

# **METROGAS S.A.**

ANNUAL REPORT AND FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

**METROGAS S.A.**  
**ANNUAL REPORT**

To the Shareholders:

Pursuant to applicable legal provisions and to the Company's bylaws, we submit for your consideration the documentation related to the financial statements for the twentieth third fiscal year, ended on December 31, 2014.

**1. MACROECONOMIC CONTEXT**

2014 was characterized by a complex international context, together with a positive and negative scenario in the world's economy. The low growth trend from the last years seems to be consolidating. According to the International Monetary Fund, the world's economy would grow 3.3% during 2014, 0.4 % less than the estimate given in April. While the majority of developed countries grew less than what was expected, developing countries showed generalized deceleration.

This situation was clearly evident in Latin-America, where countries such as Brazil, Argentina's main commercial partner, had a GDP growth of 0.1% until the third quarter after decreasing 0.9% in the second and registering a 1.9% growth in the first one. Mexico, moved forward by 2.1% on an annual basis during the third quarter of the year after growing 1.6% in the second and 1.8% in the first one. Chile's GDP slowed down an 0.8% annually in the third quarter after growing 1.9% in the second and 2.7 % during the first one.

On the other hand, international financial markets did not register significant changes to alter the course of the monetary policies of the main Central Banks. The Federal Reserve of the United States, on the alert for possible inflationary pressure, continued with a steady reduction of its purchase program of Treasury bonds along the year. As regards Central Banks from Europe and from Japan, they strengthened their policies to foster growth.

The most important news for financial markets near the end of the year was the drop in the price of oil. In three months (October, November and December), it decreased from US\$ 95 per barrel, during the last five years it fluctuated around this amount, to US\$ 55. This drop came together with the strengthening of the dollar, some deceleration of the Chinese economy and a structural increase of the oil offer in the United States, which was not compensated by a reduction in the production of the OPEC countries.

As regards Argentina during the first nine months of the year, and according to the last figures published by the INDEC (National Institute of Statistics and Censuses), GDP showed no changes compared to the same period from 2013, in line with the rest of the region. Private consumption fell by 0.9% and investment 4.1% annually. Concerning the external sector, the fall in exports and imports volumes was around 10% annually.

The general level of prices showed an increase in the first months of the year to finally settle down. In January 2014 the INDEC published a new Price Index for National Urban Consumers ("IPCNU"), according to this indicator; inflation accumulated during the period between January and December reached 23.9%.

The Fiscal situation was slightly deteriorated; revenues from the National Government (tributary, social security and property income) went up by 42% annually, reaching \$ 1,023 thousand million during the period January-December, 2014. Meanwhile primary expenditure reached \$ 1,046 thousand million. As a consequence, the fiscal primary result (previous to the payment of the debt's interests) meant a \$23 thousand million loss.

**METROGAS S.A.****ANNUAL REPORT**

The public debt payment denominated in dollars was continued during 2014, and it was decided to deposit funds to be used for the payment of services of interests corresponding to the Discount and Par bonds denominated in American dollars and in Euros with foreign exchange legislation, that were affected by the north American court decision to stop the normal flow of payments of these debt instruments, in the context of a legal conflict at the New York Court with debt holders who did not enter into the 2005 and 2010 swaps.

As regards the monetary and exchange policy, the Central Bank took, during the year, a number of measures in order to reduce volatility of the exchange rate and to stabilize international reserves.

In January 2014 the Central Bank carried out a 20 % devaluation, and increased the interest rate in Pesos of the Lebac (Central Bank Bills) that moved from 17.8% in December 2013 to 30.4% in February 2014, and finally slightly reduced it as from July. Although the Badlar (Buenos Aires Deposits of Large Amount Rate) from private Banks showed a similar trend it was less pronounced.

In relation to international reserves they would be ending the year at around US\$ 31,000 million and the official exchange rate AR\$/US\$ at around 8.6.

**2. COMPANY PROFILE**

MetroGAS S.A (“MetroGAS or “the Company”) is the largest natural gas distribution company in Argentina in terms of number of customers and of delivered gas volumes. MetroGAS distributes approximately 17.4% (\*) of the total natural gas supplied by the nine distribution companies licensed after the privatization of Gas del Estado in late 1992, and currently has approximately 2.3 million customers in its service area (Buenos Aires City and eleven municipalities in the south of Greater Buenos Aires), a densely populated area including major power plants and other industrial and commercial customers.

During 2005, due to new rules, (see item 6.1), MetroGAS’ Board decided to constitute MetroENERGÍA S.A (“MetroENERGÍA”) a *sociedad anónima* from which MetroGAS holds 95% of this corporation’s share capital and whose social objective is to act as a natural gas trading company and / or a gas transporting company on its own behalf, on account of third parties or associated to third parties.

Since 1993 natural gas consumption in Argentina increased by approximately 81%. In that year consumption was approximately 21,828 MMm<sup>3</sup> (millions of cubic meters) and it increased to 39,488 MMm<sup>3</sup> in 2014 (\*). 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 328,260 MMm<sup>3</sup> (\*\*\*). 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 41,484 MMm<sup>3</sup> (\*\*) during the period January - December 2014, which coming from the Neuquén basin. Also, to be able to satisfy the requirements of domestic demand, approximately 11,940 MMm<sup>3</sup> had to be imported from Bolivia, and LNG was regasified at the Escobar and Bahía Blanca plants.

Approximately 57.4% of all gas purchased by MetroGAS during 2014 came from the Neuquén basin and the remaining 42.6% from the Austral and Gulf of San Jorge basins.

**METROGAS S.A.**  
**ANNUAL REPORT**

(\*) According to the latest available information provided by the National Gas Regulatory Authority (“ENARGAS”) – November 2014.

(\*\*) According to the latest available information provided by the Energy Secretariat-December 2014.

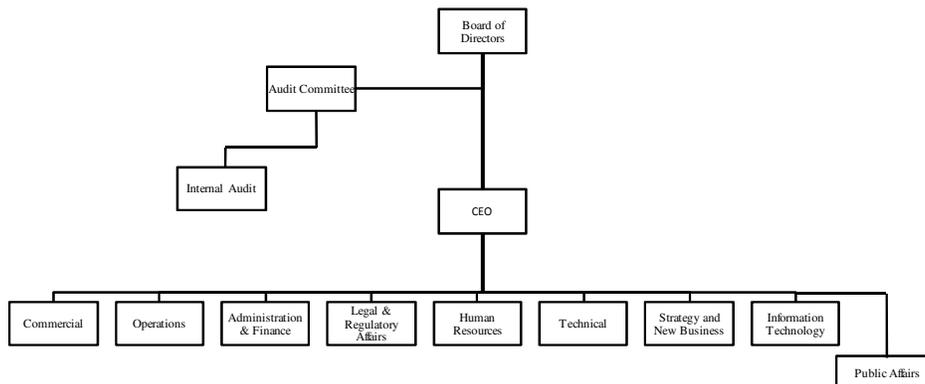
(\*\*\*) According to the latest available information provided by the Energy Secretariat-December 2013.

Various schemes have been fostered by the National Government to boost the natural gas industry which, although initially do not have any direct impact on MetroGAS or impose any obligations on the company, might actually have favorable consequences considering that one of their main objectives is to increase the injection of natural gas (see item 6.3 of the Annual Report).

### 3. ORGANIZATIONAL STRUCTURE

For the purpose to achieve strategic alignment with the business areas the Management Information Systems was created leveraging critical business and support processes, some changes were made in the organizational structure during the current year.

MetroGAS’ current organizational structure is as shown below



### 4. LICENSE CONTRACT RENEGOTIATION

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

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

**METROGAS S.A.****ANNUAL REPORT**

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

The Emergency Law, which originally expired in December 2003, it was successively extended until December 31, 2015. Also it was extending the period of renegotiation of public service concessions and licenses.

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

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

On December 11, 2012 the Company, Nación Fideicomisos S.A. and the ENARGAS subscribed a contract of financial trust fund and of private administration.

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

On January 6, 2014 the Company submitted the 2014 Works Plan to the ENARGAS, including all information regarding works carried out according to the 2013 Plan and sent to Nacion Fideicomiso S.A. the report of all expenses resulting from the alternative methodology of advanced-funds; all of this was approved in March 2014. On November 14, 2014 the 2015 Works Plan corresponding to Reliability, Maintenance and Expansion was introduced.

