macroeconomic situations, on July 27, 2018, the company submitted new tariff charts to ENARGAS requesting, in compliance with the provisions of the RBLD, the approval of same in order to partially acknowledge these increased costs in the acquisition of gas.

Through Note No. N0-2018-38938972-APN-SD#ENARGAS dated August 13, 2018, ENARGAS dismissed the request arguing that "the Licensee does not evidence the effective payment of gas at reference price for the setting of the differences between the price included in the tariff". According to the company criteria, this argument is not supported by the regulatory framework, as only to make the price known is required therein. And this is materialized through supply agreements executed according to the Terms and Conditions, and are same are registered with ENARGAS.

On October 5, 2018, the Official Gazette published Resolution No. 20/2018 of the SGE in relation with the DDA arisen from the steep variation of the exchange rate as to the purchase of gas within the framework of the contracts entered into between producers and Distribution Licensees based on the Terms and Conditions. Notwithstanding the provisions of RBLD and the tariff update mechanisms established therein, and in order to protect final customers and mitigate the impact of this passing through of DDA, the regulator order to set a recovery mechanism to get back the same covering a more extensive period of time to reduce its incidence on the amount of the bill to the user.

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Therefore, temporary and extraordinary provisions was made that for the DDA corresponding to the period from April 1 to September 30, 2018, between the price of gas as agreed by contract and the price of gas recognized in the distribution service providers final tariffs, the recovery of the gas producers credit updated as of December 31, 2018, at general portfolio active rate of Banco de la Nación Argentina would be added as a separate item on customers invoices payable during 24 months as from January 1st, 2019 considering their gas volumes consumed over the period April-September 2018. It also provided for the financing of this amount the application of the Banco de la Nación Argentina fixed-term liable interest rate applying the French amortization schedule both for debt and interests payments, including a 60-day term that would make up for the difference between the invoicing and the payment date.

On October 16, 2018, by Resolution No. 41/2018 of the SGE and for reasons of opportunity, Resolution No. 20/2018 of the SGE was withdrawn.

On November 16, 2018, it was published in the Official Gazette, Decree No. 1,053/2018 which modifies the General Budget of the National Administration for 2018, and in virtue of volatilities of financial variables and of the type of exchange rate, it stipulates that the National Government commits to cover, on an exceptional basis, the payment of Daily Accrued Differences on a monthly basis between the value of gas bought by companies that distribute natural gas by networks and the value of natural gas included in the tariff schemes in force between April 1, 2018 and March 31, 2019, exclusively generated by variations of the type of exchange rate and corresponding to volumes of natural gas delivered during that same period, all of that in compliance with the terms and conditions stipulated by the ENARGAS.

To that purpose, the ENARGAS shall determine, in compliance with what was set in Numeral 9.4.2.5 of the RBLD for each service company and considering all suppliers under this exception scheme, the net amount corresponding to the DDA. The resulting net amount shall be transferred to each distributing company in thirty (30) consecutive monthly installments as from October 1, 2019. In order to determine each of these installments, the interest rate that ENARGAS applies in compliance with Numeral 9.4.2.5 (effective rate of the Argentine National Bank for a thirty (30) day-term deposit in Argentine currency, (interest rates offered to the public with no additional charges) shall be taken into account. Once each installment is received, distributing companies shall make the corresponding payments to all natural gas suppliers involved, and they shall inform and confirm these payments before the ENARGAS.

This procedure shall be only applicable to those companies distributing natural gas by networks and to those natural gas suppliers who are under this schedule and who specifically decline to file any action or claim arising from the DDA mentioned in the first paragraph.

Additionally, Decree No. 1,053/2018 stipulates that as from April 1, 2019 all natural gas suppliers and natural gas distributing companies shall have to consider in their agreements that in no case it shall be possible to reallocate on consumers, who receive full service, a higher cost as a consequence of variations of the Exchange rate that took place during each seasonal period.

On February 12, 2019 it was published on the Official Gazette ENARGAS Resolution No. 72/19 which approves the "Methodology of reallocation on tariffs of the price of gas and General Procedures to calculate Daily Accrued Differences". This methodology sets the criteria that the ENARGAS will apply to determine the reallocation on tariffs of the price of gas at the Point of Entry into the Transportation System ("PIST"), taking into account art. 8 of Decree No. 1,053/18 and the exchange rate to be considered to determine the value in national currency of those supply agreements with prices nominated in American dollars. Regarding the calculation of DDA, it sets the general procedure that shall determine the monthly purchase volume of natural gas to be recognized and acquisition costs that shall be considered to calculate the same,

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in compliance with art. 8 of Decree No. 1,053/18. Besides it establishes that Distributing companies shall have to ensure supply and minimum cost to full service users, independently of the transportation hired by users who acquire gas by their own account (unbundling users).

The Company has registered its liabilities with gas producers in its financial statements as of December 31, 2018; these liabilities arise from the DDA referred to in the previously mentioned Decree and the credit with the National Government for the same amount and concept.

4.2.4 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 Official Gazette, approving 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, regarding 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. Additionally, it stipulates that, for the period after March 31, 2018, the ENARGAS shall issue, previous proposal from distributors, a new procedure.

On April 20, 2018, ENARGAS Resolution No. 6/2018 was published, approving "Methodology to include in the bills of gas distribution public service of local taxes". Regarding the incorporation of local taxes to the final bill of consumers, it shall be authorized following the corresponding administrative procedure set by the ENARGAS.

Up to this date, the ENARGAS has authorized the reallocation on tariffs of municipal rates requested by MetroGAS after April 1, 2017.

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4.2.5 Legal Protection Orders – Precautionary Measures

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

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

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

4.3 Supply of Natural Gas

4.3.1 Purchases of Natural Gas

On January, 2004, Decree 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 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

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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 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 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 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.

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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.

These Bases and Conditions also establish that distributors have to consider for their subscription, the provisions of Section 38 of Law 24,076 that provide for the pass-through of gas acquisition costs to tariffs to be paid by transport and distribution service users, both the cost of gas acquisition resulting from agreements or long-term contracts and those associated to short-term purchases to satisfy demand.

Contracts executed with gas producers have already considered those prices and currencies referred to in the Bases and Conditions and were presented opportunely to the ENARGAS.

In April 2018 Argentina experienced changes in the macroeconomic conditions that led to an abrupt variation in the exchange rate parity between the national currency and that in which prices are established in contracts.

For this reason, for payments to gas producers as to gas delivered in the following months from April 1, 2018 were made at the exchange rate applied to the gas component included in the rate was the one established through Resolution No. 300/2018 effective as from April 1, 2018 (AR\$/US\$ 20.345), then ratified by Resolution No. 292/2018 effective as from October 8, 2018 (AR\$/US\$ 37.69).

Producers rejected the mentioned payment criterion adopted by the Company, thus formally claiming for the allegedly unpaid balances.

On November 16, 2018, was published in the Official Gazette the Decree No. 1,053/2018, it was established in the National Government, the payment of the DDA was assumed on an exceptional basis (see point 4.2.3).

In compliance with SGE (Government Energy Secretariat) Resolution No. 32/2019, MetroGAS participated in the price bid regarding firm provision of natural gas to meet the demand of full service customers from public utility services distributors of natural gas, that took place in the Gas Electronic Market ("MEGSA") for the Neuquina, Golfo San Jorge, Santa Cruz Sur and Tierra del Fuego basins on February 14, 2019.

As a result of the said bid, the Company took on the responsibility to supply, on an annual basis, a maximum daily capacity volume (MDC), that annually amounts to 1,486 million of m3 representing 58% of our annual demand, thus complying with the regulatory framework requirements.

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These commitments to supply MDC, in accordance to regulations stipulated by SGE Resolution No. 32/19, consider a 70% Deliver or Pay ("DOP") clause, which in the case of MetroGAS, means an important level of uncertainty regarding gas provision during winter time besides the fixed relation established in the bid of a staggered annual 1:2.5, which does not meet the priority demand curve during the winter period in our License area, whose relation is closer to 1:4.5.

4.3.2 Unbundling of Natural Gas

Due to regulatory changes that have been made to the natural gas sector since 2005, the so called "natural gas unbundling" process took place, by which different categories of users had to purchase natural gas volumes at the 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 MEGSA.

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 MEGSA.

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.

According to the provision of MINEM Resolution No. 34/2016 and No. 80 – E/2017 (that added options for the purchase of natural gas by CNG station owners, that enabled them to purchase gas through distributors), ENARGAS ordered customers acquiring gas for CNG sale purposes that were not receiving full service by the distributor by then, would only be able to access to that option if the distributor had guaranteed the hiring of back up supply in relation with that supply for a period of twelve months for the following seasonal period. To that purpose, said customers will need to request the distributor their gas supply volumes at least 60 days prior to the beginning of the seasonal period starting in April 2019, for the distributor to include said supply in that period.

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4.3.3 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, No. 3,833/2016 and No. 4,502/2017, which modify and complement the management procedures for the dispatch of natural gas provided by ENARGAS Resolution No. 716/1998.

On June 29, 2018 ENARGAS Resolution No. 124/2018 was published approving an amended text that replaces ENARGAS Resolution No. 716/1998 and partially incorporates the once abolished ENARGAS Resolutions No. I-1,410/2010, No. I-3,833/2016 and No. I-4,502/2017.

Without detriment to that, and in connection to winter 2018, ENARGAS Resolution No. 59/2018 was applicable; it approves the "Temporary Procedure for the Administration of the Emergency Executive Committee Office". Through ENARGAS Resolution No. 302/2018 from October 12, 2018, the period of validity of ENARGAS Resolution No. 59/2018 was extended for a hundred and eighty consecutive days since September 30, 2018.

4.4 ENARGAS Resolution No. 97/2018 – Winter Consumption Financing Program

On June 12, 2018, ENARGAS Resolution No. 97/2018 was published in the Official Gazette where the Natural Gas Winter Consumption Financing Program is established (The "Program") of optional and voluntary adhesion by the beneficiary users.

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

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

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

4.5 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.

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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.

5. FINANCIAL DEBT

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 unsecured creditors after their claims have been allowed pursuant to a judgment entered under the Reorganization Proceedings.

Said Notes accrued a fixed interest rate of 8.875%. Interest was 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. For this reason, MetroGAS' financial debt was made of Series A Notes.

Under the terms and conditions for the issue of Notes, the Company and its subsidiaries had to comply with a series of restrictions, and no event of default had occurred.

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

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

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

Once the Loan has been received, the Company allocated these funds: a) to rescue the total number of Notes, b) to refinance current liabilities; and c) to finance working capital.

According to the terms and conditions of the loan, the Company has to comply with a number of financial commitments that are generally stipulated for this kind of transactions, including certain restrictions (see Note 17 to the consolidated financial statements).

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On December 12, 2018 MetroGAS issued simple Class 2 Notes ("New Notes") nominated in pesos with due date 12 months following the date of issuance, for \$512.4 million; these notes correspond to the Program of short and medium-term Notes for a current maximum amount up to U\$S 600 million.

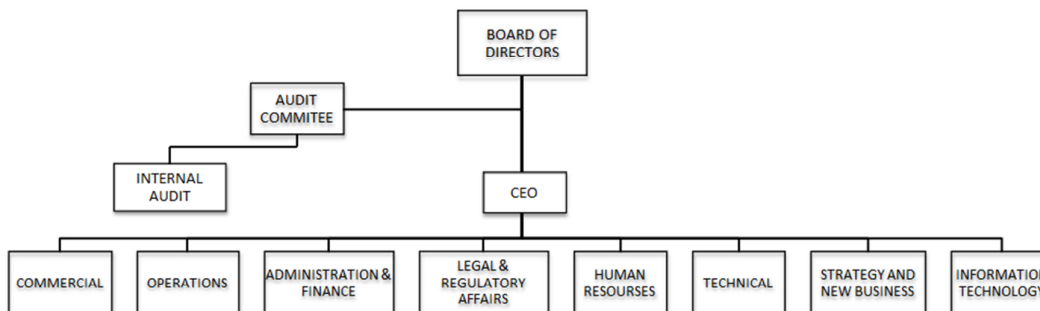
These New Notes accrue an annual variable interest rate that is equal to the sum of (a) BADLAR Private Rate applicable to the period, plus (b) an applicable 10% margin. Interests are payable on a quarterly basis on March 12, 2019, June 12, 2019, September 12, 2019 and December 12, 2019. The capital shall be amortized in one installment at due date, that is to say December 12, 2019.

According to the terms and conditions stipulated for the issuance of Notes, in the event of changes in the Company's control, each holder of New Notes shall have the right to request MetroGAS to rescue the whole of these New Notes. MetroGAS, on the other hand, must do its best to obtain and maintain, as long as these New Notes are still in circulation, the corresponding authorization to list and/or negotiate them; and to keep the ratio of the Net Financial Debt/EBITDA (earnings before interest, taxes, depreciation and amortization) lower or equal to 3:00, for the four previous economic quarters.

Funds originated from the issuance of New Notes were used to pre-cancel capital and interests corresponding to the first installment of the Loan with the Industrial and Commercial Bank of China Limited-Dubai Branch and Itaú Unibanco-New York Branch.

6. ORGANIZATIONAL STRUCTURE

MetroGAS' current organizational structure is as shown below:



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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 provisions in force related to this matter.

According to recommendations set by the Corporate Governance Code found in the Standards of the Argentine Securities Commission ("CNV"), the Compensations and Appointments Committee was conformed. Its role is: (i) to propose, review and approve the policy of compensations and benefits for Board members, the CEO and first line Directors of the Company, (ii) to develop criteria for the selection of the CEO and first line Directors, (iii) to confirm the existence of a succession plan for the CEO and first line Directors and iv) to ensure the training and development of the Board of Directors' members, the CEO and first line Directors.

In addition, the Board of Directors approved measures related to Corporate Governance, such as (i) the update of the Code of Ethics that includes the Channel of Anonymous Complaints and (ii) the Integrity and Ethics Program conformed in compliance with the requirements set by the Law of Criminal Responsibility No. 27,401 and the Guidelines for implementing Integrity Programs issued by the Anti-corruption Agency ("OA" Oficina Anticorrupción) by means of OA Resolution N° 72/2018.

7.1 Authorities

At MetroGAS' Shareholders Meeting and Board Meeting, on April 25, 2018, 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 CNV.

On February 1, 2019 MetroGAS Board of Directors considered and accepted the resignations of Mr. Marcelo Adrian Nuñez to his position of Regular Director and President of the Company and of Mr. Patricio Da Re to his position of Vice-President. In view of these resignations, Mr. Fernando Oscar Ambroa was appointed as President of MetroGAS and Mr. Dante Kogan as Vice President of the Company.

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 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 and performance assessments

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within the framework of policies set by the Directorate Committee, consolidate the internal control system, give reasonable certainty of achieving objectives, provide reliable financial information and ensure the compliance of regulations in force.

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

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

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

As of December 31, 2018, 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.

7.5 Programa de Integridad y Ética

The Company has appointed a Chief Ethics and Compliance Officer who is responsible for the development, coordination, communication and update of the Integrity and Ethics Program; this officer, periodically reports to the Directorate Committee and on a quarterly basis to the Audit Committee, on the progress of the said Program.

This Program consists of:

- Assessment and management of fraud risks, ethics and compliance.
- Revision of policies and procedures
- Implementation of the program for commercial partners (Contractors/Subcontractors)
- Communication and Training.
- Promotion and Encouragement
- Management of lines to report fraud and dishonest practices: "Linea Ética" (Ethics Line) (for company staff and suppliers) and "Programa Transparencia" (Transparency Program), for customers.
- Development of investigation protocols.

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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 ITR 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, 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.

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 together with the rest of the distributors and a group of gas producers. These Bases and Conditions set the guidelines for contracting gas volumes to meet the demand from distributors for the period included between January 1, 2018 and December 31, 2019 (see item 4.3.1).

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.

For all gas supplied between January and March 2018, the Company made the corresponding payments taking into account the exchange rate in effect at the time of payment in compliance with supply agreements.

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As from April 2018, the imbalance caused by the strong devaluation of the Argentine peso compared to the fix exchange rate considered by the ENARGAS in the tariff scheme in force as from April 1, 2018, gave rise to \$3,534 of DDA.

In face of this situation, that made an impact on all Argentine gas distributors, on November 2018, the PEN issued Decree No.1,053/18 (See point 4.3.1).

In compliance with the provisions of SGE Resolution No. 32/2019, MetroGAS participated in the price bid regarding firm provision of natural gas to meet the demand of full service customers from public utility services distributors of natural gas, that took place in the MEGSA for the Neuquina, Golfo San Jorge, Santa Cruz Sur and Tierra del Fuego basins on February 14, 2019.

As a result of the said bid, the Company took on the responsibility to supply, on an annual basis, a maximum daily capacity volume ("MDC") that annually amounts to 1,486 million of M3, representing 58% of our annual demand, thus complying with the regulatory framework requirements.

This commitment to supply MDC, complying with the provisions stipulated by SGE Resolution No. 32/19, consider a 70% DOP clause, which in the case of MetroGAS, means an important level of uncertainty regarding gas provision during winter time besides the fixed relation established in the bid of a staggered annual 1:25, which does not meet the priority demand curve during the winter period in our License area, whose relation is closer to 1:45.

In relation to gas transportation, 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 September 28, 2018 ENARGAS Resolutions No. 265/18 and No. 266/18 were published; they stated a new tariff scheme to be applied to TGS and TGN as from October 1, 2018.

As of December 31, 2018, 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 Financial Information presented in homogeneous currency

During the last years, levels of inflation in Argentina have been high, with cumulative inflation rates exceeding 100% during the last three years. The prospect of a significant decrease in a short term is limited. In addition, the presence of high inflation qualitative indicators, considered in the International Accounting Standard N°29 (IAS 29), showed consistent evidence. As a consequence, on September 29, 2018, the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE") issued JG (Governing Body) Resolution No. 539/18, approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("CPCECABA") by means of CD Resolution No. 107/18, indicating, among other issues, that Argentina has to be considered as an inflationary economy in the terms and conditions of professional accounting standards as from July 1, 2018, in accordance to the view of international organizations.

IAS 29 points out that, in a context of hyperinflation, financial statements have to be stated in homogeneous currency, that is to say, in terms of the measuring unit current at the balance sheet date. Nevertheless, the Company could not restate its financial statements due to the fact that PEN Decree No. 664/03 did not allow official bodies (among them, the CNV) to receive financial statements that were adjusted due to changes in the general pricing power of the functional currency.

Law No. 27,468, published on December 4, 2018 in the Official Gazette, abolished PEN Decree No. 1,269/02 and its amendments (including PEN Decree No. 664 above mentioned). The provisions of the said law came into effect as from December 28, 2018, same date when CNV General Resolution No. 777/18 was published, which stipulated that annual financial statements, for special and intermediate periods closing as from December 31, 2018, inclusively, have to be presented to the CNV in homogeneous currency.

According to IAS 29, financial statements that are not stated in terms of the current currency at the balance sheet date have to be restated applying a general price index. To this effect, and as it is stipulated in JG Resolution N°539 of the FACPCE, rates have been applied calculated based on indexes published by the FACPCE, resulting from the combination of CPI published by the INDEC as from January 1, 2017, and before that, Argentina's WPI released by INDEC, or in any case, consumer price indexes published by the Institute of Statistics and Censuses of the Autonomous City of Buenos Aires. The index variation used to restate the current financial statements has been 47.65% in fiscal year ended on December 31, 2018 and 24.80% in the previous fiscal year.

For comparative purposes, this financial statements include figures as well as information corresponding to fiscal year ended on December 31, 2017, that conform the financial statements above mentioned and are presented with the sole purpose of being exclusively interpreted in relation to figures and information of the current fiscal year. The said figures have been restated in terms of the current currency at the balance sheet date, in order to allow comparability and without modifying decisions taken in relation to the accounting information corresponding to the previous fiscal year.

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8.4 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, 2018 and 2017 is included below.

	12-31-2018	12-31-2017
	Thousands of pesos	
Revenues	32,719,837	19,779,557
Gross profits	7,703,062	4,860,676
Gain Operating income	3,669,096	1,692,510
Result before income tax and MPIT	(46,612)	1,523,998
Net and comprehensive result for the year	(660)	3,398,287

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 2018 and 2017 totaled 22.5% and 25.8%, of sales volume, respectively, and approximately 49.5% and 49.3% of net sales.

MetroGAS gas sales to residential customers increased by 66.3%, from 9,744,514 to 16,203,107 for the year ended on December 31, 2017 and 2018, respectively, mainly due to the increase in tariffs for the Resolution No. 131/2017, Resolution No. 300/2018 and Resolution No. 292/2018 effective as of December 1, 2017, April 1, 2018 and October 12, 2018 (retroactive to October 8, 2018), respectively and, an increase of the volumes delivered to this customer category by 0.4%.

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 residential consumption is reduced. Among its customers MetroGAS has electric power plants with 20% of the total thermal power installed in the country's wholesale electricity market.

During 2018; the area's power plants represented 20.6% of the total thermal generation of the system. The dispatch from MetroGAS's thermal generation park increased by 2% with respect to 2017, 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 51.7% and 49.5% of delivered gas volume in 2018 and 2017, respectively.

Gas sales and sales of the transportation and distribution service to industrial and commercial customers and to public entities accounted for approximately 14.3% and 14.8% of the Company's sales volume in 2018 and 2017 respectively.

During 2018 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

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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 5.7% and 6.2% of the Company's sales volume during 2018 and 2017, 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, 331 CNG supply stations out of a total of 333 active at that date opted to acquire the natural gas supply at the wellhead directly. Likewise, MetroENERGÍA captured 312 CNG supply stations. Eventually, changes that could occur in the market, could force a reopening of the supply conditions.

MetroENERGÍA gas sales during the year ended on December 31, 2018 amounted 7,717,958 thousand as compared of the previous fiscal year amounted to 6,394,319, represented 23.6% and 32.3% of the Company's sales volume. This increase was mainly due to an increase in average prices and an increase in delivered volumes by 5.6%.

8.5 Operation of the distribution system

The ITR 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.

Approximately 300.65 Km of medium pressure polyethylene gas mains replacing low pressure cast iron mains was the result of investments made during 2017 and 2018; besides the installation and conversion of 16,497 associated gas services.

Additionally, Works started in 2018 to replace approximately 16 Kms of high pressure steel mains in Berazategui and Florencio Varela, in the Province of Buenos Aires, is under execution.

During 2018, approximately 4,643 new services were installed. As regards works financed by third parties, the Company controlled the construction of 47.5 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

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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 83.5% 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 68 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 reassessment, 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 7,004 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 72,707 claims, mainly about gas leaks, from which about 7,142 were classified by the Company as high priority.

Surveys have been carried out in 15,239 km of our low, medium and high pressure networks, complying with the standards required.

8.6 Capital Investment

The Company has primarily directed its investments to comply with the Mandatory Investment Plan committed. 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.

On March 31, 2017, ENARGAS Resolution No. 4,356/2017 was published in the Official Gazette; in its Annex III, it mentions the Mandatory Investments Plan that MetroGAS has to fulfill on a five-year basis 2017-2021. According to this Resolution, Mandatory Investments are those that are essential to perform operation and maintenance of natural gas operated systems, commercialization and administration under reliable and safe conditions, with equal or higher standards than the ones required by the regulation in force. The Resolution stipulates the amount that the Company has to allocate on these mandatory investments during each of the five years. As of December 31, 2018, MetroGAS has fully complied with this requirement during the first year and 89% of what the Company committed to, for the second year.

8.7 Customer care and Services

Changes regarding regulations and tariff that took place during the year for residential customers had an impact on gas users. For this reason, our personalized customer service channels, either by telephone or on line, were affected by a higher demand of information about amounts and specific issues related to these changes.

Reductions in subsidies, were reflected on the removal of maximum amounts to be invoiced, the elimination of discounts to be applied to customers registering a reduction in their consumption

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compared to the previous year, and the reduction of subsidies in the Social Tariff, besides changes in the tariff schemes, were the main causes for the high growth of customers 'enquires in our Commercial Offices, Call Center and Virtual Office.

Compared to the previous year, the number of enquires at the Call Center grew around 19%. At Commercial Offices there was a 9% growth regarding answered calls and our Virtual Office showed a 72% growth and 19% as regards e-mails; customer service by means of the Chatbot reached 124,000 sessions during the first year of being fully operational.

In spite of the high demand, it was possible to comply with the regulated telephone quality indicator having, to this effect, to increase the number of telephone operators and to hire the services of an external call center to meet such a demand.

A new Commercial Office was opened in Florencio Varela, operating in the same way as the Burzaco Office that was opened at the end of 2017. This made it possible to extend our personalized customer service centers to 12.

Virtual channels incorporated new transactions: financing during winter time; requesting digital invoice; checking debt balance; gas meter reading supplied by customer; requesting tariff benefit for PyME's and scheduling appointments for our Commercial Offices on our web page.

In addition, our customer data base was enhanced (cleansing and enrichment), achieving 80% of contact data and around 70% regarding identification of customers with gas supply ownership.

8.8 Human Resources

The consolidated Company headcount as of December 31, 2018 totals 1,485 employees, 102 of whom have a fixed employment contract.

During 2018 the Company granted salary raises according to the market's average salary.

As regards benefits to our personnel a new Communication and Management Plan of the existing Schedule was implemented and a Teleworking pilot project was carried out with positive results, which anticipates a definite implementation involving a bigger number of workers in 2019.

We are making progress on the use of a staff management digital system to add additional value to leaders and Human Resources professionals and even decentralize administrative and repetitive management transactions.

Employment Management continued to focus its efforts on the searching process aiming at complying with the Mandatory Investments Plan and besides, the hiring of Young Professionals was resumed.

Together with the Technical Directorate we implemented, at our Technical Training Center, a Fusion and Conversion Training Program, addressed to more than 200 people in the market to develop competencies and favor employability in the industry; at the same time, we continued with the Program of Technical Training and Safety of contracting companies' staff.

By the end of the fiscal year, an Organizational Climate assessment was carried out with the participation of 78% of the staff.

Position changes and promotions of the managerial staff were above 40%.

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We encouraged awareness on Digital Transformation with all the Direction team, relying on the expertise and knowledge of a group of well-known consultants.

We focused on management and control of contracting companies so as to mitigate the risk of joint liability.

As regards Occupational Health the Company implemented the Corporate Health Program.

Within the framework of Mandatory Investments regarding Fleet and Facility Maintenance it is important to mention a civil infrastructure enhancement plan in Operating Bases Lavallol and Lope de Vega, as well as the continuity of the plan to replace the operational vehicle fleet.

8.9 Health, Safety and Environment

During 2018 the Company committed to the Policy of Safety, Occupational Health and Environment focused on a continuous improvement and aligned with the criteria stipulated by regulations in force and ISO Standards 14001:2015 and OHSAS 18001:2007.

The Company started an adequacy plan to comply with CABA Law No. 5,920 "Sistema autoproteccion" (Self-Protection System) that replaces Law N°1346 "Planes de evacuación" (Evacuation Plans) submitting all pertaining documentation required by this Law before Civil Defense from GCBA, which is being considered for approval by the competent authority. In addition, Evacuation Drills at all our offices were carried out thus complying with Law No. 19,587.

The Company continued meeting with the Mixed Committee of Health and Safety in the Province of Buenos Aires, thus complying with Law No. 14,108 and its Ruling Decree No. 801/141. On this occasion, 4 meetings were held with representatives of the workers, the Human Resources Department, the Commercial Offices, the Facility Maintenance Department, the Quality Control Department, the Medical Service Staff, the Talents Management Department and the Health, Safety and Environment Management. The respective minutes were written after these 4 meetings so as to comply with the corresponding legal requirements.

ART Galeno (Occupational risk Insurer) assessed all the Company's buildings leaving the corresponding certificate for each of these. It is important to mention that this assessment did not show any issues to be considered for improvements.

The Ministry of Labor of the Province of Buenos Aires assessed Quilmes Commercial Office and made no relevant observations. The Ministry of Labor of GCBA assessed the Downtown Commercial Office and made no relevant observations.

The Company continued with training as regards Safety and Occupational Health at its Technical Training Center together with the Workers Union from the Gas Industry ("STIGAS"), addressed to all contractors involved in operating tasks. The four main subjects tackled were: Behavior Based Safety, Operations with Gas, Electrical Hazard and Working in Confined Spaces.

In order to retain the certification of ISO Standards 14001 and OHSAS 18001, the Company performed internal audits established in the annual schedule that is set forth at the beginning of the year, aiming at verifying that the Management System is in compliance with these standards and properly implemented and maintained, with the only objective to achieve a sustainable and continuous improvement. In November, the Certifying Body IRAM performed a recertification audit, but this time with a new 2015 version of ISO Standard 14001, which required a big effort

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from the Managerial Department together with the different sectors involved in the Management System, by means of their facilitators. As a result of the said audit MetroGAS achieved recertification for ISO Standards 14001:2015 and OSHAS 18001:2007, in compliance with the commitment that the Company expresses in its Policy of Safety, Occupational Health and Environment. The Program "MetroGAS+Verde" was continued aiming at collecting paper, plastic bottle caps, bronze keys and any other recyclable waste (carton, glass, metal, plastic). The amounts collected during 2018 were significantly lower compared to those collected in 2017; that is, 12,4% less as regards paper and 38% less of plastic caps. Both of these have been donated to "Fundacion del Hospital Garrahan" (a children's hospital foundation), as we have been doing since 2000. It is important to mention that these lower percentages are due to a 15% reduction in the number of printed material per capita, and to a proper recycling of the 25% of all paper used.

Regarding the rest of recycle waste above mentioned, 8% more was collected if compared to the previous year, and all of this was donated to "Cooperative EL Trébol" (waste recycling cooperative).

We also started working with "Jóvenes en Progreso", a cooperative in charge of picking up recyclable waste such as plastic, metal and wood from MetroGAS' Operating Base in Lavallol.

All along the year the Company was able to comply with NAG Standard 153 (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:

- An Annual Environmental Drill was performed which consisted in an odorant leak at Buchanan City Gate, with the objective to exercise and assess every issue related to internal communication processes, implement procedures and put into practice operative actions. In this opportunity the ENARGAS was not present to observe the drill but, it was duly notified as required by NAG 153.
- 277 work projects were analyzed; some were outsourced and some were the Company's own; 2 Environmental Impact Assessments had to be performed due to the magnitude of the works according to ENARGAS Resolution I/910-09. The remaining 275 were minor works and they complied with the assessment and requirements of the MPA.

Moreover, in June, the ENARGAS performed an audit, with a satisfactory positive result, to assess implementation and execution of activities regarding the environmental characteristics of the works, based on the guidelines of MetroGAS' Environmental Procedures Manual (MPA).

The Company continued the Program "Elegimos Cuidarnos", sponsored by the General Directorate and led by the Technical Directorate together with the Human Resources Directorate and relying on the expertise of consultants acting as process facilitators.

Participation was focused on two main groups being those new people in the Company who worked in the Technical Directorate and the Operations and Maintenance Directorate. On the other hand, another work group was conformed to Owners, Technical representatives and those Responsible for Safety and Occupational Health, of contracting companies.

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

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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.

8.10 Institutional Relationship

The Company held to its strategy to develop MetroGAS' corporate image and strengthen its reputation before institutional audiences. Therefore, during 2018 the Institutional Relations concept was redefined with a more proactive, integral and direct approach, aiming at gaining exposure before stake holders, encouraging its own agenda and continuing the enhancement process of communication during critical times.

As part of management follow up, there was a new public opinion survey performed by CIO consultancy with significant results. MetroGAS undoubtedly plays a relevant role within the economic policy and thus positive or negative opinions about the Company's performance is based, to some extent, on the political context and the relation between the Company and the said context. For this reason, MetroGAS' indicators that show a more negative performance, are directly related to the “tariffs” phenomenon; however, as regards image, in November 2018, MetroGAS achieved a better qualification than electrical companies (positive image 47% MetroGAS vs 28% and 23% Edenor and Edesur respectively); than the average of GBA Municipalities (45%) and the same percentage as the Government of the Autonomous City of Buenos Aires (GCBA) (47%).

In 2018, the Company made important announcements and communicational campaigns regarding the Mandatory Investments Plan 2017-2021. Based on the concepts of “Invertir para Crecer” (“Invest and Grow”) and “Más Obras” (“More Works”), the Company aimed at gaining corporate reputation and going well with the new business approach where the customer is the main priority. The Institutional Relationships Department, on the other hand, focused on media campaigns and opinion leaders, on taking part in joint events with companies and entities from the industrial sector, on developing contents for institutional audiences, among others.

In this context, the Company continued building its corporate reputation with the public by increasing communication channels and strengthening its bond with the media. In this way, ad hoc contents were developed in order to release information about its service: prevention campaigns related to carbon monoxide related accidents, internal gas installations, paperwork, how to understand the gas bill, official statements about current situations (Public Hearings, regular appearance in the media, handling information in the event of contingencies, among others). The Company organized its own events with the media so as to: (i) foster the “Programa Transparencia” (Transparency Program), (ii) introduce the new Sustainability strategy and, (iii) open the new Florencio Varela commercial office.

In addition, the Company worked on strengthening its bond with the media by having its spokesperson present at different events with the media and by organizing meetings with journalists, street reporters and producers with the objective to continue placing the company as an example of the public utility service sector.

Within the institutional framework, the Company dedicated itself to mitigate the possible negative impact that gas companies suffer, as a consequence of the tariff debate within the present political context. On the one hand, this objective, included working with the natural gas regulated industry by means of activities and communications not only for the public sector but also for the public opinion and the media. On the other hand, MetroGAS participated as a sponsor of events before institutional audiences which create value for the company as a positive example within the public utility service sector: “El Cronista ENERGY Summit”,

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“Foro Estratégico para el Desarrollo Nacional” (Strategic Forum for National Development), IX Coongreso de Seguridad Laboral del GCBA” (IX Congress on Occupational Safety from the Government of the City of Buenos Aires).

As regards Committees and Associations, MetroGAS consolidated its presence at the “Consejo Profesional de Relaciones Publicas de la República Argentina” (Professional Committee of Public Relations of the Argentina Republic), el “Colloquio de IDEA” (IDEA Colloquium), the “Consejo Empresario Argentino para el Desarrollo Sostenible” (Argentine Business Council for Sustainable Development) and the “Instituto Argentino del Petróleo y del Gas” (Argentine Institute of Petroleum and Gas-“IAPG”).

As regards Public Affairs, the Company strengthened its relationship with the Legislative Power by means of an active participation of the CEO at hearings and meetings with public officials involved in law projects that deal with tariff issues. Besides, as from the launching of the Investments Plan, the Company improved its relationship with municipalities in order to generate a more fluid and positive communication with all areas involved in public works.

8.11 Community Service Activities

During 2018, MetroGAS renewed its 2018-2022 Sustainability strategy, based on the results of the 2015-2017 administration. By means of different specific activities, it based its work on three main axes: developing, caring and sharing. These axes encompass programs, projects and initiatives that are being carried out by MetroGAS and reflect its working commitment with the community and ensure integration between the Sustainability strategy and the Company's business vision.

Following this five-year work scheme, the Company developed projects with a high local impact:

a) Developing:

- “Instalando Calor Seguro” Program: Training workshops addressed to students at their last year of technical schools, given by corporate volunteers; organized together with the Directorate of Technical Schools of GCABA and the Directorate General for Education and Culture of the Province of Buenos Aires. In this way, students incorporate in their Curricula Vitae, training hours to gain professional status. This year, ethics related contents were included in the workshops and the number of schools and students who participated in this program were increased. During 2018 these workshops were addressed to more than 350 students and 30 teachers.
- Program of Productive Practices: development of supply prototypes / products that are used for operations and are manufactured by technical schools within their workshops. The Company constantly fosters new projects.
- Program to assist the community: together with the “Instituto de la Vivienda de la Ciudad” (City Housing Institute) and other public utility service companies, we participated in pre-consortia workshops with families within the urbanization plan of vulnerable neighborhoods; we assisted them by giving information on how to get gas service for the first time, the benefits of the social tariff and recommendations for a responsible and efficient usage and consumption of natural gas.
- Solidarity Program for Natural Gas Installations: this program aims at providing the natural gas service to community centers and soup kitchens within our distribution area by an internal gas installation or the necessary modifications of preexisting

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installations. This program was created in 2018 and a pilot drill was carried out together with the area of social responsibility from the SGE.

b) Caring:

- “Hogar Cálido Hogar” Program: Activity addressed to 7 to 11-year-old children from primary schools from the Autonomous City of Buenos Aires and from the Province of Buenos Aires. It is focused on the importance of a correct gas connection, its responsible consumption, the prevention of carbon monoxide related accidents and the role and importance of a registered gasfitter. Children are considered to be the main agents to raise awareness by communicating this message to their families. The Company continues developing the program started in 2003 and creating new areas that go beyond school activities (Sustainability Fair) and incorporating new contents and material to complement teachers' pedagogical resources.
- Sustainable Mobility Program: we encourage healthy habits to ensure people's safety and environmental awareness by giving internal talks organized together with the GCABA.

c) Sharing:

- Educational Program for firefighters with the Technical Training Center: the objective is to develop strategic bonds with security forces and civil defense groups who are in charge of emergencies; they are trained on natural gas related issues (officers, student firefighter 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, painting community centers, among others).
- Active participation in specialized sectors: Argentine Business Council for Sustainable Development, Argentine Institute of Petroleum and Gas- “IAPG”) and IDEA Colloquium, among others.

9. DIVIDEND POLICY

MetroGAS does not have a written policy regarding the amount and distribution of dividends. Any dividend policy that may be adopted is subject to various factors, including the fulfillment of our obligations due to the financial debt, ENARGAS new possible partial restrictions, investments in capital assets and investment plans, other cash demands and other factors that may be considered appropriate.

MetroGAS paid dividends on a regular basis until 2001. As from fiscal year 2002, the Company maintained unappropriated accumulated deficit and as a consequence there has been no distribution of dividends until December 31, 2017.

On February 8, 2018, MetroGAS took a non-guaranteed loan that has certain restrictions in the payment of dividends (see point 5). Under the terms and conditions therein stipulated, during fiscal year ended on December 31, 2018, the amount to be paid for dividends shall not exceed 10% of the Net result of that year, and 60% in the following year until the repayment of the loan.

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10. ISSUED CAPITAL STRUCTURE

The capital stock as of December 31, 2018 is composed of 569,171,208 common shares, each having a one peso par value and entitled to one vote per share and in classes "A" and "B".

Classes of shares	subscribed, registered and paid- in Thousands of Ps.
Class "A"	290,277
Class "B"	278,894
Capital Stock as of December 31, 2018	569,171

On November 2, 1994, through Resolution No. 10,706 the CNV authorized the Company to sell at public offer all shares of company common stock up to that date, 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.

Of the total corporate stock as at December 31, 2018, 70% belongs to YPF S.A. ("YPF").

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 49% of the common stock. Of such percentage, 39% belongs to YPF and the 61% is in public offering and is held by approximately 6,593 investors.

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

On April 6, 2018, MetroGAS was notified that the ENARGAS rejected the appeal for reconsideration submitted by YPF on March 30, 2017.

Previously, the capital stock of the Company is also composed of shares Class "C" shares which represent 10% of the common stock, and were assigned during the privatization process to the Employee Stock Ownership Plan ("PPP"); the beneficiaries were employees from Gas Del Estado transferred to MetroGAS who continued working for the Company up to July 31, 1993.

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.

ANNUAL REPORT

(Information not covered by the Independent auditors' report.)

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

11. INCOME ALLOCATION PROPOSAL

Under the terms and conditions of the Company's bylaws and in compliance with what is stipulated by the Argentina Corporations Law and CNV Standards 2013, the Board of Directors of the Company proposed: (i) to constitute the Legal Reserve (article 70, 1st paragraph-Law No. 19,550); (ii) to approve as the Board of Directors' fees the amount of Ps.4,448 thousand, (the restated amount amounts to Ps. 5,435 thousand); and (iii) to allocate the remaining amounts to constitute an investment reserve (article 70, 3rd paragraph-Law No. 19,550) in compliance with MetroGAS' Investment Plan.

On December 31, 2018, the Company registered a positive shareholders' equity attributable to controlling interest of 13,321,637, 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, March 6, 2019.

Fernando Oscar Ambroa
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 ³	Notify ¹ or Explain ²
	Total ³	Parcial ₃		
PRINCIPLE I. TRANSPARENCY IN THE RELATIONSHIP AMONG THE ISSUER, THE ECONOMIC GROUP THAT IT LEADS AND/OR COMPOSES AND ITS RELATED PARTS.				
Recommendation I.1: The Administrative Body should guarantee to communicate all policies applicable to the relationship among the Issuer with the economic group that it leads and/or composes and with its related parts	X			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

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

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

³ Checkmark if it corresponds.

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	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
ensure the existence of mechanisms for the prevention of conflicts of interest				<p>Ethics and Conduct that ensures preventive mechanisms of conflicts of interests. MetroGAS' Directors and Personnel will refrain from participating in or influencing any decision taking, in any situation, in which they may directly or indirectly have a personal interest.</p> <p>In addition, the Company has a specific procedure to handle "Conflicts of interest", which establishes how to make questions and/or reports related to real or potential conflicts of interest and the answers given by those held responsible. If there were doubts about a conflict of interest not being reported, it may be reported through the Ethics Line.</p> <p>The Audit Committee counts on a special procedure to Handle Reports on Conflicts of Interest under article 110 subsection h) Law 26,831; these reports are dealt with by the Board of Directors</p>
Recommendation I.3: To prevent misuse of privileged information.	X			<p>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</p>

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	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
				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.
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 regarding this recommendation that have been approved by the Directorate Committee, and published on the intranet to be used by its staff for consultation purposes. In spite of this, these Policies have not been finally approved by the Board of Directors. As regards the main investments in Capital Assets, there is the Mandatory Investments Plan 2017-2022 that was part of the Integrated Tariff Review (“RTI”) and which was approved by the Board of Directors.
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

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	Total ³	Parcial ³		
				the practices of good corporate governance, such as: the Code of Ethics and Conduct, the Regulations for the operation of Directors, the Audit Committee, the Compensation and Appointment Committee, 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 this recommendation, as the Company counts on 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

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	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
				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 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	X			The Company's Directorate Committee has internalized a strong risk management culture. As a consequence of this, every

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	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
of risks related to decisions that may be taken, taking into account the Enterprise risk level defined as acceptable by the Issuer. Specify.				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 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.	X			The Directorate Committee performance is assessed on an annual basis. This assessment and the variable compensation resulting from such assessment are 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		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

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	Total ³	Parcial ³		
financial and nonfinancial aspects. Moreover, the Administrative Body presents a diagnosis about the level of compliance with the policies mentioned in Recommendation II, item II.1.1 and II.1.2: Give detail of the main aspects of the Shareholders' General Assembly assessment of the Administrative Body's level of fulfillment of objectives set and of its compliance with the policies mentioned in Recommendation II, items II.1.1 and II.1.2, indicating the date when the General Assembly was held where such assessment was presented.				policies. The Annual Meeting approves the Management Board of Directors.
Recommendation II.4: That the number of external and independent members constitute a significant proportion in the Administrative Body.				
II.4.1 The proportion of executive members, external and independent (the latter defined according to regulations of this Committee) of the Administrative Body is related to the Issuer's capital structure. Specify.	X			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.	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.