On March 26, 2014, within the process of renegotiation of utilities contracts pursuant to Law No. 25561 and supplementary rules, the Company signed a Provisional Agreement with the Unit for the Renegotiation and Analysis of Utility Contracts (“UNIREN”) whereby a provisional tariff regime was agreed in order to obtain additional funds to those resulting from the enforcement of ENARGAS Resolution No. I/2407.

**METROGAS S.A.****ANNUAL REPORT**

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

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

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

The Provisional Agreement also provides that, from the execution date to December 31, 2015 (the date on which Law No. 25561 expires), the National Government through the UNIREN and the licensee shall reach a consensus with respect to the methodology, terms and timeline for the signing of the Letter of Understanding of Comprehensive Contractual Renegotiation.

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

Within this framework, new natural gas prices are established for Residential customers and for small general service customers for each of the production basins and user categories. These new prices will be applied by a mechanism of comparing consumption of same two-month/month period of current and previous year. Furthermore, a three-stage price revision is established to take effect on April 1, 2014, June 1, 2014 and August 1, 2014. For those customers that reduce their consumption over 20%, basin prices as of March 31, 2014 as per ES Resolution No. 1417/2008 will remain the same. While customers whose reduction in consumption is between 5% and 20% will have a special and lower basin natural gas price compared to the price applied to those customers not able to reduce consumption or whose reduction is below 5%.

Through Note ENRG/SD No. 03097 dated April 7, 2014, ENARGAS notified Resolution No. I/2851, from the same date, wherein new tariff charts are approved and are stated to take effect on April 1, 2014, June 1, 2014 and August 1, 2014. Such charts display changes in the final tariff of residential and full general service customers. These include changes in the gas price at the transmission system entry point, as a result of the application of the new prices per basin established by the aforementioned ES Resolution No. 226/14, the transportation tariff as a consequence of the new tariff chart effective for gas transportation companies that reflect the terms of their 2008 signed provisional agreements establish, and MetroGAS' distribution margin after the signing of the Provisional Agreement.

In accordance with the price scheme established by the Energy Secretariat through ES Resolution No. 226/14 and the ENARGAS Resolution No. I/2851/2014, three tariff levels are

**METROGAS S.A.****ANNUAL REPORT**

established for each period, which are to be applied to customers according to their consumption in a month/two-month period in relation to the same period of the previous year.

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

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

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

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

Without detriment to the a Provisional Agreement signed to date, the company hopes to reach a consensus with the National Government, through the UNIREN, regarding the conditions, terms and opportunity of subscribing the Letter of Understanding for a Comprehensive Contract Renegotiation, so as to improve its economic-financial situation.

**5. FINANCIAL DEBT**

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

Once all legal steps stipulated by the Bankruptcy Law ("LCQ") were complied with, on February 2, 2012 the Company presented a total and final reformulation of the preventive agreement proposal for unsecured creditors who are verified and declared acceptable consisting in the payment of verified or declared unsecured credits by means of releasement, swap or "dacion en pago" (giving in payment) of such credits, of two kinds of negotiable bonds (the "New Notes") to be due on December 31, 2018. The New Notes shall be in American dollars and their capital's amounts at the date of issuance shall be the following: i) a Class A equivalent to 53.2% of the amount of the verified or declared acceptable unsecured credit and ii) a Class B equivalent to 46.8% of the amount of the verified or declared acceptable unsecured credit. In the same way, within each one of the New Notes, two different series shall be issued in order to differentiate unsecured credits originated in previous negotiable bonds (L Series) from the rest of unsecured credits (U Series). Besides, the Company offers to pay on the date of issuance of the New Notes, an amount equivalent to the interest that Class A New Notes previously mentioned, had accrued since January 1, 2011 up to the issuing date, at a 8.875% nominal interest rate of 8.875%. Pursuant to the proposal and at the Company's option, such interest accrued until December 31, 2012, has been capitalized. The principal of the New Notes will be

**METROGAS S.A.****ANNUAL REPORT**

repaid in full at maturity on December 31, 2018, in a lump sum payment. Class A New Notes will be payable pursuant to their terms as from their issue date. Class A New Notes shall be callable in accordance to their terms and conditions since their issuance date. Class B New Notes shall only be taken as callable bonds when an acceleration of maturity of Class A New Notes or before June 30, 2014. If an event of default has not occurred as of this date, the Class B New Notes will be automatically canceled. No event of default has occurred as of December 31, 2014

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

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

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

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

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

In pursuance of the reorganization agreement, on July 25, 2013, MetroGAS issued: a) Late Proof-of-Claim Notes Series A-U: US\$ 5,087,459 and Series B-U: US\$ 4,013,54; and b) Capitalization Notes: Additional Series A-L: US\$ 6,756,665 and Additional Series A-U: US\$ 704,581.

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

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.

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

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

**METROGAS S.A.****ANNUAL REPORT**

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

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

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

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

No event of default has occurred as of December 31, 2014. During fiscal year 2014 the Company has complied with the terms and covenants established under the Offering Circular.

On December 31, 2014, the company paid semiannual interest from June 30 through December 31, 2014.

On December 12, 2013, the Board of Directors of MetroGAS unanimously approved an agreement that contemplated the opening of a credit facility with YPF. YPF's credit facility proposal has a BADLAR cost plus an annual 6% spread. YPF makes available to MetroGAS a "Non-Committed" credit facility for up to Ps. 180,000,000 for a period of 180 days as from the date of the proposal. MetroGAS may require such drawdowns as it may deem advisable according to its needs up to the maximum amount of the credit facility and for the above mentioned period, and may make partial or total advance payments without penalty. Finally, an annual 10% default interest will be applied in the event of default. As of December 31, 2014 the Company has made use Ps. 90,000 thousand of this facility.

**6. REGULATORY FRAMEWORK**

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

**6.1 Unbundling of Natural Gas**

Due to regulatory changes that have been made to the natural gas sector since 2005, the so called "natural gas unbundling" process took place, by which the different categories of customers (except for residential customers and small commercial customers, as well as non-

**METROGAS S.A.****ANNUAL REPORT**

profit civil associations, labor unions, trade associations or mutual benefit associations, health institutions and private or public educational institutions) had to begin to purchase natural gas volumes at the point of entry into the transportation system directly from producers and/or sellers of natural gas, leaving the regional distribution companies limited to exclusively give transportation and or distribution services of natural gas.

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

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

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

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

**6.2 Complementary Agreement with Natural Gas Producers**

On June 14, 2007, Resolution No. 599/07 of the ES was published in the Official Gazette. This resolution officially approved the proposal for an “Agreement with Natural Gas Producers 2007-2011” (“2007-2011 Agreement”), which was subsequently ratified by some natural gas producers, with which the Agreement became enforceable. Basically, the 2007-2011 Agreement establishes the volumes of gas to be injected by natural gas producers at the point of entry into the transmission system for the benefit of residential users, commercial users, industries, power plants and CNG selling stations until December 31, 2011 (although subject to different contractual periods according to user segments). Also, the Agreement sets criteria for a staggered and specific price adjustment for such user segments. On the other hand, the Resolution that officially approved the 2007-2011 Agreement (Resolution SE No. 599/07) established the procedures for a reorientation and additional injections of natural gas in order to meet domestic market demand, in case this were necessary in the event of a shortage of supply.

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

**6.2 Incentive Policies**

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

**METROGAS S.A.**  
**ANNUAL REPORT**

**6.3 Trust Fund**

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

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

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

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

**6.4 Municipal rates**

The regulatory framework in force and duly applicable to gas distribution, and the Provisional Agreement signed on March 26, 2014, contemplate the reallocation on tariffs of all new taxes or levies or rate increases, as well as and, under certain conditions, the free use of public space concerning the laying of natural gas pipelines.

As of the date of issuance of these financial statements, the Company has not been able to reallocate on tariffs the payments made to different municipalities of the Province of Buenos Aires and to the Autonomous City of Buenos Aires for these concepts. As of December 31, 2014 the total aggregate amounted to Ps. 234 million.