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	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
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.				
Recommendation II.5: To commit to provide regulations and procedures related to the selection and appointment of members of the Administrative Body and first line managers.				
II.5.1.The Issuer counts on an Appointments Commission	X			The Company counts on a Compensation and Appointment Committee whose role is to deal with all matters related to compensations and appointments.
II.5.1.1 composed of at least three members of the Administrative Body, being their majority independent members,	X			The said Committee is composed of three members of the Directorate; 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		X		The criteria to be considered for

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	Total ³	Parcial ³		
development (qualification, experience, professional reputation and ethics, among others) for selecting new members of the Administrative Body and first line managers,				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 Administrative Body according to their background,			X	The Compensation and Appointment Committee does not appoint members of the Board of Directors.
II. 5.2.5 recommends the President of the Board of Directors not to be the General Manager of the Issuer,	X			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	X			In compliance with its Rules of Procedure, the Compensation and Appointment Committee considers this issue.

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	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
members of the Supervisory Committee and/or of the Oversight Board work for different Issuers.				
Recommendation II.7: To ensure Training and Development for the Issuer's Administrative Body members and first line managers.				
II.7.1 The Issuer counts on a program of ongoing training related to the Issuer's existing needs for members of the Administrative Body and first line managers, which includes issues about their roles and responsibilities, comprehensive enterprise risks management, specific business knowledge and its rules, the dynamic of Enterprise governance and issues on Enterprise social responsibility. In the case of members of the Audit Committee, international accounting standards, audit and internal control standards and specific regulations of the capital market. Describe all programs carried out during the year and their level of compliance.	X			<p>The Audit Committee has an annual Training Plan and invites the Board of Directors and the Directorate Committee to participate in its activities. Within the training activities developed during the year we can mention the following issues:</p> <ul style="list-style-type: none"> • Regulatory framework and tariffs • Functioning of the distribution system • Information systems • Information Security • Commercial strategy • Governance and transparency • Integrity guidelines for a better compliance of art. No. 22 and No. 23 of the Argentine Corporate Criminal Liability Law 27,401, among others. • Internal Audit • Human Resources • Inflation adjustment.
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		<p>The Company's policies related to this recommendation refer to personal in general including first-line managers. Members of the Administrative Body are not included.</p> <p>The Company stipulates an annual budget for Training under the responsibility of the Human Resources Directorate which evaluates the need and convenience of the requested training.</p> <p>There is an annual training plan for the Audit Committee that invites the Board of Directors and the Directorate Committee to participate in its activities (see item II.7.1)</p>
PRINCIPLE III. TO SUPPORT AN EFFECTIVE POLICY OF IDENTIFICATION, MEASUREMENT,				

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	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ₃		
ADMINISTRATION AND COMMUNICATION OF ENTERPRISE RISKS				
Recommendation III: The Administrative Body has to count on a comprehensive Enterprise risk management policy and monitor its proper implementation.				
III.1 La The Issuer has Comprehensive Enterprise risk management policies (of fulfillment of strategic, operative and financial objectives, and objectives regarding accounting report, laws and regulations, among others). Give a description of the most relevant aspects of 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 relevant issues related to risk management.
III.2 There is a Risk Management Committee within the Administration Body or the General Management. Notify of the existence of procedure manuals and give detail of the main risk factors which are specific to the Issuer and its activities and of implemented mitigating actions. If there is no such Committee, describe the supervision role of the Audit Committee as regards risks management. Moreover, specify the level of interaction between the Administrative Body or its Committees and the Issuer’s General Management regarding comprehensive enterprise risk management.	X			See previous point.
III.3 There is an independent function within the Issuer`s General Management that implements the comprehensive risk management policy (Function of the Risk Management Officer or equivalent) Specify	X			The Controller Directorate is responsible for the communication and follow- up of the Risk Management process and report quarterly to the Audit Committee.
III.4 Comprehensive risk	X			The Policies are regularly

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	Total ³	Parcial ³		
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).				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. Specify the main points of the concepts described above.	X			A note was including in the Financial Statements and an item in the Annual Report referred to comprehensive Risk Management.
PRINCIPLE IV. TO SAFEGUARD THE INTEGRITY OF FINANCIAL INFORMATION WITH INDEPENDENT AUDITS.				
Recommendation IV. To guarantee the Independence and transparency of the functions of the Audit Committee and the External Auditor.				
IV.1. At the time of selecting the members of the Audit Committee and taking into account that the majority has to be independent, the Administrative Body assesses if it is convenient to have an independent member as its president.	X			The Audit Committee is composed by three members of the Board as independent character.
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	X			There is an Internal Audit's function that reports to the Audit Committee and is responsible for assessing the Internal Control system. On an annual basis the Audit Committee assesses the performance of Internal Audit and its degree of independence. Internal Audit complies with the international standards for the professional practice of internal

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	Total ³	Parcial ³		
assessment of the performance of the internal audit area and of the degree of independence of its professional practice, being understood that the professionals in charge of such function are independent from the rest of the operative areas and besides they comply with the requirements of independence as regards control shareholders or related entities who have a significant influence on the Issuer. In addition, specify if the Internal Audit's function performs in compliance with the International Standards for the professional practice of internal auditing issued by the Institute of Internal Auditors. (IIA).				auditing issued by the Institute of Internal Auditors ("IIA")
IV.3 Members of the Audit Committee make an annual assessment as regards competence, independence and performance of External Auditors, appointed by the Shareholders' Assembly. Describe the relevant aspects of all procedures involved to carry out the said assessment.	X			<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"> a) Background of the Auditing Company, 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. c) The guidelines of work methodology. d) The quality control policies submitted by the Auditing Company, including the working team who gives support in specific areas. e) The presentations made

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	Total ³	Parcial ³		
				<p>on main risks that were identified and assessed and their impact on the general planning of the audit and on the tasks performed by the said company.</p> <p>In order to assess the external auditor's Independence, the Audit Committee has:</p> <ul style="list-style-type: none"> a) obtained a statement from auditors as regards their independence. b) made an assessment of the services rendered by the external auditor, verifying that none of these services compromises his independence.
IV.4 The Issuer counts on a policy related to the rotation of members of the Supervisory Committee and/or of the External Auditor; and in relation to the latter, if the rotation includes the auditing company or if it only affects the auditors.	X			The Company applies the rules of the CNV regarding the rotation of partners of the auditing. The company does not have specific policies on rotation of the members of the Supervisory Committee.
PRINCIPLE V. TO RESPECT THE RIGHTS OF THE SHAREHOLDERS.				
Recommendation V.1: To ensure that shareholders have access to the Issuer's information.				
V.1.1 The Administrative Body encourages regular informative meetings with the shareholders coinciding with the presentation of intermediate financial statements. Specify the frequency and number of meetings held during the year.	X			Regular meetings are held - and upon request - with majority shareholders on a quarterly basis. Minority shareholders get the information by means of the relevant facts to CNV, BYMA and MAE 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	X			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 The Company issues reports on

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

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

	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
Assembly in compliance with what is stipulated by the regulations in force. Specify the results.				
V.2.4 the Issuer counts on stimulus policies to increase the participation of the most relevant shareholders, such as institutional investors. Specify.			X.	The participation previously mentioned includes institutional investors once it is complied with the requirements set forth by regulations in force as regards the publicizing related to the participation and access to the information. Notwithstanding that, the Company counts on specific stimulus policies
V.2.5. At Shareholders' Assemblies where members of the Administrative Body are proposed to be appointed, and prior to the voting, the following is informed: (i) the opinion of each of the candidates as regards the adoption or not of a Corporate Governance Code; and (ii) the reasons to support such opinion.			X	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 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			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

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

	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
shares. Provided there is a policy, indicate criteria, frequency and conditions that have to be complied with for paying dividends.				context of financial prudence At present, 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 Assembly Minute where the distribution of dividends was approved (in cash or in shares) or not, if it is not set forth in the Company Bylaws.	X			The Board of Directors makes up the proposal and takes it to the Annual Assembly for its approval.
PRINCIPLE VI. TO MAINTAIN A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY.				
Recommendation VI: To provide the community with information related to the Issuer and a direct communication channel with the Company.				
VI.1 The Issuer counts on an updated free access web site which not only provides information related to the Company (Company Bylaws, economic group, composition of the Administrative Body, financial statements, Annual Report, among others) but also receives questions and concerns from customers in general.	X			The Company has its own web site, www.metrogas.com.ar ; 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		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

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

	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
geographical coverage and its availability. Specify which rules or initiatives have been adopted to carry out the Enterprise Social Responsibility Policy (Global Reporting Initiative and/or United Nations Global Compact, ISO 26,000, SA 8000, Millennium Development Goals, SGE 21-Foretica, AA 1000, Equator Principles, among others).				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. The Company is in the process of writing the Sustainability Report corresponding to 2017-2018 which is intended to be publishing on July 2019.
PRINCIPLE VII. TO GIVE FAIR AND RESPONSIBLE COMPENSATIONS.				
Recommendation VII: To set forth clear policies of compensation to the members of the Administrative Body and first line managers, specially paying attention to conventional or statutory limitations depending on the existence or nonexistence of profits.				
VII.1. The Issuer counts on a Compensation Committee:				
VII.1.1 composed of at least three members of the Administrative Body, and has a majority of independent members.	X			The Board of Directors constituted a Compensation Committee composed of 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	X			

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

	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
members				
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.
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.

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	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
VII.2.7 guarantees the presence at the Shareholders' General Assembly of the President of the Compensation Committee who approves compensations to the Administrative Body so that he explains the Issuer's policy as regards the redistribution of the members of the Administrative Body and first line managers.	X			The president of the Compensation Committee always attends the Shareholders' Assembly although it is not compulsory for him as he is not the President of the Company. He always attends meetings of the Board of Directors and of the Committees he chairs: the Compensation Committee and the Audit Committee
VII. 3 If relevant, indicate the policies applied by the Issuer's Compensation Committee that have not been mentioned in the previous point.				NOT APPLICABLE
VII. 4 In case there is no Compensation Committee; explain how functions described in VII.2 are carried out within the Administration Body itself.				NOT APPLICABLE
PRINCIPLE VIII. TO ENCOURAGE ENTERPRISE ETHICS				
Recommendation VIII: To guarantee ethical behavior within the Issuer.				
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, 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, 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,

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	Compliance		Noncompliance ³	Notify ¹ or Explain ²
	Total ³	Parcial ³		
				Managers and to all MetroGAS S.A. employees. In the same way, it is applicable to suppliers, contractors and business partner that conduct business with MetroGAS S.A. In strengthening the detailed above, during fiscal year 2015 the Company created the figure of the Ethics and Compliance Officer, included in the company structures as from May 2017, a full-time managerial position reporting to the Directorate of Regulatory and Legal Affairs, responsible for the design, development, updating and communication of the Integrity and Ethics Program of the Company.
VIII.2 The Issuer counts on mechanisms to receive complaints for every illicit or unethical conduct, which can be made in person or through electronic means guaranteeing that all information given is subject to the highest standards of confidentiality and integrity, for registration and conservation purposes. Indicate if the service of reception and evaluation of complaints is rendered by the Issuer's personnel or by external and independent professionals in order to offer a higher degree of protection to the complainant.	X			The Company counts on different mechanisms to receive complaints, including an anonymous and confidential complaint line managed by an external and independent company.
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	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

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

Fernando Oscar Ambroa
Chairperson

METROGAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 AND 2017

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METROGAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 AND COMPARATIVE INFORMATION

LEGAL INFORMATION

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

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

Financial Statements Consolidated: as of December 31, 2018 and comparatives.

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

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

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

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

Parent Company: YPF S.A.

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

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

Percentage of votes held by parent company: 70%

Composition in Common Stock as of 12.31.18:

Classes of Shares	Subscribed, Registered and Paid-in (thousands of pesos)
Outstanding	
Common Certified Shares of Ps. 1 Par Value and 1 Vote each:	
Class "A"	290,277
Class "B"	278,894
Issued Capital as of 12.31.18	569,171

Fernando Oscar Ambroa
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 FINANCIAL POSITION AS OF DECEMBER 31, 2018 AND 2017 *(stated in thousands of pesos)*

	Notes	12.31.18	12.31.17
Assets			
Non current Assets			
Properties, plant and equipment	10	23,855,254	24,207,400
Intangible assets	12	916,514	359,200
Investment properties	11	24,559	25,237
Other receivables	14	3,427,613	108,505
Total Non current assets		28,223,940	24,700,342
Current assets			
Inventories		2,204	6,454
Trade receivables	13	6,865,640	5,026,043
Other receivables	14	2,023,456	510,852
Cash and cash equivalents	15	1,799,720	726,997
Total Current assets		10,691,020	6,270,346
Total assets		38,914,960	30,970,688
Shareholders' Equity			
Issued capital	16	569,171	569,171
Adjustment to issued capital		5,753,180	5,753,180
Accumulated results Gains		6,999,286	7,801,717
Equity attributable to the owners of the parent		13,321,637	14,124,068
Non-controlling interest		11,900	6,702
Total Shareholders' Equity	16	13,333,537	14,130,770
Liabilities			
Non current Liabilities			
Trade payable	21	3,180,602	105,047
Financial debt	18	5,194,213	-
Deferred tax liabilities	28	3,889,872	4,361,617
Reorganization liabilities	19	26,302	12,471
Other taxes payable	17	1,304	4,446
Provisions	20	855,407	505,664
Total Non current Liabilities		13,147,700	4,989,245
Current Liabilities			
Trade payable	21	7,130,838	5,695,288
Salaries and social securities	22	396,727	373,904
Income tax and minimum presumed income tax ("MPIT")		58,427	158
Other taxes payable	17	587,242	668,421
Financial debt	18	4,252,169	5,063,916
Deferred tax liabilities	28	726	734
Other accounts payable	23	7,594	48,252
Total Current Liabilities		12,433,723	11,850,673
Total Liabilities		25,581,423	16,839,918
Total Liabilities and Shareholders' Equity		38,914,960	30,970,688

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

Fernando Oscar Ambroa
Chairperson

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METROGAS S.A.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(stated in thousands of pesos)

	Notes	For the years ended,	
		12.31.18	12.31.17
Revenues	24	32,719,837	19,779,557
Operating costs	25	(25,016,775)	(14,918,881)
Gross profit		7,703,062	4,860,676
Administration expenses	25	(1,499,720)	(1,263,561)
Selling expenses	25	(1,969,329)	(1,797,870)
Other income and expenses	26	(564,917)	(106,735)
Operating income		3,669,096	1,692,510
Finance income	27	8,246,833	3,432,206
Finance cost	27	(11,962,541)	(3,600,718)
Net financial results		(3,715,708)	(168,512)
Result before income tax and MPIT		(46,612)	1,523,998
Income tax and MPIT	28	45,952	1,874,289
Net result for the year		(660)	3,398,287
Other comprehensive income (1)			
Essential assets revaluation		(1,064,936)	7,820,836
Income tax	28	268,363	(1,986,492)
Total other comprehensive income		(796,573)	5,834,344
Net and comprehensive result for the year		(797,233)	9,232,631
Net and comprehensive result for the year attributable to controlling interest		(5,858)	3,396,361
Net and comprehensive result for the year attributable to non-controlling interest		5,198	1,926
Net and comprehensive result for the year		(660)	3,398,287
Net result per share			
Basic and diluted	29	(0.01)	5.97

(1) Do not reversal to results.

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

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Chairperson

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METROGAS S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 *(stated in thousands of pesos)*

	Issued capital	Adjustment to 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				
Balance as of December 31, 2016	569,171	5,753,180	6,322,351	-	(1,428,988)	(1,428,988)	4,893,363	4,775	4,898,138
Net and comprehensive result for the year ended December 31, 2017	-	-	-	-	3,396,361	3,396,361	3,396,361	1,927	3,398,288
Properties, plant and equipment revaluation	-	-	-	5,834,344	-	5,834,344	5,834,344	-	5,834,344
Properties, plant and equipment revaluation reversals	-	-	-	(46,815)	46,815	-	-	-	-
Balance as of December 31, 2017	569,171	5,753,180	6,322,351	5,787,529	2,014,188	7,801,717	14,124,068	6,702	14,130,770
Net and comprehensive result for the year ended December 31, 2018	-	-	-	-	(5,858)	(5,858)	(5,858)	5,198	(660)
Properties, plant and equipment revaluation (decrease)	-	-	-	(796,573)	-	(796,573)	(796,573)	-	(796,573)
Properties, plant and equipment revaluation reversals	-	-	-	(230,432)	230,432	-	-	-	-
Balance as of December 31, 2018	569,171	5,753,180	6,322,351	4,760,524	2,238,762	6,999,286	13,321,637	11,900	13,333,537

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

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Chairperson

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METROGAS S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (stated in thousands of pesos)

	12.31.18	12.31.17
Cash flows generated by operating activities		
Net result for the year	(660)	3,398,287
Adjustments to arrive to the net cash flow from operating activities		
Income tax and MPIT	(45,952)	(1,874,289)
Depreciation of properties, plant and equipment and investment properties and intangible assets	1,080,911	806,921
Net book value of disposals of properties, plant and equipment	239,692	229,840
Net charge on provisions	957,446	152,488
Finance cost	4,437,335	679,685
Financial income from cash and cash equivalents	(188,847)	(5,593)
Changes in assets and liabilities		
Trade receivables	(2,251,550)	(29,274)
Other receivables	(4,852,826)	1,037,764
Inventories	4,250	(1,487)
Trade payable	6,715,345	(2,063,726)
Salaries and social securities	22,823	55,004
Reorganization liabilities	13,831	(6,451)
Other taxes payable	(99,155)	89,196
Provisions	(282,579)	(65,721)
Other accounts payable	(40,657)	20,258
Income tax and MPIT paid in the year	-	(5,190)
Net cash flows generated by operating activities	5,709,407	2,417,712
Cash flows used in investing activities		
Increase in properties, plant and equipment	(1,964,433)	(1,558,249)
Increase in intangible assets	(642,098)	(98,850)
Net cash flows used in investing activities	(2,606,531)	(1,657,099)
Cash flows used in financing activities		
YPF interest payment and loan payment	(388,187)	(729,120)
Payment for cancellation of negotiable obligations	(5,643,636)	-
Commercial debt payment	(3,247,990)	-
Payment of loans	(478,584)	-
Proceeds from loans	7,666,735	-
Payment for the costs of debt issuance	(98,140)	-
Payment of current account advances	(29,198)	30,433
Net cash flows used in financing activities	(2,219,000)	(698,687)
Net increase in cash and cash equivalents	883,876	61,926
Cash and cash equivalents at the beginning of year	726,997	659,478
Exchange differences on cash and cash equivalents	188,847	5,593
Cash and cash equivalents at the end of the year (1) (2)	1,799,720	726,997
Net increase in cash and cash equivalents	883,876	61,926

(1) As of December 31, 2018 and 2017, funds collected and pending to be deposited for Trust Funds and Resolution I-2,621/2013 amount to 17,354 and 18,625 respectively.

(2) As of December 31, 2018 includes 393,420 as collateral for the term dollar purchase transactions arranged by the Company. (See Note 18.3 to the separate financial statements).

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

Fernando Oscar Ambroa
Chairperson

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, 2018 AND COMPARATIVE INFORMATION

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

1. GENERAL INFORMATION

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

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

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

As of December 31, 2018, MetroGAS’ controlling shareholder is YPF S.A. (“YPF”) whose principal business is the study, exploration and exploitation of liquid and/or gaseous hydrocarbons and other minerals, as well as the industrialization, transportation and marketing of these products and their byproducts, also including petrochemical products, and non-fossil fuels and chemicals, biofuels and their components, electric power generation based on hydrocarbons, telecommunication services, as well as production and industrialization, processing, marketing, conditioning services, grain transportation and storage and their byproducts (see Note 16 to the consolidated financial statements).

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 ADEA Administradora de archivos S.A. warehouses at Av. Pte. R. Sáenz Peña 832, 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

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by other statutes, executive decrees and regulations issued by different governmental agencies. This set of rules involved a substantial change in the terms of MetroGAS License under which the Company had been operating, and in the relationship between the Company and the National Government, as it modified the tariff system established under Law No. 24,076 (the “Gas Law”) and supplementary regulations.

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

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.

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.

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.