**6.5 Regulatory Authority**

The ENARGAS intervention originally stipulated by Executive Order No. 571/07 for a term of 180 days running was extended for equal periods; the last one being through Executive Order No. 2,704/14 from January 27, 2015.

**METROGAS S.A.****ANNUAL REPORT****7. CORPORATE GOVERNANCE**

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

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

**7.1 Authorities**

At MetroGAS' Shareholders Meeting and Board Meeting, on April 28, 2014, Mr. David José Tezanos González was appointed Company President, being an independent member. Mr. Marcelo Adrián Núñez was appointed 1st. Vice-president.

**7.2 Decision Making and Internal Control System**

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

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

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

**7.3 Sarbanes-Oxley Law**

MetroGAS is registered in the New York Stock Exchange and is compelled by requirements from the Securities and Exchange Commission ("SEC"). For this reason, the Sarbanes-Oxley Law is applicable to the Company's procedures. This Law, which was passed aiming at providing reasonable reliability for accounting and financial information, requires the CEO and the Director of Administration and Finance to sign an annual certification, where they state, among other things, that they are responsible for establishing, keeping and monitoring an appropriate internal control structure, making an annual report on the effectiveness of this internal control when issuing financial statements.

MetroGAS has already complied with the sections of this law applicable as from fiscal year ended on December 31, 2002 as well as with the provisions regarding management opinion about internal control as from the issuing of financial statements ended on December 31, 2007.

**METROGAS S.A.****ANNUAL REPORT**

In order to comply with all requirements stated by this Law on due date, MetroGAS has conformed a working team with personnel from the administration and finance area, from legal area and from the internal audit one, also counting on a high cooperation from those people responsible for processes of all the Company's areas. Moreover, the Company has hired the services of consulting firms to assist in the assessment of control and implementation of improvements.

This process is focused on the assessment of internal controls over the issuing of accounting information. As of this date, MetroGAS has performed the survey and documentation of processes, risks and controls, the assessment of the design and operation of controls and has implemented many remedy plans. On January 21, 2015, MetroGAS started due actions to withdraw their registration from the SEC which implies the cesation of their duty to report to this commission.

**7.4 Policy of Compensation to the Board of Directors and to Managerial Staff**

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

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

During 2014 a new assessment scheme managerial and leadership was implemented.

As of December 31, 2014, 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.

**7.5 Comprehensive Risk Management**

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

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

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

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

**METROGAS S.A.****ANNUAL REPORT****8.2. Gas purchase and transportation**

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

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

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

As from August 2008 a propane/air injection plant (PIPA, by its Spanish initials) was connected to MetroGAS's network. This plant makes it possible to inject an additional volume of up to 1.5 MMm<sup>3</sup>/day of natural gas equivalents, if this were required by demand in winter. In the course of 2009, PIPA operated only to inject test volumes into the distribution system. During the present fiscal year PIPA injected volumes of 9.08 MMm<sup>3</sup>.

On January 6, 2014, MetroGAS appeared at TGS's IDB Open Season 01/2013 in order to renew the transmission route contracts that expire on April 30, 2014 presenting the corresponding irrevocable offer.

On April 9, 2014 and April 10, 2014, ENARGAS Resolutions N° I/2853/14 and N° I/2852/14 were issued respectively, these resolutions established a new tariff scheme to be applied to TGS and TGN in three stages as from April 1, 2014, June 1, 2014 and August 1, 2014.

As of December 31, 2014, firm transportation capacity contracted up to the City Gate of MetroGAS' service area amounts to 24.33 MMm<sup>3</sup>/day, being 21.56 MMCM/day over TGS system and 2.77 MMCM/day over TGN system. It is noteworthy that the terms of validity are updated automatically in the case of contracted capacities with TGS, for annual periods, unless either party irrefutably manifested in its desire not to renew.

**METROGAS S.A.****ANNUAL REPORT****8.3 Customers and Market**

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

A summary of the Consolidated Income Statements for fiscal years ended on December 31, 2014 and 2013 is included below in order to reflect MetroGAS' seasonal variation of sales and its level of annual profitability.

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

2013 (thousands of pesos)					
For the quarters ended on					Total fiscal year
03-31	06-30	09-30	12-31		
Revenues	371,459	478,116	599,795	486,841	1,936,211
Gross profit (loss)	91,202	115,315	185,890	110,602	503,009
(Loss) Gain Operating income	(8,647)	(5,159)	105,219	(29,538)	62,875
(Loss) Gain before tax	694,673	(69,921)	19,328	(165,340)	478,740
Net (Loss) Gain	446,600	(48,953)	8,522	(149,339)	256,830

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

Sales to residential customers during 2014 and 2013 totaled 27.3% and 28%, of sales volume, respectively, and approximately 44.2% and 39.4% of net sales.

MetroGAS gas sales to residential customers increased by 83.8%, from Ps. 762,881 thousand to Ps. 1,402,139 thousand for the year ended on December 31, 2013 and 2014, respectively, mainly due to an increase in tariffs for the year ended December 31, 2014, as compared to the previous fiscal year, according to the Provisional Agreement signed on March, 2014, partially offset by decrease of the volumes delivered to this customer category by 11.3%.

**METROGAS S.A.**  
**ANNUAL REPORT**

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 24.3% of the total thermal power generated in the country's wholesale electricity market.

The growth of electric demand initiated in 2003 continued during 2014; however, the gas-based dispatch from MetroGAS's thermal generation park decreased by 2.7% with respect to 2013, due to an increased dispatch on the basis of liquid fuels on the grounds of new criteria adopted by CAMMESA ended year 2013 in its consideration of actual costs of different fuels, for purposes of obtaining an optimal dispatch and minimizing operating costs.

Sales of the transportation and distribution service to electric power plants accounted for 39.3 % and 41.5% of delivered gas volume in 2014 and 2013, respectively.

Gas sales and sales of the transportation and distribution service to industrial and commercial customers and to public entities accounted for approximately 11.4% and 10.4% of the Company's sales volume in 2014 and 2013 respectively.

As from July 2013, MetroGAS discontinued the processing of natural gas to obtain hydrocarbons at the General Cerri plant. Subsequently, for the period August-December 2013, an agreement was reached with Transportadora Gas del Sur ("TGS") to assign those hydrocarbons at the head of the TGS gas pipeline in exchange of a monthly rate. This agreement has been renewed for the period July-December 2014.

During 2014 all supply contracts with industrial customers, which expired during that same year, were renewed. According to preventive measures taken in the face of winter 2014, the policy developed in 2007 was still continued. This policy includes options that allow a more operational flexibility in the face of potential supply difficulties, extending this concept to all contracts to be renewed during that year.

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

The CNG market represented approximately 7.6% and 6.9% of the Company's sales volume during 2014 and 2013, respectively.

MetroENERGÍA's gas sales during the year ended on December 31, 2014 amounted to Ps. 1,383,993 thousand as compared of the previous fiscal year amounted to Ps. 725,938 thousand, represented 43.5% and 37.5% of the Company's sales volume This increase was mainly due to an increase in average prices and in a lesser extent on account of the 6.4% increase in delivered volumes.

**METROGAS S.A.****ANNUAL REPORT****8.4 Operation of the distribution system**

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

During 2014, approximately 10,713 new services were installed, decreasing by 14% compared to 2013. As regards works financed by third parties, the Company controlled the construction of 76.34 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 three years a) to reestablish the operating pressure of the 22 bar system, pressure that in some of its parts that had been reduced between a 15% and a 20% as a preventive measure, b) to solve and replace the necessary parts recommended in the assessment and c) to continue with confirming evaluations for the rest of the system.

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

Moreover and complying with the new regulation issued by the ENARGAS for gas transmission lines (Part O NAG 100), MetroGAS completed the basic inspection of 40%, according to the required in that regulation, 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 9,256 residential services have been replaced, among other actions intended for short-term maintenance of the distribution system.

The emergency call center registered an annual volume of approximately 64,350 claims, mainly about gas leaks, from which about 6,200 were classified by the Company as high priority treatment.

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

**8.5 Capital Investment**

The Company has optimized its capital investments, reducing them to levels that are compatible with the business continuity and the supply of a safe service in a short term. Detailed information on this issue is found in Exhibit "A" of these financial statements.

**METROGAS S.A.****ANNUAL REPORT****8.6 Customer care and Services**

During 2014, the area of Customer Care and Service was highly impacted due to tariff changes established by ENARGAS Resolution I/2851/2014 from April 7, 2014, and for the creation of the Register of Exceptions to the Redirection of Subsidies from the National Government, stipulated by ENARGAS Resolution I/2905.

This situation was basically verified by a greater number of customers who requested information at our customer care centers, an increase in the number of procedures related to change of ownership, submittance of sworn statements for exceptions to new tariffs and claims about invoicing considered to be wrongly issued by the Company, all of them concentrated in a short period of time.

In the face of tariffs changes, and an increase in our customers' demands, through different channels (Call Center, Commercial Offices, etc), the Company took a number of preventive measures, involving all the necessary strata, and assigning a vast quantity of resources, in order to maximize all efforts to meet such demand in the best possible way. Accordingly, the following actions were performed:

- Incorporated a new Interactive Voice Response device (IVR), with more options to assist customers when requesting information about tariff changes.
- Hired telephone and commercial operators and incorporated new positions for the incoming staff.
- Upgraded the telephone platform (equipment and software).
- Doubled incoming channels for calls.
- Remodeled the layout of the Quilmes and downtown offices, incorporating new customer care and service posts.
- Modified procedures to assist customers and expanded schedules at the corresponding offices and readjustment of cash procedures, security and insurance policy.
- Increased payment plans flexibility for our customers, in the face of the stipulated tariff changes.
- Created a specific process for receiving sworn statements and notifying the corresponding customers and new process of digitalization, filing and handling of documentation, in coordination with the ENARGAS.
- Reinforced the process of controlling and auditing gas meters reading and invoicing
- Electronic Invoicing. Implemented changes stipulated by the AFIP (Federal Administration of Public Revenue) in Resolution 3571.
- Incorporated explanatory information of all generated tariffs changes and of the Register of Excepted customers created on MetroGAS' website.

**METROGAS S.A.**  
**ANNUAL REPORT**

**8.7 Human Resources**

Company headcount as of December 31, 2014 totals 1,228 employees, from which 5 of them belong to MetroENERGÍA.

During 2014, the Company increased salaries according to the average market increase.

The process of Employment Management stood out as a consequence of a sustained level of activity to search for professionals in the technological, technical and engineering areas.

Development activities taken were focused on Engineering professionals aiming at fostering and strengthening this segment by hiring ad hoc candidates with rotation plans and training activities for developing skills and general knowledge of the business.

Other development initiatives included the Analysis and Detection of candidates' Potential and the Definition of the Plan of Replacement and identification of Critical Positions; as well as the improvement of Team Building meetings with Directors, Managers and Leaders so as to generate the necessary environment to build a shared vision as regards change management and work performance.

As regards training the main educational programs were focused on Quality Standards, the training of specialists in Information Systems, certification in the use of forklift trucks, hydraulic cranes and high pressure welding. Besides, it included training as regards Safety in an explosive atmosphere, training of operative internal auditors and of internal instructors and training in different modules from the information system for assets management.

Furthermore, over twenty technical and safety prevention activities were carried out; these were required by companies from different businesses, distributors, sub distributors and private entities.

Finally, a benchmarking study was carried out, among eighteen companies from different businesses, regarding the best practices related to human resources focusing on talent retention strategies.

**8.8 Health, Safety and Environment**

As regards the Management System of Security, Health and Environment certified under ISO standards 14001:2004 and OHSAS 18001: 2007, some activities were carried out aiming at the continuous improvement of the Management System by means of internal audits. As a result of a high level of compliance, it was possible to retain the certification for the said standards carried out by external audits by Det Norske Veritas in December 2, 3 and 4, 2014.

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

On the other hand, Galeno ART, during March and April, made a detailed inspections of MetroGAS' headquarters, buildings and branch offices verifying our commitment to and compliance with standards and procedures as regards risks and accidents prevention.

As a consequence of the visits paid by the Superintendence of Occupational Risks (SRT) to our buildings at the end of 2013, the implementation of improvement opportunities detected according to the schedule given was verified during the months of March, April and June 2014.

**METROGAS S.A.****ANNUAL REPORT**

The two compulsory Evacuation Drills of all building in the City of Buenos Aires were completed in compliance with Law 1346 from CABA (City of Buenos Aires), submitting the corresponding reports to Civil Defense.

Last December, the annual environmental drill for standard NAG 153 was carried out; its objective was to verify the procedure in case of odorant spillage in the odorization station of the Gutierrez City Gate, assessing, among other aspects, issues related to elements of personal protection and accidents prevention, also analyzing the series of calls made at the time of the spillage (personnel involved and time taken) and the treatment given to all generated residue.

There have been no fines or sanctions related to environmental issues, and no complaints have been received from any of the Company's customers, or from the community in general.

Finally, in April 2014 MetroGAS became a sponsor for the congress held by the Argentine Institute of Safety (IAS) in commemoration of the national safety day.

**8.9 Institutional Relationship**

The Company continued with its communication strategy oriented to all sectors of interest, aiming at consolidating positive features that public opinion sees in MetroGAS. Within this context, social image indexes accumulated during the previous period are maintained, emphasizing its focus on sensitive issues released by the means of communication.

During 2014 relationships with municipal executives related to service areas were intensified. Within the program of "Register of Exemptions", the Company has been working together with the Municipalities on increasing the number of personnel in charge of customer care and on setting up new reception points in different places of the areas covered by these municipalities.

In the institutional context, our presence was consolidated at the Gas Distributors Society (ADIGAS), the Professional Committee of Public Relations of the Argentine Republic, the IDEA Colloquium and the Argentine Institute of Petroleum and Gas (IAPG). Moreover, a stand was placed at the Avellaneda Industrial Exposition and the Governor of the Province of Buenos Aires, Daniel Scioli, attended it together with the most important national, provincial and municipal officers.

**8.10 Community Service Activities**

During 2014, MetroGAS continued having an active presence in the community by means of the security training programs for "Bomberos Voluntarios" (Volunteer Firemen) from Lanús, Tristán Suárez, San Vicente, Esteban Echeverría, Avellaneda and Ezeiza, for the Federal Superintendence of Firemen from the Federal Argentine Police and from the Metropolitan Police forces.

These activities were completed with prevention campaigns of monoxide related accidents, carried out together with the ENARGAS and the Directorate of Civil Defense of Municipalities such as Ezeiza, Lanús, San Vicente, Tristán Suárez and the Accidents Division of the Federal Superintendence of Firemen.

As regards the Support Program to technical schools, some activities were carried out at Escuelas Técnicas N° 10 "Fray Luis Beltrán", N° 14 "Libertad", N° 32 "General San Martín" and N° 33 "Fundición Maestranza El Plumerillo". Besides, we sponsored the 3rd "Feria de Ciencias de TecnoSalud" organized by the Government of the Autonomous City of Buenos Aires (Techno-Health Science Fair).

**METROGAS S.A.****ANNUAL REPORT**

Together with the Marketing Department, four projects of great local impact were developed:

- MetroGAS' award for the Rational Use of Energy organized with the "Programa Escuelas Verdes" (Green Schools Program) of the Government of the City of Buenos Aires (GCBA);
- Introductory Workshops to the Oil and Gas Industry addressed to Teachers from Technical Schools. These workshops were implemented together with the "Instituto Argentino del Petr leo y el Gas" IAPG (Argentine Institute of Oil and Gas);
- Workshops on monoxide carbon were continued. They were addressed to Elementary Schools from the MetroGAS' area and they were under the responsibility of the "Circuito Cultural Barracas".
- The artistic mural placed near MetroGAS' building in Barracas showed great progress. Its design and set up was in collaboration with the "Instituto Superior de Bellas Artes Manuel Belgrano" (Fine Arts Institute).

Additionally, we continued collaborating with the activities related to the Therapeutic Orchard that the Company set up next to the Psychopathology Service of the "Hospital de Pediatr a Pedro de Elizalde" where children with severe behavior problems go to get the right treatment for their recovery; and with the "Escuelita de Football" (a Football School) organized by the Church "Natividad de Mar a" aiming at integrating kids from squatter settlements and shanty towns in the church's neighborhood which is close to the Company's headquarters.