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

2.1 License contract renegotiation

2.1.1 Memorandum of Agreement of the Adequacy Natural Gas Distribution License Contract

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

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

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signed with the (ex) Ministry of Energy and Mining (“MINEM”) and the Ministry of Economy a Memorandum of Agreement for the Adequacy of the Natural Gas Distribution License Contract (“The Comprehensive Agreement”), which contains the terms of the comprehensive renegotiation and the conditions for the adequacy of the License Agreement. The Comprehensive 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 Comprehensive Agreement, 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 (“ITR”) 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 MetroGAS.
- Establishment by the ENARGAS the criteria to determine the Capital Base and the Profitability Rate to be applied to the ITR, under the following general criteria:
 - c) The Capital Base is determinate taking into account the assets required to render the public service. In order to value said assets it is 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 are made in national currency and the evolution of representative official rates of price variations considering the cost structure of those assets.
 - d) The Profitability Rate is determinate according to articles 38 and 39 of the Gas Law. Therefore, it shall weigh the retributions of the direct capital as well as third parties. While determining the retribution of direct capital, ENARGAS shall be considered 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 must reflect the cost of money in the terms and conditions valid for the financing of public utilities companies.
- It was required the presentation by the Company of an Investment Plan to be incorporated into the tariff calculation.

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- 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.

With respect to the enforcement of the ITR, it was established it would not extend beyond December 31, 2017. However, should the ENARGAS provide the gradual and progressive application of the tariff increase resulting from the ITR, the application of the last stage shall fall on or before April 1st, 2018.

The MetroGAS Tariff Schedule resulting from the ITR according to the established guidelines shall be applied once all the procedures provided for the enforcement of the Comprehensive Agreement are fulfilled.

As a pre-condition to the ratification, the Comprehensive Agreement provided 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 Comprehensive Agreement shall be endorsed by the MetroGAS Shareholders’ Meeting, so that the Executive Power may issue the Decree to confirm the terms of the Comprehensive Agreement. On April 27, 2017, MetroGAS Shareholders’ Meeting confirmed the Comprehensive Agreement, and on June 27, 2018 the Company proceeded to withdraw from the case “MetroGAS vs. National State – Ministry of Planning (Decree No. 293/02) - on Knowledge Proceeding” (Case No. 50,141/2011) before the Federal Court of first instance in the Federal National Administrative Contentious No. 12 (see Note 2.1.2 to these financial statements).

Finally, the Comprehensive Agreement anticipated 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.

On March 31, 2017 ENARGAS Resolution No. 4,356/2017 was published in the Official Gazzette, approved, as from April 1, 2017, the tariff schedules resulting from the MetroGAS ITR transition tariff schedules to be applied to MetroGAS customers.

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.

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2.1.2 Lawsuit against the National Government

In 2011, MetroGAS filed an interruptive action of prescription against the National Government 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 (“BLSG”) was filed aiming at the exemption of payment of court fees and costs as a consequence of the lawsuit for damages. Once the BLSG was implemented, MetroGAS was exempted from court fees at the time of initiating the main action and until the resolution of the BLSG.

Such advance, dated March 30, 2017, MetroGAS signed with the National Government the Comprehensive Agreement in compliance with the terms of the Comprehensive Agreement, within a 90-day term counted from the date of issuance and enforcement of the Resolution that approves the tariff scheme resulting from the ITR, MetroGAS had 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.

On March 28, 2018, the Official Gazette published Resolution No. 252/2018 that ratified the Comprehensive Agreement. As a result, on June 27, 2018 the company withdrew from the case “MetroGAS S.A. vs./ National Government – Ministry of Planning (Decree No. 293/02) – UNIREN on Knowledge Proceeding”. Through resolution dated October 3, 2018 MetroGAS action and rights were deemed waived. The intervening court will decide about the origin of the BLSG.

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 (see Note 20 to these financial statements).

2.2 Regulatory framework

2.2.1 Ministry Law

On September 5, 2018, and within the framework of the strategic reorganization in terms of budget cuts, Decrees No. 801/2018 and No. 802/2018 were published that ordered to (i) appoint the Economy Ministry to take over the Ministry of Energy, thus modifying its denomination whenever referring to the latter; and (ii) create the position of State Secretariat for Energy under the Ministry of Economy.

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2.2.2 Natural gas distribution tariff

2.2.2.1 Tariff Scheme

Resolution No. 91/2018 issued by the MINEM, substitutes Numeral 9.4.2.3 from the Basic Rules of the Distribution License (“RBLD”) approved as Annex B, sub-annex I, by Decree No. 2,255 from December 2, 1992, establishing, as it may correspond, that “adjustments will be seasonal, including the periods from April 1 to September 30 from each year, and from October 1 to March 31 of the following year”.

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

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

On August 15, 2018 the Official Gazette published ENARGAS Resolution No. 184/2018 convening a public hearing for on September 4, 2018, to consider (i) the application of the tariff half-year adjustment methodology as established by ENARGAS Resolution No. I-4,356/17 (in relation with MetroGAS); and (ii) the application of the pass through to the tariff of the price of the gas purchased in accordance with 9.4.2 of the Distribution License Basic Rules and considering the Cumulated Daily Differences (“DDA”) corresponding to January – September 2018 period, pursuant to 9.4.2.5 of the RBLD.

On October 8, 2018 the Official Gazette published ENARGAS Resolution No. 281/2018 in order to (i) declare valid the aforementioned Public Hearing, (ii) approved MetroGAS tariff scheme applicable as from as of publication and (iii) approved the new values for Rates and Charges collected by MetroGAS for additional services. It is worth pointing out that the mentioned tariff charts do not consider the DDA corresponding to the period April 1 to September 30, 2018.

On October 12 the Official Gazette published ENARGAS Resolution No. 292/2018 that ratified the tariff scheme as per Resolution No. 281/2018 and its application shall be brought back to October 8, 2018, date on which the last Resolution was published.

As regards the Methodology of the biannual Tariff adjustment, the ENARGAS observed that, for the period to be considered for the adjustment, applicable as from October 2018, that is to say, the variation between February and August 2018, there was an evident disparity between Argentina’s Wholesale Price Index (“WPI”) variation and other economic indicators. To this regard, ENARGAS thought it reasonable to apply the methodology from Annex V for the biannual adjustment, but taking into account a proper combination of indexes that best reflect the variation of the general economic indicators so as to apply the Resolutions that approved the ITR, claiming that “such decision neither meant a change in methodology nor a change of the general principle

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stated in Annex V of ENARGAS Resolution No.1-4,356/17, but a proper assessment of the said criterion if it were to be applied to the semester to be started on October 2018 where a significant disparity between the WPI and other macroeconomic indicators are observed.

Based on this, the tariff adjustment index was a simple average of the following indexes: a) Argentina’s WPI between the months of February 2018 and August 2018, b) “Construction Cost Index” between the months of February 2018 and August 2018 (CCI), and c) “Wage Variation Index” between the months of December 2017 and June 2018 (WVI), which results in a 19.67% total variation for the seasonal period compared to a 30.50% variation for having only applied the WPI. The Company filed, in due course, an appeal seeking reconsideration of the methodology followed by the ENARGAS to recognize the distribution tariff adjustment.

On February 5, 2019, ENARGAS Resolution No. 1/2019 was published in the Official Gazette calling for Public Hearing to be held on February 26, 2019 to consider (i) the implementation of the Methodology of the Biannual Tariff Adjustment, in the terms and conditions set (as regards MetroGAS) by ENARGAS Resolution No. 1-4,356/17; (ii) the implementation of the reallocation on tariffs of the price of gas bought under the conditions of Numeral 9.4.2 of the BRDL and the consideration of the DDA corresponding to the seasonal period in process, under the terms and conditions of Numeral 9.4.2.5 of the BRDL; iii) the consideration of the creation of a Point of Entry into the Transportation System (“PIST”) in Escobar and of a GBA-GBA (Greater Buenos Aires area) transportation route; and iv) the considerations regarding tariffs for networks supplied with Liquefied Petroleum Gas (“LPG”).

2.2.2.2 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 (see item 2.2.3.1), 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.

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

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

Furthermore, and pursuant to Resolution No. 14/2018, the State Secretariat for Energy ("SGE"), (i) reverses caps and subsidies duly set by Resolutions No. 212/2016 and No. 474/2017 from MINEM, and establishes a new subsidy of 100% of the base consumption portion as provided for by MINEM Resolution No. 474/2017 for Social Tariff customers; and (ii) establishes a gas value maximum increase for SGP1 and SGP2 full service customers in case they are listed in the MiPyMES Companies Register (as provided for in Law No. 24,467) or they are beneficiaries of the regime established by Law 27,218 for Public Welfare Entities.

At the date of approval of these financial statements, delays have been registered as to the payments of economic compensation by the National State. Should these delays continue, the company will pay invoices for the injection of gas distributing the impact arisen from the mentioned delays among producers with whom the company has ongoing natural gas supply contracts.

2.2.2.3 Daily Differences

Section No. 37 of Decree No. 1,738/92, ruling Law 24,076 establishes on subsection 5 that the variations in the gas acquisition price would be pass through to the final customer tariff to offset Distributors benefits or losses. Furthermore, the RBLD establish on subsection 9.4.2.5 that Licensees shall conduct a separate accounting for the price and the value of gas purchased and included in the real sales, and for the differences between the latter and the value of gas included in the invoicing of those real sales. This way, it is not mandatory that the supply invoices be settled, but the acquisition cost must be certain, this being materialized once the exchange rate at which liabilities with gas producers should be paid is known.

The same subsection 9.4.2.5, last paragraph, establishes that in case the difference between the cost of gas acquired by Distributors and the value of said gas contained in the customer tariffs exceeds the absolute value of 20%, then the company may submit new tariff charts for Regulator's approval.

In April 2018 Argentina experienced changes in the macroeconomic conditions that led to an abrupt variation in the exchange rate parity between the national currency and that in which prices are established in contracts.

For gas delivered between January and March 2018, payments were cancelled by the company respecting the exchange rate at payment date pursuant to the provision of the corresponding sales contracts. However, due to the abovementioned circumstances, for payments to gas producers as to

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gas delivered in the following months the exchange rate applied to the gas component included in the rate was the one established through Resolution No. 300/2018 effective as from April 1, 2018 (AR\$/US\$ 20.345), then ratified by Resolution No. 292/2018 effective as from October 8, 2018 (AR\$/US\$ 37.69).

The adopted criterion is due to the necessity to maintain the payment chain related to the operation and maintenance of the natural gas service network and guarantee the continuity of the service provision.

Pursuant to the aforementioned macroeconomic situations, on July 27, 2018, the company submitted new tariff charts to ENARGAS requesting, in compliance with the provisions of the RBLD, the approval of same in order to partially acknowledge these increased costs in the acquisition of gas.

Through Note No. N0-2018-38938972-APN-SD#ENARGAS dated August 13, 2018, ENARGAS dismissed the request arguing that "the Licensee does not evidence the effective payment of gas at reference price for the setting of the differences between the price included in the tariff". According to the company criteria, this argument is not supported by the regulatory framework, as only to make the price known is required therein. And this is materialized through supply agreements executed according to the Terms and Conditions, and are same are registered with ENARGAS.

On October 5, 2018, the Official Gazette published Resolution No. 20/2018 of the SGE in relation with the DDA arisen from the steep variation of the exchange rate as to the purchase of gas within the framework of the contracts entered into between producers and Distribution Licensees based on the Terms and Conditions. Notwithstanding the provisions of RBLD and the tariff update mechanisms established therein, and in order to protect final customers and mitigate the impact of this passing through of DDA, the regulator order to set a recovery mechanism to get back the same covering a more extensive period of time to reduce its incidence on the amount of the bill to the user.

Therefore, temporary and extraordinary provisions was made that for the DDA corresponding to the period from April 1 to September 30, 2018, between the price of gas as agreed by contract and the price of gas recognized in the distribution service providers final tariffs, the recovery of the gas producers credit updated as of December 31, 2018, at general portfolio active rate of Banco de la Nación Argentina would be added as a separate item on customers invoices payable during 24 months as from January 1st, 2019 considering their gas volumes consumed over the period April-September 2018. It also provided for the financing of this amount the application of the Banco de la Nación Argentina fixed-term liable interest rate applying the French amortization schedule both for debt and interests payments, including a 60-day term that would make up for the difference between the invoicing and the payment date.

On October 16, 2018, by Resolution No. 41/2018 of the SGE and for reasons of opportunity, Resolution No. 20/2018 of the SGE was withdrawn.

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On November 16, 2018, it was published in the Official Gazette, Decree No. 1,053/2018 which modifies the General Budget of the National Administration for 2018, and in virtue of volatilities of financial variables and of the type of exchange rate, it stipulates that the National Government commits to cover, on an exceptional basis, the payment of Daily Accrued Differences on a monthly basis between the value of gas bought by companies that distribute natural gas by networks and the value of natural gas included in the tariff schemes in force between April 1, 2018 and March 31, 2019, exclusively generated by variations of the type of exchange rate and corresponding to volumes of natural gas delivered during that same period, all of that in compliance with the terms and conditions stipulated by the ENARGAS.

To that purpose, the ENARGAS shall determine, in compliance with what was set in Numeral 9.4.2.5 of the RBLD for each service company and considering all suppliers under this exception scheme, the net amount corresponding to the DDA. The resulting net amount shall be transferred to each distributing company in thirty (30) consecutive monthly installments as from October 1, 2019. In order to determine each of these installments, the interest rate that ENARGAS applies in compliance with Numeral 9.4.2.5 (effective rate of the Argentine National Bank for a thirty (30) day-term deposit in Argentine currency, (interest rates offered to the public with no additional charges) shall be taken into account. Once each installment is received, distributing companies shall make the corresponding payments to all natural gas suppliers involved, and they shall inform and confirm these payments before the ENARGAS.

This procedure shall be only applicable to those companies distributing natural gas by networks and to those natural gas suppliers who are under this schedule and who specifically decline to file any action or claim arising from the DDA mentioned in the first paragraph.

Additionally, Decree No. 1,053/2018 stipulates that as from April 1, 2019 all natural gas suppliers and natural gas distributing companies shall have to consider in their agreements that in no case it shall be possible to reallocate on consumers, who receive full service, a higher cost as a consequence of variations of the Exchange rate that took place during each seasonal period.

On February 12, 2019 it was published on the Official Gazette ENARGAS Resolution No. 72/19 which approves the "Methodology of reallocation on tariffs of the price of gas and General Procedures to calculate Daily Accrued Differences ". This methodology sets the criteria that the ENARGAS will apply to determine the reallocation on tariffs of the price of gas at the Point of Entry into the Transportation System, taking into account art. 8 of Decree No. 1,053/18 and the exchange rate to be considered to determine the value in national currency of those supply agreements with prices nominated in American dollars. Regarding the calculation of DDA, it sets the general procedure that shall determine the monthly purchase volume of natural gas to be recognized and acquisition costs that shall be considered to calculate the same, in compliance with art. 8 of Decree No. 1,053/18. Besides it establishes that Distributing companies shall have to ensure supply and minimum cost to full service users, independently of the transportation hired by users who acquire gas by their own account (unbundling users).

The Company has registered its liabilities with gas producers in its financial statements as of December 31, 2018; these liabilities arise from the DDA referred to in the previously mentioned Decree and the credit with the National Government for the same amount and concept, those discounted as of December 31, 2018 amount to 3,534,002 (See Notes 14 and 21 to these financial statements).

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2.2.2.4 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 Official Gazette, 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.

On April 20, 2018, ENARGAS Resolution No. 6/2018 was published, approving “Methodology to include in the bills of gas distribution public service of local taxes”. Regarding the incorporation of local taxes to the final bill of consumers, it shall be authorized following the corresponding administrative procedure set by the ENARGAS.

Up to this date, the ENARGAS has authorized the reallocation on tariffs of municipal rates requested by MetroGAS after April 1, 2017.

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2.2.2.5 Legal Protection Orders – Precautionary Measures

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

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

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

2.2.3 Supply of Natural Gas

2.2.3.1 Purchases of Natural Gas

On January, 2004, Decree 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 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.

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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 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 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 subsidiaried for Residential

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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.

These Bases and Conditions also establish that distributors have to consider for their subscription, the provisions of Section 38 of Law 24,076 that provide for the pass-through of gas acquisition costs to tariffs to be paid by transport and distribution service users, both the cost of gas acquisition resulting from agreements or long-term contracts and those associated to short-term purchases to satisfy demand.

Contracts executed with gas producers have already considered those prices and currencies referred to in the Bases and Conditions and were presented opportunely to the ENARGAS.

In April 2018 Argentina experienced changes in the macroeconomic conditions that led to an abrupt variation in the exchange rate parity between the national currency and that in which prices are established in contracts.

For this reason, for payments to gas producers as to gas delivered in the following months from April 1, 2018 were made at the exchange rate applied to the gas component included in the rate was the one established through Resolution No. 300/2018 effective as from April 1, 2018 (AR\$/US\$ 20.345), then ratified by Resolution No. 292/2018 effective as from October 8, 2018 (AR\$/US\$ 37.69).

Producers rejected the mentioned payment criterion adopted by the Company, thus formally claiming for the allegedly unpaid balances.

On November 16, 2018, was published in the Official Gazette the Decree No. 1,053/2018, it was established in the National Government, the payment of the DDA was assumed on an exceptional basis (see point 2.2.2.3 to these note).

In compliance with SGE Resolution No. 32/2019, MetroGAS participated in the price bid regarding firm provision of natural gas to meet the demand of full service customers from public utility services distributors of natural gas, that took place in the Gas Electronic Market

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(“MEGSA”) for the Neuquina , Golfo San Jorge, Santa Cruz Sur and Tierra del Fuego basins on February 14, 2019.

As a result of the said bid, the Company took on the responsibility to supply, on an annual basis, a maximum daily capacity volume (MDC), that annually amounts to 1,486 million of m3 representing 58% of our annual demand, thus complying with the regulatory framework requirements.

These commitments to supply MDC, in accordance to regulations stipulated by SGE Resolution No. 32/19, consider a 70% Deliver or Pay (“DOP”) clause, which in the case of MetroGAS, means an important level of uncertainty regarding gas provision during winter time besides the fixed relation established in the bid of a staggered annual 1:2.5, which does not meet the priority demand curve during the winter period in our License area, whose relation is closer to 1:4.5.

2.2.3.2 Unbundling of Natural Gas

Due to regulatory changes that have been made to the natural gas sector since 2005, the so called “natural gas unbundling” process took place, by which different categories of users had to purchase natural gas volumes at the 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 MEGSA.

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 MEGSA.

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 – MINEM 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

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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.

According to the provision of MINEM Resolution No. 34/2016 and No. 80 – E/2017 (that added options for the purchase of natural gas by CNG station owners, that enabled them to purchase gas through distributors), ENARGAS ordered customers acquiring gas for CNG sale purposes that were not receiving full service by the distributor by then, would only be able to access to that option if the distributor had guaranteed the hiring of back up supply in relation with that supply for a period of twelve months for the following seasonal period. To that purpose, said customers will need to request the distributor their gas supply volumes at least 60 days prior to the beginning of the seasonal period starting in April 2019, for the distributor to include said supply in that period.

2.2.3.3 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, No. 3,833/2016 and No. 4,502/2017, which modify and complement the management procedures for the dispatch of natural gas provided by ENARGAS Resolution No. 716/1998.

On June 29, 2018 ENARGAS Resolution No. 124/2018 was published approving an amended text that replaces ENARGAS Resolution No. 716/1998 and partially incorporates the once abolished ENARGAS Resolutions No. I-1,410/2010, No. I-3,833/2016 and No. I-4,502/2017.

Without detriment to that, and in connection to winter 2018, ENARGAS Resolution No. 59/2018 was applicable; it approves the “Temporary Procedure for the Administration of the Emergency Executive Committee Office”. Through ENARGAS Resolution No. 302/2018 from October 12, 2018, the period of validity of ENARGAS Resolution No. 59/2018 was extended for a hundred and eighty consecutive days since September 30, 2018.

2.2.4 ENARGAS Resolution No. 97/2018 – Winter Consumption Financing Program

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

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

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

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

2.2.5 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.

2.3 Obligations and restrictions upon privatization

2.3.1 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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2.3.2 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.

On February 8, 2018, MetroGAS took a non-guaranteed loan that considers certain restrictions in the payment of dividends. Under the terms established there, during the year ended December 31, 2018 the amount to be paid as dividends may not exceed 10% of the Net Result of that year, and 60% in the subsequent years until the loan is repaid (see Note 18.1 to these financial statements).

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 Note 5 to these financial statements).

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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 compliance with accounting standards applied before adopting the International Financial Reporting Standards ("IFRS"), the Company recognized the effect of changes in the general pricing power of the functional currency until August 31, 1995. As from that date and until December 31, 2001, the Company continued restating its financial statements in view of a monetary stability. As from January 1, 2002 until February 28, 2003, the effects of inflation were recognized by following the method of restating financial statements as ruled by FACPCE Technical Resolution N° 6. As from March 1, 2003, and in compliance with PEN Decree No. 664/03, the Company discontinued the restatement of its financial statements.

During the last years, the level of inflation in Argentina has been very high, with a three-year cumulative inflation rate exceeding 100% and with no prospects of a significant fall in a short time. In addition, IAS 29 sets a number of quantitative and qualitative characteristics for hyperinflationary economies that show coinciding evidence. Consequently, on September 29, 2018, the FACPCE issued JG (Governing Body) Resolution No. 539/18, approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("CPCECABA") by means of CD Resolution No. 107/18, indicating, among other issues, that Argentina had to be considered a hyperinflationary economy under the terms and conditions of professional accounting standards as from July 1, 2018, in agreement with the view of international organizations.

IAS 29 points out that, in a context of hyperinflation, financial statements have to be stated in homogeneous currency, that is to say, in terms of the measuring unit current at the reporting period. Nevertheless, the Company could not restate its financial statements due to the fact that PEN Decree No. 664/03 did not allow official bodies (among them, the CNV) to receive financial statements that were adjusted due to changes in the general pricing power of the functional currency.

Law No. 27,468, published on December 4, 2018 in the Official Gazette, abolished PEN Decree No. 1,269/02 and its amendments (including PEN Decree No. 664 above mentioned). The provisions of the said law came into effect as from December 28, 2018, same date when CNV General Resolution No. 777/18 was published, which stipulated that annual financial statements, for special and intermediate periods closing as from December 31, 2018, inclusive, had to be submitted to the CNV in homogeneous currency.

According to IAS 29, financial statements that are not stated in terms of the current currency at the reporting period have to be restated applying a general price index. To this effect, and as it is stipulated in JG Resolution No. 539 of the FACPCE, the rates that were applied were calculated based on indexes published by the FACPCE, resulting from the combination of CPI (Consumer Price Index) published by the INDEC as from January 1, 2017, and before that, Argentina's WPI released by INDEC, or in any case, consumer price indexes published by the Institute of Statistics and Censuses of the Autonomous City of Buenos Aires. The index variation used to restate the current financial statements was 47.65% in fiscal year ended on December 31, 2018 and 24.80% in the previous fiscal year.

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In accordance to IAS 29, adjustments shall be applied based on the Company’s last reporting period in which the country is considered to have hyperinflation. Consequently, in general terms, the gain or loss on the net monetary position shall be included in the profit or loss of the statement of income; and the Company shall restate non-monetary assets and liabilities for the effects of inflation since the acquisition date for assets or the date of initial recognition for liabilities as it may correspond.

The effects of inflation on the entity’s financial statements have implied an increase in value of Property, Plant and equipment, of Intangible Assets, and Investment properties, for the restatement in terms of the current currency at the balance sheet date, of those assets acquisition value, up to the limit of their recoverable value; an increase of Equity, mainly of Social Capital, which has been adjusted since subscription dates and accrued Results, the consequent effect on deferred Income Tax, and the gain for the net monetary position given by exceeding monetary liabilities over monetary assets exposed to inflation. As regards the results of this period, besides the restatement of revenues, costs, expenses and others, the loss or gain resulting from net monetary position is included in a separate line under “Result from exposure to changes in the pricing power of the functional currency” (RECPAM in Spanish “Resultado por exposicion al cambio en el poder adquisitivo de la moneda”) within Financial incomes and Financial costs.

For comparative purposes, this financial statements include figures as well as information corresponding to fiscal year ended on December 31, 2017, that conform the financial statements above mentioned and are presented with the sole purpose of being exclusively interpreted in relation to figures and information of the current fiscal year. The said figures were restated in terms of the current currency at the balance sheet date, in order to allow comparability and without modifying decisions taken in relation to the accounting information corresponding to the previous fiscal year.

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

These consolidated financial statements have been approved by the Board of Directors for issuance on March 6, 2019.

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, 2018.

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.

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

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

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

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

4.1.2 Presentation currency

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

4.1.3 Accounting criteria

Financial statements have been prepared based on historical cost, which was restated in terms of the current currency at the balance sheet date in the case of nonmonetary items, except for the valuation of essential assets within Property, plant and equipment at fair value with changes in Other Comprehensive Income and the financial instruments, that are measured at fair value in terms of the exchange rate at the balance sheet closing date, in accordance with what is said in Note 7.

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.

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.

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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 2018.

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 IFRS 9 – Financial Instruments

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

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

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

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss ("FVTPL") under the fair value option;
- A debt instrument that (i) is held within a business model whose objective is achieved both the collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income ("FVTOCI"), unless the asset is designated at FVTPL under the fair value option;
- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if 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

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

Phase 2: impairment methodology

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

MetroGAS has among its customers a large number of residential users (approximately 2.4 million customers) and some large customers composed of power plants, industrial, commercial, governmental entities and CNG stations.

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

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

For large 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, 2018.

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

The application of this standard has not generated an effect in the accounting recognition of the impairment of financial assets and therefore there is no effect on the accumulated initial balances.

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.

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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 of the adoption of the revised version in IFRS 9 will have in 2014 and considers that the changes do not have a significant effect on the financial statements.

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 supersedes the following revenue Standards and interpretations:

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

IFRS 15 will only cover revenue arising from contracts with customers. Under this standard; 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 IFRS 9 “Financial Instruments”.

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

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

1. Identification of the agreement with the customer

The Company has identified the following contracts with customers:

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

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. Furthermore, the MetroENERGÍA customer's contracts were revised.

2. Identification of individual liabilities of the contract

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

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

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

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

3. Determination the price of the transaction

The price is the amount that the Company expects to receive for the rendering of the service or transfer of assets to the customer. The price of the transaction includes: the fixed and net variable compensation of the compensation payable to the customers and net of the significant financing components.

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

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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;
- 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. Distribution of the price of the transaction among the liabilities of the agreement

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

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

5. Recognition of Revenues once the organization fulfills liabilities

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

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

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These volumes are assigned to each type of customer, segment and level of saving for its valorization depending on the applicable tariff according to the estimate made based on the historical information of the segment and level of saving of each invoicing month.

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

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

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

Additionally, IFRS 15 introduces new requirements to provide new disclosures of information to be disclosed. Based on the analysis performed by the Company on revenues, Note 23 has been broken down by customer category.

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

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

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.

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

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

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

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incurred to produce inventories. The lessee incurs the obligation for those costs either at 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 lessors 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 Company has assessed the impact of this standard following the steps described below:

- Selection of contracts exceeding materiality.
- Assessment of the selected agreements base as of December 31, 2018 so as to identify if they contain a leasing in accordance with the IFRS 16 definitions.
- Determination of the right-to use asset value and lease liability included in the contracts described above.
- Determination of discount rate to be applied to lease liabilities.

Based on this assessment, the Company concluded that applying the amendments to the said standard, will not have significant impact on 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.

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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.

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.

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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.

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

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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.

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

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Amendments to IAS 19 – Employees Benefits

On October 2018, the IASB amended IAS 19 “Employees Benefits”. These amendments are related to changes in post-employment benefits as regards recognition and measurement of service costs.

The Company does not grant post-employment benefits as defined in the Standard; therefore, we consider that these amendments shall not have a negative impact on the Company’s financial statements.

Amendments to the Conceptual Framework for Financial Reporting

On March 2018, the IASB issued the revised Conceptual Framework applied for annual periods beginning on January 1, 2020.

The conceptual framework establishes a set of definitions, concepts and guidelines to prepare the financial reports; it helps:

- IASB develop guidelines for companies from different groups, to prepare their financial statements.
- Those who prepare financial reports develop consistent accounting policies for areas that are not covered by the standard.
- Assist all users of financial information to understand and interpret IFRS.

Amendments to IFRS 3- Definition of a Business

On October 2018, the IASB issued amendments to the definition of a “business” in IFRS 3 “Business Combinations”. These amendments shall be applied prospectively to business combinations occurring in an entity’s first annual period beginning on January 1, 2020 and assets acquisitions occurring at the beginning of that period. Early adoption is permitted.

Business is described as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interests) or generating other income from ordinary activities.

The Company considers that applying these amendments to the said standard shall not have significant impact on the preparation of its financial statement.

Amendments to IAS 1 and IAS 8- Definition of Material or information with Relative Importance

On October 2018, the IASB amended IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The amendment shall be applied to annual periods beginning on January 1, 2020. Early adoption is permitted.

The amended definition is that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial

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statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The entity shall have to assess if the information could reasonably be expected to influence decisions that the primary users of general purpose financial statements make; for that purpose, the entity must consider the characteristic of those users and its own circumstances.

The Company considers that implementing these amendments to the said standard shall not have significant impact on the preparation of its financial statements.

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

On December 2015, the IASB published effective date of amendments to IFRS 10 and IAS 28 which deferred indefinitely the effective date of "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" and indicated that a new effective date would be determined at future date when the IASB finalizes the revisions, that may result from the research project on equity method. Early adoption is still permitted.

The amendments deal with sales or contribution of assets between an investor and its associate or joint venture.

IAS 28 has been amended to reflect the following:

- The gain or loss, resulting from the sale or contribution of assets that does not constitute a business between an investor and its associate or joint venture, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.
- The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business is recognized in full in the investor's financial statement.

IFRS 10 has been amended to reflect the following:

The gain or loss, resulting from the sale or contribution of a subsidiary that does not constitute a business between an associate or joint venture accounted by using the equity method, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. In the same way, the gain or loss resulting from the revaluation of cumulative investments on a former subsidiary (that has become an associate or a joint venture accounted by using the equity method) at fair value is recognized on the former controlling party's results only to the extent of the unrelated investors' interests in the associate or joint venture.

The Company considers that the implementation of these amendments to the said standard shall not have significant impact on the preparation of its financial statements.

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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.

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

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.

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

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).

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

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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 Resolution MINEM No. 508-E/2017

The Resolution MINEM No. 508-E/2017, applicable as from January, 2018, is within the scope of IAS 20 “Government Grants” (see Note 2.2.2.2 to these financial statements).

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

This item has been disclosed in the line “Resolution MINEM No. 508-E/2017” in “Revenues” (see Note 24 to these financial statements).

The difference between the income recognized and the advances received by the MINEM is disclosed as other receivables.

4.5.2 Income recognition from daily differences

The Decree No. 1,053/2018 is within the scope of IAS 20 “Government Grants” (see Note 2.2.2.3 to these financial statements).

It stipulates that the National Government commits to cover, on an exceptional basis, the payment of DDA on a monthly basis between the value of gas bought by companies that distribute natural gas by networks and the value of natural gas included in the tariff schemes in force between April 1, 2018 and March 31, 2019, exclusively generated by variations of the type of exchange rate and corresponding to volumes of natural gas delivered during that same period, all of that in compliance with the terms and conditions stipulated by the ENARGAS.

The payment corresponding to the DDA shall be transferred to each distributing company in thirty (30) consecutive monthly installments as from October 1, 2019. Once each installment is received, distributing companies shall make the corresponding payments to all natural gas suppliers involved, and they shall inform and confirm these payments before the ENARGAS.

The income from DDA was recorded in the line “Supply of Natural Gas” within the operating costs of the Consolidated Statements of Profit and Loss and Other Comprehensive Income and the amounts pending payment to gas producers is disclosed as Accounts Payables.

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.

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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.

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 ITR process and adequacy of the distribution license came to an end. This process established 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 item 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 CNV 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.

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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 the remaining 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, ending in this way on December 28, 2037. 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 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.

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	25
• Pressure regulating stations	9
• Consumption measurement installations	9

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 restated as of December 31, 2018 the net book value of said assets at the end of the year would have been as follows:

Essential Assets	Net book value as of December 31, 2018
Medium and low pressure mains	10,746,207
High pressure mains	1,128,786
Pressure regulating stations	156,514
Consumption measurement installations	1,116,259
Distribution network extensions constructed by third parties	451,153
Total	13,598,919

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 restated in the closing currency in accordance that mentioned in Note 3, 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>Estimated useful life</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 restated in the closing currency in accordance that mentioned in Note 3, 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 restated in the closing currency in accordance that mentioned in Note 3, 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.

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 restated in the closing currency in accordance that mentioned in Note 3, less restated 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 and liabilities

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, 2018 and 2017, 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, 2018 and 2017, 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

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

MetroGAS has among its customers a large number of residential users (approximately 2.4 million customers) and some large customers composed of power plants, industrial, commercial, governmental entities and CNG stations.

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

To determine the expected credit loss of residential customers, as it is a large number of customers located in the same geographical area and with common credit risk characteristics, the Company has prepared a matrix based on its record of historical default rates at over the expected life of accounts receivable and adjusted for the circumstances related to future economic conditions. For large customers, the Company carried out an individual analysis of the credits that represent a risk (bankruptcy risk, customers involved in a legal proceeding with the Company) at the end of year.

Once each group was defined, an expected uncollectible rate was calculated based on historical default rates as of December 31, 2018 adjusted to future economic conditions.

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 restated in the closing currency in accordance that mentioned in Note 3 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 2.2.5.

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.

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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 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. 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

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at fair value under the IFRS currently in force, after initial recognition its financial debt has been valued at amortized cost.

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

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

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

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, 2018, 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 of the Company is composed of contributions made by shareholders, represented by shares and includes subscribed shares at their nominal value (par value). Issued capital has been restated applying the adjustment procedure described in Note 3, according to the corresponding subscription dates. The “Issued capital” account is disclosed at its nominal value, in compliance with legal provisions, and the difference with its restated amount is presented in the “Adjustment to issued capital” account.

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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

Unappropriated results at the date of initial application of IAS 29 (January 1, 2017) were determined by equity difference and, as from that moment, they have been restated in terms of the current currency at the balance sheet date applying the adjustment procedure described in Note 3, taking into account the movements of each fiscal year.

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 year, 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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4.27 Profit and Loss Statement Accounts and Other Comprehensive Income

Profit and loss statement accounts have been restated in compliance with the adjustment procedure described in Note 3, based on the following criteria:

- a) Accounts with cash transactions are restated by applying the corresponding coefficient of the accrual month, to the original amounts.
- b) Charges for nonmonetary assets are calculated based on the restated value of those assets.
- c) Results of permanent investments in controlled companies have been determined according to the proportional equity value method based on those companies’ financial statements, restated in terms of the current currency at the balance sheet date.
- d) Interests, exchange rate differences and other financial results were restated since accrual month and inflation net effect on monetary assets and liabilities is disclosed under “Result from exposure to changes in the pricing power of the functional currency” (RECPAM in Spanish).

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”.

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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.

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.

Used discounted cash flow funds cover the 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 ending in this way on December 28, 2037. Additionally the Company has incorporated to discounted cash flows (at the rate envisaged by the ENARGAS in the ITR of 9.33%) 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.

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.

During fiscal year started on January 1, 2018, adjustments to the service of distribution tariffs were implemented; these resulted from the ITR Process that stipulated all values to be applied for regulatory period April 2017-March 2022.

As regards the Methodology of the Biannual Tariff Adjustment, the ENARGAS observed that, for the period to be considered for the adjustment applicable as from October 2018, that is to say, the variation between February and August 2018, there was a significant disparity between the WPI variation and other economic indicators; the same adjustment prevailed but with other indicators. Regarding DDA corresponding to the seasonal period previously mentioned, it adopted different

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criteria from those stipulated in the ITR for the recognition of purchased gas costs. Both concepts had a negative impact on the expected adjustment as they recognized a lower increase compared to the one that resulted from the ITR (see Note 2.2.2.1 to these financial statements).

As of December 31, 2018, the Company made a new estimate of the fair value considering three different scenarios and taking into account the future behavior of certain variables that are regarded as sensitive in determining fair value, each one prevailing for its occurrence probability and, it concluded that essential assets fair value was reduced in 1,064,936; as a consequence, the decrease that resulted from the reevaluation registered in Other Accumulated Comprehensive Income (“ORIA” in Spanish) amounted to 796,573 (deferred tax net).

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.

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 consolidated financial statements and results of operations. Estimated future revenues and discount rate definition as well as other relevant assumptions (like exchange rate or annual inflation rate) require that the Company form essential judgments.

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5.2.1 Impairment test for the fiscal year ended December 31, 2018

As it is mentioned in Note 2.1.1 and 2.2.2.1, 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 ITR. 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 Official Gazette 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’ ITR 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.
- d) On March 28, 2018 the Official Gazette published ENARGAS Resolutions through which approve MetroGAS’ temporary tariff scheme applicable as from April 1, 2018, reflecting in them compliance with the tariff increases resulting from the Integral Tariff Review and the application of the rate index updating of the rate established in Annex V of ENARGAS Resolution No. 4,356/17, which approves a non-automatic six-monthly adjustment methodology for tariffs in order to maintain the tariff level in constant currency.
- e) On August 15, 2018 the Official Gazette published ENARGAS Resolution No. 184/2018 convening a public hearing for on September 4, 2018, to consider (1) the application of the tariff half-year adjustment methodology as established by ENARGAS Resolution No. I-4,356/17 (in relation with MetroGAS); and (ii) the application of the pass through to the tariff of the price of the gas purchased in accordance with 9.4.2 of the Distribution License Basic Rules and considering the Cumulated Daily Differences (“DDA”) corresponding to January – September 2018 period.
- f) On October 7, 2018 the Official Gazette published ENARGAS Resolution No. 281/2018 in order to (i) declare valid the aforementioned Public Hearing, (ii) approve MetroGAS’ temporary tariff scheme applicable as from as of publication and (iii) approve new values for Rates and Charges collected by MetroGAS for additional services.

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As regards the Methodology of the Biannual Tariff Adjustment, the ENARGAS observed that, for the period to be considered for the adjustment applicable as from October 2018, that is to say, the variation between February and August 2018, there was a significant disparity between the WPI variation and other economic indicators; the same adjustment prevailed but with other indicators. Regarding DDA corresponding to the seasonal period previously mentioned, it adopted different criteria from those stipulated in the ITR for the recognition of purchased gas costs. Both concepts had a negative impact on the expected adjustment as they recognized a lower increase compared to the one that resulted from the ITR (see Note 2.2.2.1 as of the current financial statements).

As a consequence of the aforementioned, an impairment test was performed comparing the value of property, plant and equipment books and intangible assets with their recoverable value, determining the current value of the future cash flow to be generated by said assets. The estimate was made taking into account the tariff in effect at the end of the fiscal year approved by the ENARGAS and those that would be derived as of April 2019, considering three scenarios of cash flows weighted by their corresponding probability (see Note 5.1 as of the current financial statements).

As a consequence, for fiscal year ended on December 31, 2018, the Company has not identified deterioration indicators for property, plant and equipment and intangible assets in accordance with the IFRS.

5.2.2 Impairment test for the fiscal year ended December 31, 2017

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.

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However, in accordance with what is set forth in the Company's policies (see Notes 4.6 and 4.9 to these financial statements) 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 ITR 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 and the expected credit loss. 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.

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

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

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

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

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.

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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.

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 (US\$) – 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 Loans in U.S. dollars amounted to US\$ 235,616 thousand as of December 31, 2018.

In order to mitigate exchange rate risks, during this period MetroGAS focused on US\$ forward transactions to cover the risk exposure associated to the exchange rate arisen from its financial debt (see item 18.3 to these consolidated financial statements).

As of December 31, 2018, the Company's net monetary liabilities position amounted to US\$ 230,387 thousand.

In Notes 12, 13, 14, 16, 17, 18, 20, 21 and 22 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 893 million loss or profit before taxes. This is a hypothetical sensitivity analysis, as the real impact of such fluctuations might differ significantly and change in the course of time.

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b) Interest rate risk

Financial loans are exposure mainly to variations in the LIBOR rate. The impact on the pre-tax result by plus or minus 100 basis points would amount to 89,103.

c) Price risk

The Company is not exposed to a natural gas price risk in its gas distribution segment because the rates currently charged by MetroGAS to its customers are subject to regulation, and the regulatory framework contemplates a mechanism for the transfer of gas purchase costs to rates. (See Note 2.2.2.1 to these financial statements).

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.

MetroGAS has among its customers a large number of residential users (approximately 2.4 million customers) and some large customers composed of power plants, industrial, commercial, governmental entities and CNG stations.

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

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

For large 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, 2018.

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

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

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

	Maximum exposure as of	
	12.31.18	12.31.17
Cash and cash equivalents	1,799,720	726,997
Trade receivables	6,865,640	5,026,043
Other receivables	5,451,069	619,357

As of December 31, 2018 and 2017, the allowance for doubtful accounts amounts to 523,176 and 266,661, respectively. This provision represents the best Company's estimate of expected credit losses 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 allocated 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 (see item 18.1 to these financial statements).

In addition, on December 12, MetroGAS issued simple Class 2 Notes ("New Notes) nominated in pesos with due date 12 months following the date of issuance, for \$512.4 million (see item 18.2 to these financial statements). Funds originated from the issuance of New Notes were used to pre-cancel capital and interests corresponding to the first installment of the Loan with the Industrial and Commercial Bank of China Limited-Dubai Branch and Itaú Unibanco-New York Branch.

As of December 31, 2018 MetroGAS recorded a consolidated negative working capital of 1,742,703.

No financial liability bears interest, other than Financial Debt (see Note 18.2 to these financial statements) and the debt by DDA with gas producers (see Note 2.2.2.3 to these financial statements).

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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.

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

	12.31.18	12.31.17
Financial debt	9,446,382	5,063,916
Cash and cash equivalents	(1,799,720)	(726,997)
Net financial debt	7,646,662	4,336,919
Equity	13,333,537	14,130,770
Debt rate	57%	31%

7. FINANCIAL INSTRUMENTS

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

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

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value are noticeable and the relevance of said entries for measurements of reasonable value as a whole, which are described below:

- Level 1: Fair value is determined on the basis of observed prices in an active market for identical assets or liabilities that the Company may take as benchmark at the end of the fiscal year. An active market is a market with a high level of trading, and sufficient permanently available information on prices. As an observed price in an active market is the most reliable indicator of fair value, this price, if available, is always to be used.

- Level 2: Fair value is determined on the basis of observable information other than observed prices mentioned in Level 1 for financial asset or liabilities, whether directly (for instance, prices) or indirectly (for instance, derived from prices).