**9. DIVIDEND POLICY**

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

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

Pursuant to the terms and conditions of issuance of the Notes issued by MetroGAS as set forth under Note 17 these financial statements, any distribution of cash dividends shall be subject to prior redemption, payment or repurchase by the Company of at least U\$S 75 million principal amount of Class A Notes.

**METROGAS S.A.****ANNUAL REPORT****10. ISSUED CAPITAL STRUCTURE**

Issued Capital as of December 31, 2014 is composed of 569,171,208 common shares classified in three different categories; Class "A", "B" and "C", each having a one peso par value and entitled to one vote per share.

<b>Classes of shares</b>	<b>Subscribed, registered and paid-in</b> Thousands of Ps.
Class "A"	290,277
Class "B"	221,977
Class "C"	56,917
<b>Issued Capital as of December 31, 2014</b>	<b>569,171</b>

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

As of this date GASA shareholders are (i) YPF Inversora Energética S.A. ("YIESA") owner of 98%, and (ii) Operadora de Estaciones de Servicios S.A. ("OPESSA") owner of 2%. Accordingly, YIESA owns 50,620,701 Class A shares and 43,561,382 Class B shares, and OPESSA owns 1,913,532 Class A shares.

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

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

Class "B" shares represent 39% of the Common Stock. Of such percentage, 19% has been owned by Gas Argentino since the privatization process. The remaining 20% was sold at public offering and is owned by approximately 1,650 investors.

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

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

**METROGAS S.A.****ANNUAL REPORT****11. INCOME ALLOCATION PROPOSAL**

The Company's Board of Directors recommends approving as the Board of Directors' fees the amount of Ps. 2,128 thousand, which were allocated to the result of fiscal year 2014.

In the same way, the Company's Board of Directors recommends that the Shareholders' Meeting keeps in unappropriated retained earnings the net loss attributable to the fiscal year ended on December 31, 2014, that amounted to Ps. 631,420 thousand.

On December 31, 2014, the Company registered a negative shareholders' equity attributable to controlling interest of Ps. 210,186 thousand, being affected by regulations from Art. 96, S. 5° and Art. 96 of the Corporations Law.

**12. ACKNOWLEDGEMENT**

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

Autonomous City of Buenos Aires, February 25, 2015.

David Tezanos Gonzalez  
Presidente

**GENERAL SPECIFICATIONS:**

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

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

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

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

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

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
II.1.1.4 policy of selection, assessments and compensation of first line managers.		X		The Company counts on policies related to this recommendation approved by the Senior Management and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not approved by the Administrative Body. Moreover the Company counts on a Compensation Committee composed of 5 members of the Board, being 3 of them independent members who aim at safeguarding the compliance with the policies related to this recommendation.
II.1.1.5 policy of responsibility assignment to first line managers.		X		The Company counts on policies related to this recommendation approved by the Senior Management, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Administrative Body.
II.1.1.6 la supervision of replacement plans for first line managers.		X		The Company has a mechanism of Replacement Schemes Assessment, which was last applied in 2009, where possible replacements for Directorate and Management positions were assessed: It is considered a partial compliance as there is no official policy
II.1.1.7 policy of enterprise social responsibility.		X		The Company counts on policies related to this recommendation approved by the Senior Management, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Administrative Body.
II.1.1.8 policy of comprehensive risk management and internal control, and policy of prevention of fraud and dishonest practices.		X		The Company counts on policies related to this recommendation approved by the Senior Management, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Administrative Body. The Board of Directors quarterly monitors the Company's risk.
II.1.1.9 policy of ongoing training for members of the Administrative Body and for first line managers.		X		The Company counts on policies related to this recommendation approved by the Senior Management, and they are published on intranet, available for personnel consultation. Nevertheless, these policies are not formally approved by the Administrative Body. The Audit Committee has an annual training plan and invites the Board of Directors and the Senior Management to participate in it.

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

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
<p>II.3.2 The Administrative Body shows the results of its management taking into account the objectives set at the beginning of the term, so that shareholders may assess the fulfillment level of those objectives that contain both financial and nonfinancial aspects. Moreover, the Administrative Body presents a diagnosis about the level of compliance with the policies mentioned in Recommendation II, item II.1.1 and II.1.2: Give detail of the main aspects of the Shareholders' General Assembly assessment of the Administrative Body's level of fulfillment of objectives set and of its compliance with the policies mentioned in Recommendation II, items II.1.1 and II.1.2, indicating the date when the General Assembly was held where such assessment was presented.</p>		X		The Board of Directors records the results of the fiscal year in the Annual Report which is duly considered by the annual Assembly.
<p>Recommendation II.4: That the number of external and independent members constitute a significant proportion in the Administrative Body.</p>				
<p>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</p>	X			<p>The Company's Board of Directors is currently composed of 11 Directors appointed by the Shareholders' Assembly, within the limits set by the Company Bylaws; the number of members is considered suitable according to the given present circumstances.</p> <p>The Board of Directors includes 5 independent Directors and counts on the necessary Committees to carry out its mission in an effective and efficient way</p> <p>There are no Executive Directors in the Board of Directors.</p>
<p>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.</p>		X		<p>Although the Company does not count on a policy related to this recommendation, the Company complies with the standards of the CNV (Argentine National Securities and Exchange Commission) and of the SEC (Securities and Exchange Commission).</p>

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
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; 2 are non-independent ones.
II.5.1.2 chaired by an independent member of the Administrative Body,	X			Its chairman is an independent Director.
II.5.1.3 that counts on members who are qualified enough and who have the necessary experience on issues about human capital policies.	X			The members of the Committee are competent and experienced in human resources matters.
II.5.1.4 that meets at least twice a year.	X			
II.5.1.5 whose decisions are not necessarily binding on the Shareholders' General Assembly but have an advisory purpose as regards the selection of the Administrative Body's members.			X	The Compensation and Appointment Committee does not appoint or select members of the Board of Directors.
II.5. 2 Provided there is an Appointments Commission, it :				
II.5.2.1 verifies the annual revision and assessment of its rules of procedure and suggests changes to the Administrative Body for its approval,	X			It is explicitly considered in the Regulations in force of the Compensation and Appointment Committee.
II.5.2.2 suggests the criteria development (qualification, experience, professional reputation and ethics, among others) for selecting new members of the Administrative Body and first line managers,		X		The Compensation and Appointment Committee does not recommend any criteria to select members of the Board of Directors. The criteria to be considered for first line managerial level are being elaborated so as to be applied as from 2015.
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			X	The Compensation and Appointment Committee does not appoint

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
will compose the different Committees of the Administrative Body according to their background,				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			These functions are performed by different people.
II. 5.2.6 ensures that the curriculum vitae from members of the Administrative Body and first line managers will be available on the Issuer's web site, where there will be explicit record of the length of their term of office in the case of members of the Administrative Body,		X		The names of the members of the Board of Directors are published on the web page. Their curricula vitae are not included for confidentiality reasons.
II.5.2.7 confirms the existence of a replacement plan for members of the Administrative Body and for first line managers.		X		The Compensation and Appointment Committee's sole function is to deal with succession planning of first line managers. This succession planning for first line managers is being elaborated by the Human Resources Directorate.
II.5. 3 If relevant, add implemented policies carried out by the Issuer's Appointments Commission which have not been mentioned in the previous point.				NOT APPLICABLE
Recommendation II.6: To assess the convenience that members of the Administrative Body and/or members of the Supervisory Committee and/or of the Oversight Board work for different Issuers.		X		It is explicitly considered in the Regulations in force of the Compensation and Appointment Committee. The said assessment will be carried out during this fiscal year.
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		X		The Audit Committee has an annual Training Plan and invites the Board of Directors and the Senior Management to participate in its activities. Within the training activities developed during the year we can mention the following issues: <ul style="list-style-type: none"> <li>• Regulatory framework and tariffs</li> <li>• Functioning of the distribution system</li> <li>• Information systems</li> <li>• Commercial strategy, among others</li> <li>• SOX</li> <li>• CNV and IFRS Standards</li> <li>• Risk management.</li> </ul>