- Level 3: Fair value is determined through unobservable indicators and the company is required to develop its own hypotheses and premises. This is only allowed to the extent no market information is available. Any data included reflect the estimates that a market participant would take into account to set prices. The Company uses the best available information, including in-company data. MetroGAS does not have any financial instruments qualifying as Level 3 instruments.

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

There are not financial liabilities subsequently measured at fair value.

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.

Total profits for the fiscal year include a profit of 270,167 and 167,518 for years 2018 and 2017, 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	
	12.31.18	12.31.17
MetroENERGÍA	95%	95%

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

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The company has used the latest financial statements of MetroENERGÍA as of December 31, 2018 for the calculation of its share of such company, the equity of MetroENERGÍA at December 31, 2018 amounts to 237,988 and a positive result amounts to 225,463.

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 27, 2017, decided the distribution of the profit for the year 2016 to 51,506 (whose restated amount amounts to 87,099 as of December 31, 2018) 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.

General Ordinary Shareholders' Meeting held on April 27, 2018, decided the distribution of the profit for the year 2017 to 90,181 (whose restated amount amounts to 121,510 as of December 31, 2018) 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.

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.)

	12.31.18			
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	Total
Revenues	25,194,727	7,721,235	(196,125)	32,719,837
Operating income	3,452,413	436,948	(220,265)	3,669,096
Results of interest in subsidiaries	220,265	-	(220,265)	-
Finance income	7,447,726	799,107	-	8,246,833
Finance cost	(11,098,980)	(863,561)	-	(11,962,541)
Result before income tax	(198,841)	372,494	(220,265)	(46,612)
Income tax and MPIT	192,983	(147,031)	-	45,952
Net result for the year	(5,858)	225,463	(220,265)	(660)
Total assets	37,812,236	1,577,333	(474,609)	38,914,960
Total liabilities	24,490,599	1,339,345	(248,521)	25,581,423
Depreciation of properties, plant and equipment, Investment properties and Intangible assets	(1,080,082)	(829)	-	(1,080,911)
Increase in Properties, plant and equipment	1,964,433	-	-	1,964,433
Increase in Intangible Assets	642,098	-	-	642,098
Investments in subsidiaries	226,088	-	(226,088)	-

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9. SEGMENT REPORTING (Cont.)

	12.31.17			
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	Total
Revenues	13,491,002	6,402,087	(113,532)	19,779,557
Operating income	1,605,582	210,633	(123,705)	1,692,510
Results on investments in subsidiaries	123,705	-	(123,705)	-
Finance income	3,052,627	379,579	-	3,432,206
Finance cost	(3,214,483)	(386,235)	-	(3,600,718)
Result before income tax	1,443,726	203,977	(123,705)	1,523,998
Income tax and MPIT	1,952,635	(78,346)	-	1,874,289
Net result for the year	3,396,361	125,631	(123,705)	3,398,287
Total assets	30,011,017	1,346,537	(386,866)	30,970,688
Total liabilities	15,886,949	1,212,502	(259,533)	16,839,918
Depreciation of Properties, plant and equipment and Investment properties	(806,092)	(829)	-	(806,921)
Increase in Properties, plant and equipment	1,558,249	-	-	1,558,249
Increase in Intangible Assets	98,850	-	-	98,850
Investments in subsidiaries	127,333	-	(127,333)	-

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 END OF YEAR
	AT BEGINNING OF YEAR	RETIREMENTS BETWEEN JANUARY 1, 2017 AND MARCH 31, 2017	REVALUATION	TRANSFER ACCUMULATED DEPRECIATION	INCREASES	TRANSFERS	RETIREMENTS	
Essential Assets								
High pressure mains	5,036,242	-	(230,741)	(639,264)	-	186,723	(282)	4,352,678
Medium and low pressure mains	15,938,918	-	(715,630)	(2,036,279)	-	342,352	(29,780)	13,499,581
Pressure regulating stations	1,119,285	-	(44,304)	(246,189)	-	8,704	(1,740)	835,756
Consumption measurement installations	1,306,174	-	(43,160)	(486,810)	-	63,334	(25,366)	814,172
Distribution network extensions constructed by third parties	662,270	-	(31,101)	(65,109)	-	20,643	(7)	586,696
Subtotal Essential Assets	24,062,889	-	(1,064,936)	(3,473,651)	-	621,756	(57,175)	20,088,883
No Essential Assets								
Land	173,868	-	-	-	-	-	-	173,868
Building and civil constructions	787,831	-	-	-	-	15,890	-	803,721
Other technical installations	585,051	-	-	-	-	16,176	-	601,227
Machinery, equipment and tools	347,505	-	-	-	-	27,336	(3,055)	371,786
Computer and telecommunications equipment	1,965,435	-	-	-	-	24,443	(2,184)	1,987,694
Vehicles	211,780	-	-	-	-	2,489	(33,244)	181,025
Furniture and fixtures	63,897	-	-	-	-	1,592	-	65,489
Materials	247,812	-	-	-	559,696	(177,133)	(47,513)	582,862
Gas in pipelines	2,381	-	-	-	-	-	-	2,381
Work in progress	1,661,052	-	-	-	1,404,737	(532,549)	(173,283)	2,359,957
Subtotal No Essential Assets	6,046,612	-	-	-	1,964,433	(621,756)	(259,279)	7,130,010
Subtotal	30,109,501	-	(1,064,936)	(3,473,651)	1,964,433	-	(316,454)	27,218,893
Allowance for obsolescence of materials	(9,070)	-	-	-	-	-	2,850	(6,220)
Allowance for disposal of properties, plant and equipment	(43,184)	-	-	-	(16,502)	-	14,872	(44,814)
Total as of December 31, 2018	30,057,247	-	(1,064,936)	(3,473,651)	1,947,931	-	(298,732)	27,167,859
Total as of December 31, 2017	32,726,409	(173)	7,820,836	(11,819,148)	1,558,249	-	(228,926)	30,057,247

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10. PROPERTIES, PLANT AND EQUIPMENT (Cont.)

MAIN ACCOUNT	DEPRECIATION							NET BOOK VALUE 12.31.18	NET BOOK VALUE 12.31.17
	AT BEGINNING OF YEAR	INCREASES AS OF MARCH 31, 2017	RETIREMENTS AS OF MARCH 31, 2017	TRANSFER ACCUMULATED DEPRECIATION	RETIREMENTS	INCREASES	ACCUMULATED AT END OF YEAR		
Essential Assets									
High pressure mains	456,855	-	-	(639,264)	(48)	182,457	-	4,352,678	4,579,387
Medium and low pressure mains	1,538,843	-	-	(2,036,279)	(9,066)	506,502	-	13,499,581	14,400,075
Pressure regulating stations	150,337	-	-	(246,189)	(299)	96,151	-	835,756	968,948
Consumption measurement installations	405,661	-	-	(486,810)	(11,157)	92,306	-	814,172	900,513
Distribution network extensions constructed by third parties	46,608	-	-	(65,109)	-	18,501	-	586,696	615,662
Subtotal Essential Assets	2,598,304	-	-	(3,473,651)	(20,570)	895,917	-	20,088,883	21,464,585
No Essential Assets									
Land	-	-	-	-	-	-	-	173,868	173,868
Building and civil constructions	352,626	-	-	-	-	21,048	373,674	430,047	435,205
Other technical installations	546,949	-	-	-	-	5,348	552,297	48,930	38,102
Machinery, equipment and tools	314,665	-	-	-	(3,053)	8,493	320,105	51,681	32,840
Computer and telecommunications equipment	1,864,797	-	-	-	(2,175)	40,586	1,903,208	84,486	100,638
Vehicles	111,261	-	-	-	(33,242)	23,650	101,669	79,356	100,519
Furniture and fixtures	61,245	-	-	-	-	407	61,652	3,837	2,652
Materials	-	-	-	-	-	-	-	582,862	247,812
Gas in pipelines	-	-	-	-	-	-	-	2,381	2,381
Work in progress	-	-	-	-	-	-	-	2,359,957	1,661,052
Subtotal No Essential Assets	3,251,543	-	-	-	(38,470)	99,532	3,312,605	3,817,405	2,795,069
Subtotal	5,849,847	-	-	(3,473,651)	(59,040)	995,449	3,312,605	23,906,288	24,259,654
Allowance for obsolescence of materials	-	-	-	-	-	-	-	(6,220)	(9,070)
Allowance for disposal of properties, plant and equipment	-	-	-	-	-	-	-	(44,814)	(43,184)
Total as of December 31, 2018	5,849,847	-	-	(3,473,651)	(59,040)	995,449	3,312,605	23,855,254	
Total as of December 31, 2017	16,883,788	30,427	96	(11,819,148)	645	754,039	5,849,847		24,207,400

As mentioned in Note 2.3.1 according to the license, a substantial portion of the Properties, plant and equipment are defined as Essential Assets and there are certain restrictions over them described in the mentioned note.

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11. INVESTMENT PROPERTIES

MAIN ACCOUNT	ORIGINAL VALUE		DEPRECIATION				NET BOOK VALUE 12.31.18	NET BOOK VALUE 12.31.17
	AT BEGINNING OF YEAR	AT END OF YEAR	ACCUMULATED AT BEGINNING OF YEAR	ANNUAL RATE	INCREASES	ACCUMULATED AT END OF YEAR		
Land	8,100	8,100	-	-	-	-	8,100	8,100
Building	33,861	33,861	16,724	2.00%	678	17,402	16,459	17,137
Total as of December 31, 2018	41,961	41,961	16,724		678	17,402	24,559	
Total as of December 31, 2017	41,961	41,961	16,046		678	16,724		25,237

As of December 31, 2018, the fair value amounted to 118,149, which was obtained by independent valuers not related to MetroGAS.

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12. INTANGIBLE ASSETS

MAIN ACCOUNT	ORIGINAL VALUE				DEPRECIATION				NET BOOK VALUE 12.31.18	NET BOOK VALUE 12.31.17
	AT BEGINNING OF YEAR	INCREASES	TRANSFERS	AT END OF YEAR	ACCUMULATED AT BEGINNING OF YEAR	ANNUAL RATE	INCREASES	ACCUMULATED AT END OF YEAR		
Software development in progress	271,925	642,098	(314,781)	599,242	-		-	-	599,242	271,925
Software	118,769	-	314,781	433,550	31,494	20%	84,784	116,278	317,272	87,275
Total as of December 31, 2018	390,694	642,098	-	1,032,792	31,494		84,784	116,278	916,514	
Total as of December 31, 2017	291,844	98,850	-	390,694	9,717		21,777	31,494		359,200

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13. TRADE RECEIVABLES

	12.31.18	12.31.17
Current		
Trade receivables - gas distribution and transportation	4,174,156	2,519,741
Trade receivables - gas commercialization and transportation	575,711	364,476
Unbilled revenues - gas distribution and transportation	1,482,612	1,502,083
Unbilled revenues - gas commercialization and transportation	876,957	646,580
Related parties (Note 30)	68,348	72,879
Tax on banking transactions to be recovered	78,247	61,047
Study rate, revision and inspection in the public thoroughfare of the GCABA (Transferable balance)	-	91,199
Health and Safety rate (Transferable balance)	39,350	10,291
Rate of Occupancy of Public Spaces (Transferable balance)	96,172	
Allowance for doubtful accounts - gas distribution and transportation	(338,462)	(136,897)
Allowance for doubtful accounts - gas commercialization and transportation	(187,451)	(105,356)
Total Current	6,865,640	5,026,043

The aging analysis of the trade receivables is as follows:

	12.31.18	12.31.17
-Past due		
under 3 months	3,716,213	795,724
from 3 to 6 months	304,175	258,359
from 6 to 9 months	112,457	127,543
from 9 to 12 months	79,981	96,181
from 1 to 2 years	227,112	75,714
more than 2 years	237,899	155,632
Subtotal	4,677,837	1,509,153
-Becoming due		
under 3 months	2,651,067	3,611,495
from 3 to 6 months	22,111	116,937
from 6 to 9 months	20,976	15,375
from 9 to 12 months	19,562	15,336
Subtotal	2,713,716	3,759,143
Allowance for doubtful accounts	(525,913)	(242,253)
Total	6,865,640	5,026,043

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

	<u>12.31.18</u>	<u>12.31.17</u>
Pesos	5,909,146	4,396,183
US Dollars	956,494	629,860
Total	<u>6,865,640</u>	<u>5,026,043</u>

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

	<u>12.31.18</u>	<u>12.31.17</u>
Balance at beginning of year	266,661	213,403
Revaluation of foreign currency	52,373	10,570
Increases (*)	308,622	90,146
RECPAM	(94,540)	(41,320)
Decreases	(940)	(6,138)
Balance at end of year	<u>532,176</u>	<u>266,661</u>

(*) Charged to Doubtfull account expenses (see Note 25 to these financial statements)

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

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

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14. OTHER RECEIVABLES

	12.31.18	12.31.17
Non current:		
Social security and tax credits	8,930	19,117
Advances to employees	1,348	2,126
Recoverable expenses	40	37
Public Space Occupation Rates -Transferable balance	3,061	77,954
Transferable balance study rate, revision and inspection in the public thoroughfare of the GCABA (Note 2.2.2.4)	229,168	-
Related parties - Decree No. 1,053/18 (Note 30)	3,180,602	-
Expenses paid in advance	4,464	9,271
Total non current	3,427,613	108,505
Current:		
Advances to employees	3,797	3,408
MPIT credit (Note 28)	80,901	140,758
Insurance paid in advance	2,460	2,176
Expenses paid in advance	6,628	9,380
Social security and tax credits	131,838	74,044
Recoverable expenses	8,422	13,317
Related parties - Decree No. 1,053/18 (Note 30)	353,400	-
Related parties (Note 30)	4,828	13,261
Related parties - Resolution MINEM No. 508-E/2017 (Note 30)	1,255,243	-
Advances to suppliers	118,219	105,443
Advances and anticipated purchases of gas	-	25,707
Management service for third parties constructions	-	5,092
Miscellaneous	63,983	142,674
Allowance for doubtful accounts - gas distribution and transportation	(6,263)	(24,408)
Total current	2,023,456	510,852
Total	5,451,069	619,357

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The aging analysis of the other receivables is as follows:

	12.31.18	12.31.17
-Past due		
under 3 months	708,443	16,043
from 3 to 6 months	504,462	29,943
from 6 to 9 months	9,945	22,813
from 9 to 12 months	1,419	12,296
from 1 to 2 years	48,388	21,493
more than 2 years	16,624	3,121
Subtotal	1,289,281	105,709
-Without due	5,559	7,238
-Becoming due		
under 3 months	186,026	234,334
from 3 to 6 months	191,412	38,891
from 6 to 9 months	2,650	6,638
from 9 to 12 months	354,791	142,450
from 1 to 2 years	1,650,019	83,865
more than 2 years	1,777,594	24,640
Subtotal	4,162,492	530,818
Allowance for doubtful accounts	(6,263)	(24,408)
Total	5,451,069	619,357

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

	12.31.18	12.31.17
Pesos	5,445,846	605,937
US Dollars	5,223	13,420
Total	5,451,069	619,357

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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>12.31.18</u>	<u>12.31.17</u>
Cash and banks	520,589	476,708
Short-term investments	-	3,793
Mutual funds (1)	1,279,131	246,496
Total	<u><u>1,799,720</u></u>	<u><u>726,997</u></u>

(1) As of December 31, 2018, the Company focused on US\$ forward transactions, guaranteed by mutual funds to the amount of 393,420 (See Note 18.3 to these financial statements).

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

	<u>12.31.18</u>	<u>12.31.17</u>
Pesos	1,783,345	713,960
US Dollars	16,289	13,037
Euros	86	-
Total	<u><u>1,799,720</u></u>	<u><u>726,997</u></u>

As of December 31, 2018 and 2017, fund collected and pending to be deposit for Trust Funds and Resolution I-2,621/2013 amount to 17,354 and 18,625, respectively.

16. SHAREHOLDERS' EQUITY AND ISSUED CAPITAL

As of December 31, 2018, 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"	278,894
Issued Capital at 12.31.18	<u><u>569,171</u></u>

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Of the total corporate stock as at December 31, 2018, 70% belongs to YPF S.A (“YPF”).

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 49% of the common stock. Of such percentage, 39% belongs to YPF and the 61% is in public offering and is held by approximately 6,593 investors.

On December 28, 2016, MetroGAS received from the ENARGAS a note requesting to adapt the Company’s share composition in accordance with the due date stipulated in the Emergency Law and in compliance with article No. 34 of Law No. 24,067. The Company has asked to examine all antecedents of the request from the ENARGAS and, as it considers that what has been requested mainly concerns its controlling shareholder, it has served notice in order to adopt those actions that are deemed appropriate. On April 6, 2018, MetroGAS was notified that the ENARGAS rejected the appeal for reconsideration submitted by YPF on March 30, 2017.

As of December 31, 2018, MetroGAS owns 95% of MetroENERGÍA, with the remaining 5% owned by YPF.

Previously, the capital stock of the Company is also composed of shares Class “C” shares which represent 10% of the common stock, and were assigned during the privatization process to the Employee Stock Ownership Plan (“PPP”); the beneficiaries were employees from Gas Del Estado transferred to MetroGAS who continued working for the Company up to July 31, 1993.

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.

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

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 year.

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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, 2018, the Company registered a positive Shareholders' equity attributable to controlling interest of 13,333,537.

17. OTHER TAXES PAYABLES

	<u>12.31.18</u>	<u>12.31.17</u>
Non current:		
Others taxes	1,304	4,446
Subtotal non current	<u>1,304</u>	<u>4,446</u>
Current:		
Value added tax	137,707	124,186
GCABA study, revision and inspection of works in public space levy	336,049	249,008
GNC Tax	-	7,154
Turnover tax	24,040	112,651
Provincial and municipal taxes	65,719	148,222
Withholding to third parties	20,715	24,085
Others taxes	3,012	3,115
Subtotal current	<u>587,242</u>	<u>668,421</u>
Total	<u>588,546</u>	<u>672,867</u>

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

The aging analysis of other taxes payables is as follows:

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	12.31.18	12.31.17
-Without due	382,717	347,459
-Becoming due		
under 3 months	203,406	315,921
from 3 to 6 months	367	3,996
from 6 to 9 months	373	518
from 9 to 12 months	379	527
from 1 to 2 years	1,304	2,521
more than 2 years	-	1,925
Subtotal	205,829	325,408
Total	588,546	672,867

18. FINANCIAL DEBT

	12.31.18	12.31.17
Non current:		
Financial loans	5,194,213	-
Subtotal Non current	5,194,213	-
Current:		
Negotiable Obligations ("Notes")	503,557	4,917,222
Interest to be paid ("Notes")	15,634	1,726
Related parties (Interest "Notes") - (Note 30)	-	114,535
Financial loans	3,716,103	-
Interest to be paid - Financial loans	16,875	-
Current account advances	-	30,433
Subtotal Current	4,252,169	5,063,916
Total	9,446,382	5,063,916

As of December 31, 2018, financial debt denominated in U.S. dollars amounted to 8,882,734 and financial debt denominated in pesos amounted to 563,648. As of December 31, 2017, financial debt denominated in U.S. dollars amounted to 5,033,483 and financial debt denominated in pesos amounted to 30,433.

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

	12.31.18	12.31.17
Balance at beginning of year	5,063,916	5,333,579
Accrued interest at effective interest rate - Notes	162,538	739,865
Accrued interest on YPF line of credit	-	27,293
Loss due to cancellation - Notes	240,720	-
Accrued interest on bank loans	398,527	-
Accrued interest on current account advances	8,751	-
Accrued interest - new Notes	15,634	-
Accrued interest for the costs of debt issuance	22,592	-
Exchange difference	5,880,185	777,984
YPF loan payment	-	(206,649)
YPF interest payment	-	(69,733)
Interest payment	(388,187)	(452,738)
Payment for cancellation of Notes	(5,643,636)	-
Payment of loans	(478,584)	-
Proceeds from loans	7,666,735	-
Costs of debt issuance	(98,140)	-
Current account advances	(29,198)	30,433
RECPAM	(3,375,471)	(1,116,118)
Balance at end of year	9,446,382	5,063,916

The aging analysis of financial debt is as follows:

	12.31.18	12.31.17
-Becoming due		
under 3 months	606,652	30,431
from 3 to 6 months	1,044,372	489,748
from 6 to 9 months	1,044,372	-
from 9 to 12 months	1,556,773	4,543,737
from 1 to 2 years	4,152,198	-
more than 2 years	1,042,015	-
Subtotal	9,446,382	5,063,916
Total	9,446,382	5,063,916

18.1 Bank loans

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

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

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

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

- a) Indebtedness: The Lender will not allow the Company, and shall not allow any of its Subsidiaries to incur, assume or guarantee any indebtedness, other than the indebtedness due to refinancing of the present financial debt or when the indebtedness is not higher than 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 not lower than 3.00; the Debt indicator/EBITDA shall not be higher than 3.00 until September 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.

On December 12, MetroGAS issued simple Class 2 Notes (“New Notes”) nominated in pesos with due date 12 months following the date of issuance, for \$512.4 million (see item 18.2). Funds originated from the issuance of New Notes were used to pre-cancel capital and interests corresponding to the first installment of the Loan with the Industrial and Commercial Bank of China Limited-Dubai Branch and Itaú Unibanco-New York Branch.