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
programs carried out during the year and their level of compliance.				
II.7.2. The Issuer encourages, by other means not mentioned in II.7.1, members of the Administrative Body and first line managers to keep a permanent training to supplement their education level so as to add value to the Issuer. Specify how it is done.		X		The Company's policies related to this recommendation refer to Managers. Members of the Administrative Body are not included.
<b>PRINCIPLE III. TO SUPPORT AN EFFECTIVE POLICY OF IDENTIFICATION, MEASUREMENT, ADMINISTRATION AND COMMUNICATION OF ENTERPRISE RISKS</b>				
Recommendation III: The Administrative Body has to count on a comprehensive Enterprise risk management policy and monitor its proper implementation.				
III.1 La The Issuer has Comprehensive Enterprise risk management policies (of fulfillment of strategic, operative and financial objectives, and objectives regarding accounting report, laws and regulations, among others). Give a description of the most relevant aspects of these policies.	X			The Company has a Business Risk Management Policy that is aligned with the best practices of risk management. It also counts on a Risk Management Committee, composed of the Company's Executive Directors and the Internal Audit's Director. This group is responsible for monitoring and implementing this policy. On a quarterly basis. MetroGAS' Board of Directors is notified of any critical issues related to risk management.
III.2 There is a Risk Management Committee within the Administration Body or the General Management. Notify of the existence of procedure manuals and give detail of the main risk factors which are specific to the Issuer and its activities and of implemented mitigating actions. If there is no such Committee, describe the supervision role of the Audit Committee as regards risks management. Moreover, specify the level of interaction between the Administrative Body or its Committees and the Issuer's General Management regarding comprehensive enterprise risk management.	X			See previous point.
III.3 There is an independent function within the Issuer's General Management that implements the comprehensive risk management policy ( Function of the Risk Management Officer or equivalent) Specify	X			The Controller Directorate is responsible for the communication and follow- up of the Risk Management process.
III.4 Comprehensive risk	X			The Policies are regularly evaluated,

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
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).				considering the best practices.
III.5 The Administrative Body informs in the financial statements and in the Annual Report, of the results of the supervision of risks management performed together with the General Management. Specify the main points of the concepts described above.	X			A note was included in the Financial Statements of fiscal year 2014 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			
IV.2 Within Internal Audit there is a function that reports to the Audit Committee or to the President of the Administrative Body and it is responsible of assessing the internal control system. Specify if the Audit Committee or the Administrative Body perform an annual assessment of the performance of the internal audit area and of the degree of independence of its professional practice, being understood that the professionals in charge of such function are independent from the rest of the operative areas and besides they comply with the requirements of independence as regards control shareholders or related entities who have a significant influence on the Issuer. In addition, specify if the Internal Audit's function performs in	X			There is an Internal Audit's function that reports to the Audit Committee and is responsible for assessing the Internal Control system. On an annual basis the Audit Committee assesses the performance of Internal Audit and its degree of independence. Internal Audit complies with the international standards for the professional practice of internal auditing issued by the Institute of Internal Auditors ("IIA")

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
compliance with the International Standards for the professional practice of internal auditing issued by the Institute of Internal Auditors. (IIA).				
IV.3 Members of the Audit Committee make an annual assessment as regards competence, independence and performance of External Auditors, appointed by the Shareholders' Assembly. Describe the relevant aspects of all procedures involved to carry out the said assessment.	X			<p>The Audit Committee annually assesses the external auditor's competence, independence and performance. In order to assess the external auditor's competence, work methodology and performance, the Audit Committee takes into account the following:</p> <ul style="list-style-type: none"> <li>a) Background of the Auditing Company,</li> <li>b) The sworn statement by public accountant submitted by the Partner in charge of the audit in compliance with the regulations of sect. 12 of Executive Order 677/2001.</li> <li>c) The guidelines of work methodology.</li> <li>d) The quality control policies submitted by the Auditing Company, including the working team who gives support in specific areas.</li> <li>e) The presentations made on main risks that were identified and assessed and their impact on the general planning of the audit and on the tasks performed by the said company.</li> </ul> <p>In order to assess the external auditor's Independence, the Audit Committee has:</p> <ul style="list-style-type: none"> <li>a) obtained a statement from auditors as regards their independence.</li> <li>b) made an assessment of the services rendered by the external auditor, verifying that none of these services compromises his independence.</li> </ul>
IV.4 The Issuer counts on a 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		<p>The Company counts on a policy regarding the rotation of partners of the auditing company, which stipulates that those partners shall rotate every 5 years. On the other hand, the Company considers it is not necessary to set a policy either of the rotation of External Auditing Company or of the members of the Supervisory Committee.</p>

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
PRINCIPLE V. TO RESPECT THE RIGHTS OF THE SHAREHOLDERS.				
Recommendation V.1: To ensure that shareholders have access to the Issuer's information.				
V.1.1 The Administrative Body encourages regular informative meetings with the shareholders coinciding with the presentation of intermediate financial statements. Specify the frequency and number of meetings held during the year.	X			Meetings are held with majority shareholders on a quarterly basis. Minority shareholders get the information by means of the Relevant Information Communications to the Stock Exchange.
V.1.2 The Issuer counts on mechanisms of information to investors and on a specialized area to take care of their concerns. Moreover, it counts on a web site that can be accessed by shareholders, and that provides an access channel so that they can make contact with one another. Give details.	X			<p>The Company has a specific office to receive shareholders in order to respond to their concerns and questions, except for the ones that may affect the strategy or future plans of the Company</p> <p>The Company issues reports on those matters it considers relevant so that shareholders, social bodies and control authorities may be well-informed.</p> <p>The Company has its own Website (<a href="http://www.metrogas.com.ar">www.metrogas.com.ar</a>); it is of free access and provides updated information and information of interest to different users (customers, suppliers, investors and public in general) in an easy way. Through this same channel the Company also receives questions and concerns from these users.</p>
Recommendation V.2: To encourage an active participation of all shareholders.				
V.2.1. The Administration Body adopts measures to encourage the participation of all shareholders in the Shareholders' General Assemblies. Specify, making a difference between measures imposed by law from the ones voluntarily offered by the Issuer to its shareholders.	X			The Company adopts the necessary measures to encourage attendance and participation of minority shareholders in assemblies. Among other measures taken, the announcement for calling shareholders' meetings is published in several newspapers with national circulation, a copy of which is distributed among holders of ADS's (American Depositary Shares) and the accounting information to be considered by shareholders is made available to them, not only in writing but also through the Web page. These measures are the ones imposed by law.
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			X	Although the Assembly does not have its Rules of Procedure up to this date, the Company is considering writing them.

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
Procedure				
V.2.3 Mechanisms implemented by the Issuer are applicable so that minority shareholders put forward different issues to be discussed at the Shareholders' General Assembly in compliance with what is stipulated by the regulations in force. Specify the results.	X			The Company accepts the participation of minority shareholders in accordance to regulations in force.
V.2.4 the Issuer counts on stimulus policies to increase the participation of the most relevant shareholders, such as institutional investors. Specify.			X.	The participation previously mentioned includes institutional investors once it is complied with the requirements set forth by regulations in force as regards the publicizing related to the participation and access to the information. Notwithstanding that, the Company counts on specific stimulus policies
V.2.5. At Shareholders' Assemblies where members of the Administrative Body are proposed to be appointed, and prior to the voting, the following is informed: (i) the opinion of each of the candidates as regards the adoption or not of a Corporate Governance Code; and (ii) the reasons to support such opinion.			X	Its compliance will be assessed at appointing the next Board of Directors.
Recommendation V.3: to guarantee the principle of equality between share and vote.	X			The Company Bylaws guarantee equality as each share gives the right to one vote. On the other hand, there have been no significant changes in the shareholding structure during the last 3 years.
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 20% of shares in the market complying with the recommended market share dispersion.
Recommendation V.6: To ensure that there is a transparent dividend policy				
V.6.1 The Issuer has a dividend distribution policy established in the Company Bylaws and approved by the Shareholders' Assembly, and it sets forth the conditions to distribute dividends in cash or in shares. Provided there is a policy,			X	The Company does not have a written policy as regards dividend distribution. However, until 2001 the Company paid dividends based on the results of each fiscal year, subject to investment plans, financial commitments undertaken by the Company, all these within a context of