18.2 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 unsecured creditors after their claims have been allowed pursuant to a judgment entered under the Reorganization Proceedings.

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Said Notes accrued a fixed interest rate of 8.875%. Interest was 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 mainly of Series A Notes.

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

On December 12, 2018 MetroGAS issued simple Class 2 Notes ("New Notes) nominated in pesos with due date 12 months following the date of issuance, for \$512.4 million; these notes correspond to the Program of short and medium-term Notes for a current maximum amount up to US\$ 600 million.

These New Notes accrue an annual variable interest rate that is equal to the sum of (a) BADLAR Private Rate applicable to the period, plus (b) an applicable 10% margin. Interests are payable on a quarterly basis on March 12, 2019, June 12, 2019, September 12, 2019 and December 12, 2019. The capital shall be amortized in one installment at due date, that is to say December 12, 2019.

According to the terms and conditions stipulated for the issuance of Notes, in the event of changes in the Company's control, each holder of New Notes shall have the right to request MetroGAS to rescue the whole of these New Notes. MetroGAS, on the other hand, must do its best to obtain and maintain, as long as these New Notes are still in circulation, the corresponding authorization to list and/or negotiate them; and to keep the ratio of the Net Financial Debt/EBITDA (earnings before interest, taxes, depreciation and amortization) lower or equal to 3:00, for the four previous economic quarters.

Funds originated from the issuance of New Notes were used to pre-cancel capital and interests corresponding to the first installment of the Loan with the Industrial and Commercial Bank of China Limited-Dubai Branch and Itaú Unibanco-New York Branch.

18.3 Derivative Financial Instruments

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

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

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

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

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

The US\$ forward contracts are settled on a daily basis and profits and losses on each item are registered under the year result. Therefore, the reasonable value of derivative instruments as of December 31, 2018 is zero.

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

Contracts are guaranteed for 393,420 in Mutual Funds fair shares, which is detailed under “Cash and cash equivalents”. They may be cancelled in advance, and so may the related guarantees.

19. REORGANIZATION LIABILITIES

	<u>12.31.18</u>	<u>12.31.17</u>
Non current:		
Taxes payable	26,269	12,422
Trade payables	23	34
Salaries and social security	10	15
Total Non current	<u><u>26,302</u></u>	<u><u>12,471</u></u>

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

During the year ended on December 31, 2018, the Company accrued the interest that would correspond to the creditors at the end of the year.

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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
Balance at 12.31.17	174,351	504	25,811	304,998	505,664
Net increases of the year (*)	88,139	524,347	(9,187)	29,023	632,322
Reclassification to other accounts payable	(8,459)	1,748	8,580	-	1,869
RECPAM	(72,990)	(100,982)	(7,422)	(103,054)	(284,448)
Balance at 12.31.18	181,041	425,617	17,782	230,967	855,407

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

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20.1 Civil liability, labor and other claims

As of the date of issuance of these financial statements, some civil liability and labor claims by contractors’ employees, worker’s compensation claims, etc. have been brought against the Company. As of December 31, 2018, the Company recorded a provision of 181,041, of which 70,911 correspond to labor lawsuits and 66,001 to civil liability claims for damages, while 18,864 corresponds to mediation proceedings and 25,265 correspond to reorganization liabilities verified.

20.2 Tax claims and other penalties

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

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

Therefore, as of December 31, 2018 the Company registered a provision amounting to 425,070 for these concepts, which includes the debt claimed by the treasury and the tax periods 01/2017 to 12/2018.

20.3 Regulator claims and interpretation disagreements

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

At December 31, 2018, the provision for these items amounted to 17,782; no having significant changes in the fiscal year ended 2018.

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 (“BLSG”) was filed (Article 78 and following ones of the Civil and Commercial Code of Argentina) - aiming at the exemption of payment of court fees and costs (Court Fees –Law No. 23,898) as a consequence of the lawsuit for damages. Once the BLSG was

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implemented, MetroGAS was exempted from court fees at the time of initiating the main action and until the resolution of the BLSG.

On March 30, 2017, MetroGAS signed with the National Government the Comprehensive Agreement 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.

On March 28, 2018, the Official Gazette published Resolution No. 252/2018 that ratified the Comprehensive Agreement. As a result, on June 27, 2018 the company withdrew from the case "MetroGAS S.A. vs./ National Government – Ministry of Planning (Decree No. 293/02) – UNIREN on Knowledge Proceeding". Through resolution dated October 3, 2018 MetroGAS action and rights were deemed waived. The intervening court will decide about the origin of the BLSG.

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, 2018 the Company registered an entry as regards these concepts of 230,967.

21. TRADE PAYABLES

	12.31.18	12.31.17
Non current:		
Provision for DDA	1,870,779	-
Related parties (Note 30)	-	105,047
DDA - Related parties (Note 30)	1,309,823	-
Total Non current	3,180,602	105,047
	12.31.18	12.31.17
Current:		
Gas and transportation creditors	4,778,309	2,318,719
Provision for DDA	207,864	-
Other purchases and services creditors	811,815	377,846
Trust Fund and Resolution No. I-2,621/2013	17,354	18,625
Related parties (Note 30)	1,169,960	2,980,098
DDA - Related parties (Note 30)	145,536	-
Total current	7,130,838	5,695,288
Total	10,311,440	5,800,335

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

	12.31.18	12.31.17
Pesos	9,522,592	4,831,256
US Dollars	780,853	968,854
Euros	7,467	-
Sterling pound	528	224
Total	10,311,440	5,800,335

The aging analysis of the trade payables is as follows:

	12.31.18	12.31.17
-Past due		
under 3 months	1,036,825	937,564
from 3 to 6 months	2,820	201,206
from 6 to 9 months	1,179	28,854
from 9 to 12 months	321	133,994
from 1 to 2 years	6,449	587,114
more than 2 years	1,476	2,112
Subtotal	1,049,070	1,890,844
-Becoming due		
under 3 months	5,728,368	3,019,059
from 3 to 6 months	-	245,592
from 6 to 9 months	-	261,014
from 9 to 12 months	353,400	278,779
from 1 to 2 years	1,413,601	105,047
more than 2 years	1,767,001	-
Subtotal	9,262,370	3,909,491
Total	10,311,440	5,800,335

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22. SALARIES AND SOCIAL SECURITY

	12.31.18	12.31.17
Salaries	55,805	61,278
Social securities	84,235	67,935
Related parties (Note 30)	18,938	24,439
Vacation provision	148,764	131,710
Bonus provision	88,541	88,055
Others	444	487
Total	396,727	373,904

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

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

	12.31.18	12.31.17
-Becoming due		
under 3 months	315,371	192,580
from 3 to 6 months	27,119	129,026
from 6 to 9 months	27,119	25,766
from 9 to 12 months	27,118	26,532
Subtotal	396,727	373,904
Total	396,727	373,904

23. OTHER ACCOUNTS PAYABLE

	12.31.18	12.31.17
Payables for works on behalf of third parties	3,818	43,232
ENARGAS' Fines	2,421	3,479
GCBA' Fines	443	800
Miscellaneous	912	741
Total	7,594	48,252

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:

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	12.31.18	12.31.17
-Without due	2,421	3,479
-Becoming due		
under 3 months	5,056	44,176
from 3 to 6 months	104	199
from 6 to 9 months	13	199
from 9 to 12 months	-	199
Subtotal	5,173	44,773
Total	7,594	48,252

24. REVENUES

	For the years ended,	
	12.31.18	12.31.17
Gas sales:		
Residential	16,203,107	9,744,514
Industrial, Commercial and Governmental entities	2,274,364	1,105,944
Compressed Natural Gas	15,951	830,043
Subtotal	18,493,422	11,680,501
Transportation and distribution Services:		
Power Plants	1,445,517	773,735
Industrial, Commercial and Governmental entities	727,303	438,974
Compressed Natural Gas	526,070	277,504
Subtotal	2,698,890	1,490,213
Other sales	346,096	214,524
Resolution MINEM No. 508-E/2017 (Note 30)	3,463,471	-
MetroENERGÍA's gas sales and transportation	7,717,958	6,394,319
Total	32,719,837	19,779,557

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25. EXPENSES BY NATURE

	For the years ended,				
	12.31.18				12.31.17
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	TOTAL
Payroll and other employees benefits	707,903	571,204	379,751	1,658,858	1,573,432
Social security contributions	153,015	80,377	82,035	315,427	281,156
Cost of natural gas - gas distribution and transportation	10,926,783	-	-	10,926,783	4,342,232
Transportation of natural gas - gas distribution and transportation	4,795,591	-	-	4,795,591	2,375,544
Cost and transportation of natural gas - gas commercialization and transportation	6,918,998	-	-	6,918,998	5,953,035
Directors and Supervisory committee fees	-	5,435	-	5,435	5,633
Fees for professional services	1,738	39,349	8,122	49,209	47,663
Sundry materials	52,396	-	-	52,396	39,552
Fees for sundry services	189,543	64,897	235,141	489,581	451,294
Post and telephone	6,295	69,066	169,478	244,839	169,860
Rent and leases	757	-	8,441	9,198	8,321
Transportation and freight charges	-	33,502	131	33,633	27,347
Office materials	3,545	14,392	6,285	24,222	18,012
Travelling expenses	4,628	2,362	1,473	8,463	7,984
Insurance premium	-	77,537	2	77,539	37,815
Properties, plant and equipment maintenance and repair	309,395	202,974	19	512,388	464,702
Properties, plant and equipment, Investment properties and Intangible assets depreciation	909,776	171,135	-	1,080,911	806,921
Taxes, rates and contributions	16,822	163,844	534,139	714,805	969,971
Publicity	-	-	38,207	38,207	30,797
Doubtful accounts	-	-	308,622	308,622	90,146
Bank expenses and commissions	-	1,728	175,327	177,055	165,633
Others expenses	19,590	1,918	22,156	43,664	113,262
Total as of December 31, 2018	25,016,775	1,499,720	1,969,329	28,485,824	
Total as of December 31, 2017	14,918,881	1,263,561	1,797,870		17,980,312

The expenses included in the above table are net of the Company's own expenses capitalized in properties, plant and equipment for 128,629 at December 31, 2018 and for 140,316 at December 31, 2017.

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26. OTHER INCOME AND EXPENSES

	For the years ended,	
	12.31.18	12.31.17
Leases	23,209	9,981
GCBA' Fines	(949)	(759)
Publicity	-	
Contractors penalties	19,370	13,279
Management service for third parties constructions	187	5,690
Other income	25,588	14,856
Increases in provisions for claims and contingencies and others	(632,322)	(149,782)
Total	(564,917)	(106,735)

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27. NET FINANCIAL RESULTS

Finance income

	For the years ended,	
	12.31.18	12.31.17
Financial assets at fair value	270,167	167,518
Interest income	203,238	117,587
Exchange difference on cash and cash equivalents	188,847	5,593
Exchange difference on commercial operations	259,734	90,529
RECPAM	7,318,651	3,048,846
Other financial expenses	6,196	2,133
	8,246,833	3,432,206

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Finance costs

	For the years ended,	
	12.31.18	12.31.17
Exchange difference on financial debt (*)	4,947,590	777,984
Exchange difference on commercial debt	1,315,453	82,157
Accrued interest on financial debt	608,042	739,865
Accrued interest on YPF line of credit (Note 30)	-	27,293
Accrued interest on commercial debt	300,144	249,149
Loss due to cancellation - Notes	240,720	-
RECPAM	4,240,393	1,662,555
Other financial expenses	310,199	61,715
	11,962,541	3,600,718

(*)As of December 31, 2018, it includes 932,595 corresponding to the profit for US\$ forward transactions carried out by the Company (See Note 18.1 to these financial statements).

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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	Provisions	Total deferred tax assets
Balances at 12.31.17	790,906	24,878	108,139	923,923
Movements of the year	25,806	41,114	94,267	161,187
Balances at 12.31.18	816,712	65,992	202,406	1,085,110

Deferred income tax liabilities

	Properties, plant and equipment revaluation	Properties, plant and equipment	Financial debt	Cash and cash equivalents	Total deferred tax liabilities	Total net deferred tax liabilities
Balances at 12.31.17	(1,986,492)	(3,201,989)	(97,059)	-	(5,285,540)	(4,361,617)
Movements of the year	268,363	(40,916)	97,059	(13,948)	310,558	471,745
Balances at 12.31.18	(1,718,129)	(3,242,905)	-	(13,948)	(4,974,982)	(3,889,872)

MetroENERGÍA

Deferred income tax liabilities

	Investments	Total
Balances at 12.31.17	(734)	(734)
Movements of the year	8	8
Balances at 12.31.18	(726)	(726)

The net consolidated position as of December 31, 2018 accounted for a deferred income tax liability amounting to 726, as regards MetroENERGÍA, and a deferred income tax liability amounting to 3,889,872, as regards MetroGAS, and as of December 31, 2017 accounted for a deferred income tax liability amounting to 734, as regards MetroENERGÍA, and a deferred income tax liability amounting to 4,361,617, 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,	
	12.31.18	12.31.17
Income tax expense on result before income tax	13,984	(533,399)
<u>Tax effect due to:</u>		
Net non deductible expenses and non taxable income	33,494	26,851
Effect of restatement in constant currency	8,873	1,322,075
Tax loss carry forwards recognized / (not recognized)	-	1,046,933
Change effect of income tax rate	-	(103,324)
Total income tax credit to results	56,351	1,759,136

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

	For the years ended,	
	12.31.18	12.31.17
Income tax determined for fiscal purposes MetroGAS	281,043	(124,209)
Current income tax MetroENERGÍA	(147,039)	(77,612)
Temporary differences	(77,653)	1,017,348
Tax loss carry forwards recognized / (not recognized)	-	1,046,933
Change effect of income tax rate	-	(103,324)
Total income tax credit to results	56,351	1,759,136

The credit for tax losses registered as of December 31, 2018 amounted to 816,712 and the credit for MPIT to 80.901.

The table below sets forth the years in which the credits for tax losses as of December 31, 2018 expire:

Expiration year	Credit for tax losses
2019	190,519
2020	218,310
2021	126,840
2023	281,043
TOTAL	816,712

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

	For the years ended,	
	12.31.18	12.31.17
Deferred tax liabilities at beginning of year	(4,361,617)	(4,212,607)
Deferred tax effect in ORAI	268,363	(1,986,492)
Income tax charged	203,382	1,837,482
Deferred tax liabilities at end of year	(3,889,872)	(4,361,617)

The charge for income tax and minimum presumed income tax for the year ended December 31, 2018 and 2017 is as follows:

	For the years ended,	
	12.31.18	12.31.17
Income tax deferred MetroGAS	203,382	1,837,482
Minimum presumed income tax recognized in the year	-	115,153
MetroENERGÍA income tax	(147,031)	(78,346)
Expiration of MPIT recognized in previous years	(10,399)	-
Total income tax and MPIT charged	45,952	1,874,289

The table below shows the years in which credits for MPIT expire as of December 31, 2018:

Expiration year	Credit at end of year
2020	14,212
2023	15,179
2027	51,510
TOTAL	80,901

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29. NET RESULT PER SHARE

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

	For the years ended,	
	12.31.18	12.31.17
Net and comprehensive result for the year attributable to controlling interest	(5,858)	3,396,360
Average of common shares outstanding	569,171	569,171
Net basic and diluted result per share	(0.01)	5.97

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, 2018 and December 31, 2017, as well as operations with these companies for the years ended on December 31, 2018 and 2017.

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The transactions shown below have been made with related parties:

	For the year ended,								
	12.31.18								
	Gas & transportation sales	Other income and expenses	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs (Finance income)	Post and telephone expenses	Salaries and others employee benefits
Controlling company:									
YPF	1,961	-	5,812,416	6,852	17,889	-	(91,912)	-	-
Other related parties:									
Central Dock Sud S.A.	257,305	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	11,617	-	-	-	-	-	-	-	-
A-Evangelista S.A.	6,183	-	-	-	-	-	-	-	-
Integración Energética Argentina S.A. ("Ex-ENARSA")	5	-	618,159	-	-	-	116,438	-	-
Profertil S.A.	12,515	-	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	9,841	-	-	-
Correo Argentino S.A.	699	-	-	-	-	-	-	626	-
Banco de la Nación Argentina	3,285	-	-	-	-	-	-	-	-
Estado Nacional (1)	-	-	(4,148,654)	-	-	-	614,652	-	-
Secretaría de Gobierno de Energía (2)	-	3,463,471	-	-	-	-	-	-	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	10,484	-	-	-	-	-	-	-	-
Others	6,604	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	63,977
	310,658	3,463,471	2,281,921	6,852	17,889	9,841	639,178	626	63,977

(1) See Notes 2.2.2.3 to these consolidated financial statements.

(2) See Notes 2.2.2.2 to these consolidated financial statements.

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	For the year 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
Controlling company:									
YPF	12,203	1,966,185	7,453	11,755	-	27,293	174,434	-	-
Other related parties:									
Central Dock Sud S.A.	165,070	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	32,368	-	-	-	-	-	-	-	-
A-Evangelista S.A.	3,573	-	-	-	-	-	-	-	-
Integración Energética Argentina S.A. ("Ex-ENARSA")	-	245,419	-	-	-	-	80,279	-	-
Profertil S.A.	284,740	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A.	-	44,669	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	4,629	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	1,502	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	7,613	-	-	-	-	-	-	-	-
Others	3,414	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	81,668
	508,981	2,256,273	7,453	11,755	4,629	27,293	254,713	1,502	81,668

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METROGAS S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2018 AND COMPARATIVE INFORMATION

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

The balances shown below are outstanding with related parties:

	12.31.18					
	Trade receivables	Other receivables		Trade payable		Salaries and social securities
	Current	Current	Non current	Current	Non current	Current
Controlling company:						
YPF	19,968	4,828	-	1,242,864	1,144,589	-
Other related parties:						
Central Dock Sud S.A.	47,825	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	3	-	-	-	-	-
A-Evangelista S.A.	507	-	-	-	-	-
Integración Energética Argentina S.A. ("Ex-ENARSA")	-	-	-	64,986	165,234	-
Nación Seguros S.A.	-	-	-	7,278	-	-
Estado Nacional (1)	-	353,400	3,180,602	-	-	-
Secretaría de Gobierno de Energía (2)	-	1,255,243	-	-	-	-
Correo Argentino	-	-	-	209	-	-
Others	45	-	-	159	-	-
Key directors and management:	-	-	-	-	-	18,938
	68,348	1,613,471	3,180,602	1,315,496	1,309,823	18,938

(1) See Notes 2.2.2.3 to these consolidated financial statements.

(2) See Notes 2.2.2.2 to these consolidated financial statements.

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

	12.31.17					
	Trade receivables	Other receivables	Trade payable		Financial debt	Salaries and social securities
	Current	Current	Current	Non current	Current	Current
Controlling company:						
YPF	2,231	6,181	1,942,186	-	114,535	-
Other related parties:						
Central Dock Sud S.A.	49,689	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	-	-	-	-	-	-
A-Evangelista S.A.	130	-	-	-	-	-
Integración Energética Argentina S.A. ("Ex-ENARSA")	-	-	1,036,586	105,047	-	-
Profertil S.A.	20,091	-	-	-	-	-
Nación Seguros S.A.	-	7,080	979	-	-	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	719	-	-	-	-	-
Correo Argentino	-	-	347	-	-	-
Others	19	-	-	-	-	-
Key directors and management:	-	-	-	-	-	24,439
	72,879	13,261	2,980,098	105,047	114,535	24,439

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2018 AND COMPARATIVE INFORMATION

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

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

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

Pursuant to Resolution No. I-2,621/2013 of ENARGAS, MetroGAS 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 2.2.5 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 2.2.3.1 to these financial statements).

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.

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

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

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 – I/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 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\$/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.

These Bases and Conditions also establish that distributors have to consider for their subscription, the provisions of Section 38 of Law 24,076 that provide for the pass-through of gas acquisition costs to tariffs to be paid by transport and distribution service users, both the cost of gas acquisition resulting from agreements or long-term contracts and those associated to short-term purchases to satisfy demand.

Contracts executed with gas producers have already considered those prices and currencies referred to in the Bases and Conditions and were presented opportunely to the ENARGAS.

In April 2018 Argentina experienced changes in the macroeconomic conditions that led to an abrupt variation in the exchange rate parity between the national currency and that in which prices are established in contracts.

For this reason, for payments to gas producers as to gas delivered in the following months from April 1, 2018 were made at the exchange rate applied to the gas component included in the rate was the one established through Resolution No. 300/2018 effective as from April 1, 2018 (AR\$/US\$ 20.345) and the Resolution No. 281/2018, then ratified by Resolution No. 292/2018 effective as from October 8, 2018 (AR\$/US\$ 37.69).

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Producers rejected the mentioned payment criterion adopted by the Company, thus formally claiming for the allegedly unpaid balances.

On November 16, 2018, was published in the Official Gazette the Decree No. 1,053/2018, it was established in the National Government, the payment of the DDA was assumed on an exceptional basis (see point 2.2.2.3).

In compliance with SGE Resolution No. 32/2019, MetroGAS participated in the price bid regarding firm provision of natural gas to meet the demand of full service customers from public utility services distributors of natural gas that took place in the MEGSA for the Neuquina, Golfo San Jorge, Santa Cruz Sur and Tierra del Fuego basins on February 14, 2019.