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

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

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
changes,				Policy.
VII.2.4 defines and communicates the policy of retention, promotion, dismissal and suspension of key personnel.	X			The Compensation Committee's Rule of Procedure stipulates that the Committee is in charge, among other functions, of evaluating, revising and approving individual benefits including retirement agreements.
VII.2.5 Communicates the guidelines to establish retirement plans for the members of the Administrative Body and for first line managers of the Issuer.				NOT APPLICABLE
VII.2.6 Regularly reports to the Administrative Body and the Shareholders' Assembly on actions taken and on all issues analyzed at those meetings.		X		It finds out information (suggests/ advices) each time it is considered necessary and without any pre-established regularity.
VII.2.7 guarantees the presence at the Shareholders' General Assembly of the President of the Compensation Committee who approves compensations to the Administrative Body so that he explains the Issuer's policy as regards the redistribution of the members of the Administrative Body and first line managers.		X		The president of the Compensation Committee always attends the Shareholders' Assembly although it is not compulsory for him as he is not the President of the Company. He always attends meetings of the Board of Directors and of the Committees he chairs: the Compensation Committee and the Audit Committee
VII. 3 If relevant, indicate the policies applied by the Issuer's Compensation Committee that have not been mentioned in the previous point.				NOT APPLICABLE
VII. 4 In case there is no Compensation Committee; explain how functions described in VII.2 are carried out within the Administration Body itself.				NOT APPLICABLE
<b>PRINCIPLE VIII. TO ENCOURAGE ENTERPRISE ETHICS</b>				
<b>Recommendation VIII: To guarantee ethical behavior within the Issuer.</b>				
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 Conduct that stipulates that MetroGAS S.A. will, without exceptions, run its businesses in the most ethical way not only at an internal level but also as regards its relationship with customers, suppliers, registered gasfitters, contractors and government organizations complying with all the laws and regulations in force, with a total and absolute transparency towards its

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
				shareholders, investors, creditors, employees, customers, suppliers, registered gasfitters, contractors and the community. This Code of Conduct is applicable to the members of MetroGAS S.A. Board of Directors, the members of MetroGAS S.A. Supervisory Commission, Executive Directors, Managers and to all MetroGAS S.A. employees. In the same way, it is applicable to suppliers, contractors, representatives and any third party acting on behalf and /or order of MetroGAS S.A.
VIII.2 The Issuer counts on mechanisms to receive complaints for every illicit or unethical conduct, which can be made in person or through electronic means guaranteeing that all information given is subject to the highest standards of confidentiality and integrity, for registration and conservation purposes. Indicate if the service of reception and evaluation of complaints is rendered by the Issuer's personnel or by external and independent professionals in order to offer a higher degree of protection to the complainant.	X			The Company counts on different mechanisms to receive complaints, including an outsourced anonymous and confidential complaint line.
VIII.3. The Issuer counts on policies, processes and systems for the management and solution of complaints mentioned in VIII.2. Make a description of their most relevant aspects and indicate the degree of involvement of the Audit Committee as regards these solutions, especially of those complaints related to issues of internal control for accounting reports and to the behavior of members of the Administrative Body and first line managers.	X			The Company counts on a detailed protocol for the reception, management and disposition of all complaints received.
<b>PRINCIPIO IX: TO EXTEND THE SCOPE OF THE CODE</b>				
Recommendation IX: To encourage the inclusion of provisions that lead to the best practices of a good governance in the Company Bylaws.			X	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

	Compliance		Noncompliance <sup>3</sup>	Notify <sup>1</sup> or Explain <sup>2</sup>
	Total <sup>3</sup>	Parcial <sup>3</sup>		
				<p>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>

David Tezanos Gonzalez  
Chairperson

# **METROGAS S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014 AND 2013**

## TABLE OF CONTENTS

LEGAL INFORMATION.....	1
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	2
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME.....	4
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY.....	4
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	
1. GENERAL INFORMATION.....	6
2. ECONOMIC AND FINANCIAL POSITION AND REGULATORY FRAMEWORK.....	6
3. BASIS FOR PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	22
4. ACCOUNTING POLICIES.....	23
5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS.....	42
6. FINANCIAL RISK MANAGEMENT.....	45
7. FINANCIAL INSTRUMENTS.....	50
8. INTERESTS IN SUBSIDIARIES.....	52
9. SEGMENT REPORTING.....	53
10. PROPERTIES, PLANT AND EQUIPMENT.....	54
11. INVESTMENT PROPERTIES.....	55
12. TRADE RECEIVABLES.....	56
13. OTHER RECEIVABLES.....	57
14. CASH AND CASH EQUIVALENTS.....	58
15. SHAREHOLDERS' EQUITY AND ISSUED CAPITAL.....	59
16. OTHER TAXES PAYABLES.....	61
17. FINANCIAL DEBT.....	62
18. REORGANIZATION LIABILITIES.....	67
19. PROVISIONS.....	67
20. TRADE PAYABLES.....	68
21. SALARIES AND SOCIAL SECURITY.....	69
22. OTHER ACCOUNTS PAYABLE.....	70
23. REVENUES.....	70
24. EXPENSES BY NATURE.....	71
25. OTHER INCOME AND EXPENSES.....	71
26. NET FINANCIAL RESULTS.....	72
27. INCOME TAX AND MINIMUM PRESUMED INCOME TAX.....	72
28. NET RESULT PER SHARE.....	74
29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES.....	74
30. CONTRACTUAL COMMITMENTS.....	78
INFORMATIVE SUMMARY OF ACTIVITY.....	81
INDEPENDENT AUDITORS' REPORT	

## METROGAS S.A.

### CONSOLIDATED STATEMENTS AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

#### LEGAL INFORMATION

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

**Fiscal Year:** No. 23 (initiated on January 1, 2014).

**Consolidated Financial Statements** as of December 31, 2014 and comparatives.

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

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

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

**Last Amendment of the By-Laws:** April 30, 2013

**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 12.31.14:

Classes of Shares	Subscribed, Registered and Paid-in <i>(thousands of Ps.)</i>
Outstanding	
Common Certified Shares of Ps. 1 Par Value and 1 Vote each:	
Class "A"	290,277
Class "B"	221,977
Class "C"	56,917
<b>Issued Capital as of 12.31.14</b>	<b>569,171</b>

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, 2014 AND 2013 (stated in thousands of pesos)

	Notes	12.31.14	12.31.13
<b>Assets</b>			
<b>Non current Assets</b>			
Properties, plant and equipment	10	1,950,718	1,849,603
Deferred tax assets	27	4,620	1,107
Other investment		1,066	909
Investment properties	11	2,455	5,339
Other receivables	13	9,821	3,633
<b>Total Non current assets</b>		<u>1,968,680</u>	<u>1,860,591</u>
<b>Current assets</b>			
Trade receivables	12	658,855	339,257
Other receivables	13	80,046	28,558
Cash and cash equivalents	14	97,586	116,592
<b>Total Current assets</b>		<u>836,487</u>	<u>484,407</u>
<b>Total assets</b>		<u>2,805,167</u>	<u>2,344,998</u>
<b>Shareholders' Equity</b>			
Issued capital	15	569,171	569,171
Adjustment to issued capital		-	684,769
Legal reserve		-	45,376
Accumulated results (losses)		(779,357)	(878,082)
<b>Equity attributable to the owners of the parent</b>		<u>(210,186)</u>	<u>421,234</u>
Non-controlling interest		3,124	2,883
<b>Total Shareholders' Equity</b>	15	<u>(207,062)</u>	<u>424,117</u>
<b>Liabilities</b>			
<b>Non current Liabilities</b>			
Financial debt	17	1,336,709	952,726
Deferred tax liabilities	27	219,917	224,739
Reorganization liabilities	18	16,313	17,040
Other taxes payable	16	6,732	7,898
Provisions	19	69,518	58,304
<b>Total Non current Liabilities</b>		<u>1,649,189</u>	<u>1,260,707</u>
<b>Current Liabilities</b>			
Trade payable	20	1,014,456	461,589
Salaries and social security	21	100,581	61,010
Income tax and minimum presumed income tax ("MPIT") liability		7,196	32,269
Other taxes payable	16	102,838	94,157
Financial debt	17	109,067	398
Other accounts payable	22	28,902	10,751
<b>Total Current Liabilities</b>		<u>1,363,040</u>	<u>660,174</u>
<b>Total Liabilities</b>		<u>3,012,229</u>	<u>1,920,881</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>2,805,167</u>	<u>2,344,998</u>

The accompanying notes 1 to 30 are an integral part of and should be read together with these statements.