As a result of the said bid, the Company took on the responsibility to supply, on an annual basis, a maximum daily capacity volume ("MDC"), that annually amounts to 1,486 million of m3 representing 58% of our annual demand, thus complying with the regulatory framework requirements.

These commitments to supply MDC, in accordance to regulations stipulated by SGE Resolution No. 32/19, consider a 70% Deliver or Pay ("DOP") clause, which in the case of MetroGAS, means an important level of uncertainty regarding gas provision during winter time besides the fixed relation established in the bid of a staggered annual 1:2.5, which does not meet the priority demand curve during the winter period in our License area, whose relation is closer to 1:4.5.

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> <u>(Millions of Pesos)</u>
2019	5,702

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 2019.

The approximate annual value of firm gas purchase to be paid by MetroENERGÍA during 2019 amounts to 1,334 of million.

31.2 Gas Transportation

MetroGAS has entered into various transportation contracts, with expiration dates ranging between 2019 and 2027, with TGS and TGN, in order to ensure a firm transportation capacity of 19.49 MMCM per day, taking into account the ongoing contracts as of December 31, 2018.

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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)
2019	4,027
2020	3,461
2021	3,278
2022	2,739
2023/27	8,223

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 September 27, 2018 ENARGAS Resolutions No. 265/18 and No.266/15 were published, which established a new tariff scheme to be applied to TGS and TGN as from October 1, 2018.

31.3 Gas sale and transportation

MetroGAS entered into agreements which generate 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)
2019	1,225
2020	323
2021	323
2022	323

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 2019 amounts to 2,427 million.

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. The said Plan was involved 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. MetroGAS executed the Plan above what was originally committed as of December 31, 2017.

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

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 Resolution determines the amount that the Company must pay for the mandatory investments during each of the five years. As of December 31, 2018, MetroGAS complied with all of the commitments for the first year and with 89% of the commitments for the second year.

31.5 Leases

a. As lessee

As of December 31, 2018, the future minimum payments related to operating leases, are detailed below:

<u>Periods</u>	<u>Contractual Commitments</u> (Millions of Pesos)
2019	8
2020	3
Total minimum payments	<u>11</u>

31.6 Other Contractual Commitments

As of December 31, 2018 MetroGAS is committed with third parties by means of service contracts (such as software, insurance, communications) for an approximate amount of 580 of million; from which 561 of million with due date during 2019, 17 million during 2020 and 2 million during 2021.

Fernando Oscar Ambroa
Chairperson

METROGAS S.A.

INFORMATIVE SUMMARY OF ACTIVITY

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

Argentine Economic Context and its impact on the Company

Note 2 to the consolidated financial statements includes a detailed description of the economic and regulatory context and of the impact of Emergency Law and regulations decrees on MetroGAS S.A. (“MetroGAS” or “the Company”).

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

General considerations

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

On account of regulatory changes (see Note 2.2.3.2 to the consolidated financial statements as of December 31, 2018), on April 20, 2005 the Board of Directors of MetroGAS resolved to create MetroENERGÍA S.A. (“MetroENERGÍA”), a corporation whose equity is owned 95% by MetroGAS and whose corporate purpose is to engage, on its own account and on behalf of or in association with third parties, in the sale and purchase and/or transportation of natural gas.

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

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

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

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

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

METROGAS S.A.

INFORMATIVE SUMMARY OF ACTIVITY

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the enforcement of the allocation on tariffs of purchased gas and (iii) alternative methodologies to come up with a more foreseeable invoicing of consumptions from residential users.

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

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

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

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

At the date of approval of these financial statements, delays have been registered as to the payments of economic compensation by the National State. Should these delays continue, the company will pay invoices for the injection of gas distributing the impact arisen from the mentioned delays among producers with whom the company has ongoing natural gas supply contracts the impact derived from the aforementioned delay (see Note 2.2.2.2 to the consolidated financial statements).

On the other hand, on November 29, 2017, at the request of the MINEM, MetroGAS subscribed the "Bases and Conditions for the Supply of Natural Gas through Networks to Gas Distributors" (the "Bases and Conditions") together with the rest of the distributors and a group of gas producers. These Bases and Conditions set the guidelines for contracting gas volumes to meet the demand from distributors for the period included between January 1, 2018 and December 31, 2019 (see Note 2.2.3.1 to the consolidated financial statements).

On October 8, 2018 the Official Gazette published ENARGAS Resolution No. 281/2018 in order to (i) declare valid the aforementioned Public Hearing, (ii) approved MetroGAS tariff scheme applicable as from as of publication and (iii) approved the new values for Rates and Charges collected by MetroGAS for additional services. It is worth pointing out that the mentioned tariff charts do not consider the DDA corresponding to the period April 1 to September 30, 2018.

On October 12 the Official Gazette published ENARGAS Resolution No. 292/2018 that ratified the tariff scheme as per Resolution No. 281/2018 and its application shall be brought back to October 8, 2018, date on which the last Resolution was published (see Note 2.2.2.1 to the consolidated financial statements).

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

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

Analysis of transactions in the years ended December 31, 2018 and 2017

The sales of the Company for the fiscal year ended December 31, 2018 increased by 65.4%, and operating costs rose by 67.7% as compared with the previous fiscal year, as a result of which gross profit increased by 2,842,386, amounted to 7,703,062 during the year ended on December 31, 2018, as compared with 4,860,676 shown for the preceding fiscal year.

Administrative expenses increased by 18.7%, from 1,263,561 during the year ended on December 31, 2017, as compared with 1,499,720 shown for the present fiscal year, and selling expenses increased by 9.5%, from 1,797,870, during for the year ended December 31, 2017, to 1,969,329 shown for the present fiscal year.

Other income and expenses went from a loss 106,735 for the fiscal year ended December 31, 2017 respect to a loss of 564,917 for the present fiscal year.

Consequently, during the year ended December 31, 2018 an operating income of 3,669,096 was recorded, as compared to an operating income of 1,692,510 for the previous fiscal year.

During the year ended December 31, 2018 net financial results was a loss of 3,715,708, as compared with a loss of 168,512 sustained in the previous fiscal year.

Consequently, the Company's net loss for the year ended December 31, 2018 amounted to 660, as compared to a net income of 3,398,287 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 income of other comprehensive income of 5,834,344 during the year ended on December 31, 2017 as compared to a loss of 796,573 generated by the decrease in the revaluation for the present fiscal year.

Results of operations and financial condition**Sales**

Total consolidated sales increased by 65.4% during the year ended December 31, 2018 and amounted to 32,719,837, as compared with 19,779,557 shown for the previous fiscal year.

The increase in sales for the year ended on December 31, 2018, was mainly due to increase in MetroGAS' sales to residential customers and to industrial and commercial customers and governmental entities, to the accrual of income resulting from the application of Resolution MINEM No. 508-E/2017 and due to increase in MetroENERGÍA's sales.

MetroGAS' gas sales to residential customers increased by 66.3%, from 9,744,514 to 16,203,107 for the year ended on December 31, 2017 and 2018, respectively, mainly due to the increase in tariffs for the ENARGAS Resolutions No. 131/2017, ENARGAS No. 300/2018 and ENARGAS No. 292/2018 effective as of December 1, 2017, April 1, 2018 and October 12, 2018 (retroactive to October 8, 2018), respectively and due to an increase of the volumes delivered to this customer category by 0.4%.

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 105.6%, to 2,274,364 during the year ended on December 31, 2018 from 1,105,944 during the previous fiscal year, mainly due to the increase in tariffs for the ENARGAS Resolutions No. 131/2017, ENARGAS No. 300/2018 and ENARGAS No. 292/2018 effective as of December 1, 2017, April 1, 2018 and October 12, 2018, respectively and due to an increase of the volumes delivered to this customer category by 1.1%.

Gas sales to CNG stations decreased by 98.1% from 830,043 to 15,951 for the years ended on December 31, 2017 and December 31, 2018, respectively, with a decrease of the volumes delivered to this customer category by 99.1% due to as from May 1, 2017, and under the Terms of No. 4,407/2017, there has been an extension of the purchase options of natural gas by the owners of CNG stations, who can buy gas through Distribution Companies or directly via gas producers or marketers. Most of the CNG stations that operate in the MetroGAS area chose to purchase the gas directly from MetroENERGÍA.

Consequently, sales of transportation and distribution services to CNG stations increased 89.6% from 277,504 during the year ended December 31, 2017 to 526,070 during the present fiscal year.

Sales of transportation and distribution services to power stations increased by 86.8%, from 773,735 during the year ended on December 31, 2017, to 1,445,517 for the present fiscal year, mainly due to an increase in average tariff and an increase in volumes delivered to this customer category by 6.4%.

Sales of transportation and distribution services to industrial and commercial customers and governmental entities increased by 65.7%, from 438,974 during the year ended on December 31, 2017 to 727,303 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 3.2%.

MetroENERGÍA's gas sales during the year ended on December 31, 2018 amounted to 7,717,958 increased 20.7% as compared to the previous fiscal year amounted to 6,394,319, mainly due to the increase in the average tariff, the increase in sales to CNG according to Resolution No. 4,407/2017 mentioned aforementioned effective as of May 1, and an increase in volumes delivered by 5.6%.

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

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The table below shows the consolidated sales of the Company by type of service and customer categories for the year ended on December 31, 2018 and 2017, in thousands of pesos:

	Revenues			
	For the years ended December 31,			
	2018		2017	
	Thousands of	% of Total	Thousands of	% of Total
	Ps.	Sales	Ps.	Sales
MetroGAS				
<i>Gas sales:</i>				
Residential	16,203,107	49.5%	9,744,514	49.3%
Industrial, Commercial and Governmental entities	2,274,364	7.0%	1,105,944	5.6%
Compressed Natural Gas	15,951	0.0%	830,043	4.2%
Subtotal	18,493,422	56.5%	11,680,501	59.1%
<i>Transportation and</i>				
<i>Distribution Services</i>				
Power Plants	1,445,517	4.4%	773,735	3.9%
Industrial, Commercial and Governmental entities	727,303	2.2%	438,974	2.2%
Compressed Natural Gas	526,070	1.6%	277,504	1.4%
Subtotal	2,698,890	8.2%	1,490,213	7.5%
Other sales	346,096	1.1%	214,524	1.1%
Resolution MINEM No. 508-E/2017	3,463,471	10.6%	-	0.0%
MetroENERGÍA's gas sales and transportation	7,717,958	23.6%	6,394,319	32.3%
Total of Sales	32,719,837	100 %	19,779,557	100 %

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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, 2018 and 2017, in millions of cubic meters:

	Volumes			
	For the years ended December 31,			
	2018		2017	
	MMMC	% of Volumes of gas delivered	MMMC	% of Volumes of gas delivered
MetroGAS				
<i>Gas sales:</i>				
Residential	1,703.1	22.5%	1,695.9	22.8%
Industrial, Commercial and Governmental entities	398.3	5.3%	394.0	5.3%
Compressed Natural Gas	1.5	0.0%	158.0	2.1%
Subtotal	2,102.9	27.8%	2,247.9	30.2%
<i>Transportation and Distribution Services:</i>				
Power Plants	3,914.0	51.7%	3,680.0	49.5%
Industrial, Commercial and Governmental entities	681.3	9.0%	704.0	9.5%
Compressed Natural Gas	432.8	5.7%	306.0	4.1%
Subtotal	5,028.1	66.4%	4,690.0	63.1%
Other Gas Sales and Transportation and Distribution Services	443.9	5.8%	500.8	6.7%
Total delivered volume by MetroGAS	7,574.9	100.0%	7,438.7	100.0%
Total gas volumes delivered and transported by MetroENERGÍA	1,399.2	100.0%	1,324.5	100.0%

Operating costs

Operating costs increased by 67.7% amounting to 25,016,775 during the year ended on December 31, 2018, respect to 14,918,881 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, in payroll and other employees' benefits.

The costs of natural gas purchases for gas distribution and transportation increased by 151.6%, from 4,342,232 for the year ended on December 31, 2017 to 10,926,783 during the present fiscal year, mainly as a result of increased in average price gas purchased by MetroGAS. During the year ended on December 31, 2018 2,618 million cubic meters were purchased by MetroGAS, which represent a 6.5% decrease with respect to gas volumes purchased in the same previous fiscal year.

The costs of natural gas purchases and transport for gas commercialization and transportation increased by 16.2%, from 5,953,035 for the year ended on December 31, 2017 to 6,918,998 during the present fiscal year, mainly as a result of increased in average price gas purchased by MetroENERGÍA and at a lesser extent the increase in volumes purchased.

During the year ended on December 31, 2018, MetroENERGÍA purchased 1,399 million cubic meters, representing a 5.6% increase with respect to gas volumes purchased in the same period in previous fiscal year.

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The costs of gas transportation for gas distribution and transportation increased by 101.9% during the year ended on December 31, 2018 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. 121/2017, No. 311/2018 and No. 266/2018 for TGN and No. 120/2017, No. 310/2018 and No. 265/2018 for TGS.

The table below shows the operating costs and expenses of the Company by type of expenses for the years ended on December 31, 2018 and 2017, in thousands of pesos.

	Operating costs			
	For the years ended December 31,			
	2018		2017	
	Thousands of Ps.	% of Total Operating Costs	Thousands of Ps.	% of Total Operating Costs
Cost of natural gas - gas distribution and transportation	10,926,783	43.7%	4,342,232	29.1%
Cost and transportation of natural gas - gas commercialization and transportation	4,795,591	19.2%	2,375,544	15.9%
Transportation of natural gas - gas distribution and transportation	6,918,998	27.7%	5,953,035	39.8%
Depreciation of properties, plant and equipment, investment properties and intangible assets	909,776	3.6%	744,227	5.0%
Payroll and other employees benefits	860,918	3.4%	772,684	5.2%
Maintenance and repair	309,395	1.2%	295,335	2.0%
Sundry materials	52,396	0.2%	39,552	0.3%
Fees for sundry services	189,543	0.8%	173,553	1.2%
Taxes, rates and contributions	16,822	0.1%	102,717	0.7%
Other operating expenses	36,553	0.1%	120,002	0.8%
Total	25,016,775	100.0%	14,918,881	100.0%

Administrative expenses

Administrative expenses increased by 18.7%, from 1,263,561 for the year ended on December 31, 2017 to 1,499,720 for the present fiscal year. This increase was mainly due to the increase in depreciation of properties, plant and equipment, investment properties and intangible assets, payroll and other employee's benefits, in post and telecommunication expenses, in insurance premiums, in fixed assets maintenance, partially offset by a decrease in taxes, rates and contributions.

Selling expenses

Selling expenses increased by 9.5%, from 1,797,870 for the year ended on December 31, 2017 to 1,969,329 for the present fiscal year. This increase was mainly due to the increase in the doubtful account charge, in fees for sundry services, in post and telecommunication, in payroll and other employee's benefits, partially offset by a decrease in taxes, rates and contributions.

Other income and expenses

Other income and expenses amounted to a loss of 106,735 for the year ended December 31, 2017 and a loss of 564,917 in the current fiscal year. This variation was mainly due to an increased in provisions for claims and contingencies during the year ended as of December 31, 2018 (see Note 20.2 to these consolidated financial statements).

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Net financial results

During the year ended on December 31, 2018 net financial results was a loss of 3,715,708, as compared to a 168,512 loss for the previous fiscal year. The variation in financial and holding results was mainly due to the loss from the exchange difference generated by the financial and commercial debt, to the loss by the payment of ONs and the variation of the Result due to exposure to the change in the purchasing power of the currency.

Income tax

During the year ended on December 31, 2018 the Company accrued gain of 45,952, compared to a gain of 1,874,289 recorded in the previous fiscal year. This variation is mainly due to the Company recognized higher credits for tax losses and the transitory differences during the year ended on December 31, 2018 as compared for the previous fiscal year.

Net cash flows generated by operating activities

Net cash flows generated by operating activities for the year ended on December 31, 2018 amounted to 5,709,407, as compared with 2,417,712 generated for the previous fiscal year. The variation is basically due to the higher funds generated by the 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, 2018 amounted to 2,606,531, mainly due to increases in properties, plant and equipment, and intangible assets, compared to 1,657,099 used in the same previous fiscal year.

Net cash flows used in financing activities

Net cash flows used in financing activities amounted to 2,219,000 for the year ended on December 31, 2018 as compared with 698,687 for the previous fiscal year. This variation was mainly due to the Company took a non-guaranteed loan and allocate these funds to rescue the total number of Notes with and plus accrued and unpaid interests (see Note 18 to these consolidated financial statements), and to increase in payments for refinancing commercial debt.

Liquidity and capital resources**Financing**

As of December 31, 2018, the financial debt accounted for the Company amounted to 9,446,382.

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Comparative structure of consolidated statement of financial position ⁽¹⁾

Consolidated Statement of financial positions as of December 31, 2018 and 2017.

	12.31.18	12.31.17
	Thousands of Ps.	
Non current Assets	28,223,940	24,700,342
Current assets	10,691,020	6,270,346
Total assets	38,914,960	30,970,688
Non current Liabilities	13,147,700	4,989,245
Current Liabilities	12,433,723	11,850,673
Total Liabilities	25,581,423	16,839,918
Non-controlling interest	11,900	6,702
Equity attributable to the owners of the parent	13,321,637	14,124,068
Total Liabilities and Shareholders' Equity	38,914,960	30,970,688

⁽¹⁾ Information covered by the Independent auditors report.

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Comparative consolidated structure of results ⁽¹⁾

Consolidated Statements of Profit and Loss and Other Comprehensive Income for the years ended on December 31, 2018 and 2017.

	12.31.18	12.31.17
	Thousands of Ps.	
Revenues	32,719,837	19,779,557
Operating costs	(25,016,775)	(14,918,881)
Gross profit	7,703,062	4,860,676
Administration expenses	(1,499,720)	(1,263,561)
Selling expenses	(1,969,329)	(1,797,870)
Other income and expenses	(564,917)	(106,735)
Operating income	3,669,096	1,692,510
Finance income	8,246,833	3,432,206
Finance cost	(11,962,541)	(3,600,718)
Net financial results	(3,715,708)	(168,512)
Result before income tax	(46,612)	1,523,998
Income tax and minimum presumed income tax	45,952	1,874,289
Net result for the year	(660)	3,398,287
Other comprehensive income		
Essential assets revaluation	(1,064,936)	7,820,836
Income tax	268,363	(1,986,492)
Total other comprehensive income	(796,573)	5,834,344
Net and comprehensive result for the year	(797,233)	9,232,631

⁽¹⁾ Information covered by the Independent auditors report.

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Comparative consolidated structure of cash flow ⁽¹⁾

Condensed Statements of cash flow for the years ended on December 31, 2018 and 2017.

	12.31.18	12.31.17
	Miles de \$	
Cash flows generated by operating activities	5,709,407	2,417,712
Cash flows used in investing activities	(2,606,531)	(1,657,099)
Cash flows used in financing activities	(2,219,000)	(698,687)
Net increase in cash and cash equivalents	883,876	61,926
Cash and cash equivalents at the beginning of year	726,997	659,478
Exchange differences on cash and cash equivalents	188,847	5,593
Cash and cash equivalents at the end of the year	1,799,720	726,997
Net increase in cash and cash equivalents	883,876	61,926

⁽¹⁾ Information covered by the Independent auditors report.

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Comparative statistical data

The information shown below makes reference to the years ended on December 31, 2018 and 2017.

	12.31.18	12.31.17
	Volumes	
	In millions of cubic meters	
Gas purchased by MetroGAS	2,618	2,800
Gas contracted by third parties	5,727	5,392
	8,345	8,192
Volume of gas withheld:		
- Transportation	(434)	(450)
- Loss in distribution	(336)	(303)
Volume of gas delivered by MetroGAS	7,575	7,439
Volume of gas purchased and delivered by MetroENERGÍA	1,399	1,325

Comparative ratios ⁽¹⁾

The information below makes reference to the years ended on December 31, 2018 and 2017.

	12.31.18	12.31.17
Liquidity	0.86	0.53
Solvency	0.52	0.84
Inmobilization	0.73	0.80
Profitability	(0.00)	0.36

⁽¹⁾ Information covered by the Independent auditors report.

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Additional Information**Changes in MetroGAS Shares Prices:**

		Share Price on the Buenos Aires Stock Exchange (1)
		\$
December	2014	3.12
December	2015	7.35
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
January	2018	82.00
February	2018	64.35
March	2018	60.30
April	2018	45.05
May	2018	39.30
June	2018	29.85
July	2018	36.90
August	2018	30.00
September	2018	37.65
October	2018	30.10
November	2018	28.05
December	2018	26.50

(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, March 6, 2019

Fernando Oscar Ambroa
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, 2018 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 31.

The figures and other information corresponding to the fiscal year ended on December 31, 2017, restated in constant pesos as of December 31, 2018 as mentioned in Note 3 to the accompanying consolidated financial statements, 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 N° 1, 2, 3 and 4 of Standards Issued by the IAASB and the IESBA of IFAC. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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, present fairly, in all material respects, the consolidated financial position of METROGAS S.A. and its controlled company as of December 31, 2018, their loss and profit and other consolidated comprehensive income, their changes in their 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 foregoing opinion, we would like to emphasize as mentioned by the Company in Note 3 to the accompanying consolidated financial statements, that the financial information disclosed therein, as well as the comparative information corresponding to the previous year, has been retrospectively restated in constant pesos as of December 31, 2018.

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
March 6, 2019

Deloitte & Co. S.A.

Ricardo C. Ruiz
Partner