David Tezanos Gonzalez  
Chairperson

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

**METROGAS S.A.**

**CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(stated in thousands of pesos)

	Notes	For the years ended,	
		12.31.14	12.31.13
Revenues	23	3,184,474	1,936,211
Operating costs	24	(2,589,406)	(1,433,202)
<b>Gross profit</b>		<b>595,068</b>	<b>503,009</b>
Administration expenses	24	(335,371)	(228,647)
Selling expenses	24	(356,615)	(258,753)
Other income and expenses	25	6,700	47,266
<b>Operating (loss) income</b>		<b>(90,218)</b>	<b>62,875</b>
Finance income	26	18,310	25,526
Finance cost	26	(533,450)	(367,131)
<b>Net financial results</b>		<b>(515,140)</b>	<b>(341,605)</b>
Debt restructuring result	17	-	757,470
<b>Result before income tax</b>		<b>(605,358)</b>	<b>478,740</b>
Income tax and minimum presumed income tax	27	(25,821)	(221,910)
<b>Net result for the year</b>		<b>(631,179)</b>	<b>256,830</b>
Other comprehensive result		-	-
<b>Net and comprehensive result for the year</b>		<b>(631,179)</b>	<b>256,830</b>
<b>Net and comprehensive result for the year attributable to controlling interest</b>		(631,420)	254,936
<b>Net and comprehensive result for the year attributable to non-controlling interest</b>		241	1,894
<b>Net and comprehensive result for the year</b>		<b>(631,179)</b>	<b>256,830</b>
<b>Net result per share</b>			
Basic and diluted	28	(1.11)	0.45

The accompanying notes 1 to 30 are an integral part of and should be read together with these statements.

David Tezanos Gonzalez  
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 CHANGES IN SHAREHOLDER'S EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 *(stated in thousands of pesos)*

	Issued capital	Adjustment to issued capital	Legal reserve	Accumulated results	Attributable to the owners of the parent	Attributable to Non-controlling interest	Total Shareholders' Equity
<b>Balance as of December 31, 2012</b>	569,171	684,769	45,376	(1,133,018)	166,298	989	167,287
Net and comprehensive result for the year ended December 31, 2013	-	-	-	254,936	254,936	1,894	256,830
<b>Balance as of December 31, 2013</b>	569,171	684,769	45,376	(878,082)	421,234	2,883	424,117
Mandatory capital stock reduction, as decided by the General Shareholders' Meeting of April 28, 2014	-	(684,769)	(45,376)	730,145	-	-	-
Net and comprehensive result for the year ended December 31, 2014	-	-	-	(631,420)	(631,420)	241	(631,179)
<b>Balance as of December 31, 2014</b>	569,171	-	-	(779,357)	(210,186)	3,124	(207,062)

The accompanying notes 1 to 30 are an integral part of and should be read together with these statements.

David Tezanos Gonzalez  
Chairperson

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

## METROGAS S.A.

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (stated in thousands of pesos)

	<b>12.31.14</b>	<b>12.31.13</b>
<b>Cash Flows generated by operating activities</b>		
Net result for the year	(631,179)	256,830
Adjustments to reconcile net results to cash flows provided by operating activities		
Income tax and minimum presumed income tax	25,821	221,910
Income from sales of investment properties	(8,067)	-
Depreciation of properties, plant and equipment and investment properties	87,014	81,088
Net book value of disposals of properties, plant and equipment and investment properties	11,335	9,586
Charge on provisions	27,144	(30,013)
Debt restructuring result (2)	-	(770,360)
Net financial results	511,854	344,620
Changes in assets and liabilities		
Trade receivables	(333,463)	(86,700)
Other receivables	(55,101)	(11,388)
Deferred income tax assets	-	(356)
Trade payable	552,867	125,802
Other non current investments	-	(263)
Salaries and social security	39,571	11,724
Income tax and MPIT liability	(34,510)	(21,988)
Other taxes payable	7,515	36,445
Provisions	(468)	(42)
Other accounts payable	18,151	1,072
Reorganization liabilities	(516)	-
Income tax and minimum presumed income tax paid in the year	(24,719)	(5,257)
<b>Net cash flows generated by operating activities</b>	<b>193,249</b>	<b>162,710</b>
<b>Cash flows used in investing activities</b>		
Increase in properties, plant and equipment	(200,344)	(166,046)
Proceeds from sales of investment properties	8,295	-
<b>Net cash flows used in investing activities</b>	<b>(192,049)</b>	<b>(166,046)</b>
<b>Cash flows used in financing activities</b>		
Proceeds from loans	90,000	-
Payments of interests	(111,724)	(32,153)
<b>Net cash flows used in financing activities</b>	<b>(21,724)</b>	<b>(32,153)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(20,524)</b>	<b>(35,489)</b>
Cash and cash equivalents at the beginning of the year	116,592	153,208
Exchange differences on cash and cash equivalents	1,518	(1,127)
Cash and cash equivalents at the end of the year (1)	97,586	116,592
<b>Net decrease in cash and cash equivalents</b>	<b>(20,524)</b>	<b>(35,489)</b>

(1) As of December 31, 2014 and 2013, funds collected and pending to be deposited for Trust Funds, Resolution I-2621/2013 and Trust Fund Decree No. 2407 amount to Ps. 135,106 thousand and Ps. 77,273 thousand, respectively.

(2) Exclude debt restructuring expenses for Ps. 12,890 thousand as of December 31, 2013.

The main transactions that do not generate cash movements are described in Note 17.

The accompanying notes 1 to 30 are an integral part of and should be read together with these statements.

David Tezanos Gonzalez  
Chairperson

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

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

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

On November 2, 1994, the Argentine Securities Commission (“CNV”), pursuant to Resolution No. 10,706, authorized to public offering all the Company's outstanding shares that at such date composed the capital stock. American Depositary Shares (“ADSs”) were issued in the United States and were registered with the Securities and Exchange Commission (“SEC”). The Shares of the Company are listed on Buenos Aires Stock Exchange (“BCBA”) and its ADSs on the New York Stock Exchange (“NYSE”), respectively. On June 17, 2010, the NYSE informed that MetroGAS ADSs had been suspended from trading as a result of the Company's filing for reorganization proceeding. At the time of issuance of these financial statements the NYSE keeps the suspension of MetroGAS' ADSs trading. On January 21, 2015, MetroGAS started due actions to withdraw their registration from the SEC which implies the cessation of their duty to report to this commission.

MetroGAS' controlling shareholder is Gas Argentino S.A. (“Gas Argentino”) whose principal business is the investment. As of December 31, 2014, the controlling shareholder of Gas Argentino S.A. is YPF S.A. through its subsidiary YPF Inversora Energética S.A (“YIESA”).

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

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

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

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

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

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

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

Note 2.3.2 describes the evolution of the tariff renegotiation process carried out between the Company and the Argentine Government.

Since 2001 up to the present, the Company’s operation costs have increased much more than the increases of MetroGAS’ distribution margin established in the agreements mentioned in Note 2.3.2 not turning them enough to restore the company’s economic-financial situation.

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

Note 2.1 describes the MetroGAS’ Reorganization Proceeding.

On June 17, 2010, MetroGAS received notice of the Ente Nacional Regulador del Gas (“ENARGAS”), the gas regulatory agency, Resolution No. I-1.260, pursuant to which an interventor was appointed for the Company. The Intervention ended on May 31, 2013.

Note 2.2 describes the MetroGAS Intervention.

Changes in the country’s economic conditions and the amendments introduced by the Emergency Law by the end of 2001, have impacted on the Company’s economic and financial position, affected by the suspension of the original regime of tariff adjustment, added to the increase of operation costs in order to maintain the quality of service and the responsibilities assumed in the process of the Debt Reorganization exchange. Funds corresponding to the Letter of Understanding subscribed on November 21, 2012 with the ENARGAS and the Provisional Agreement subscribed on March 26, 2014 with the Unit for the Renegotiation and Analysis of Public Services Contracts (“UNIREN”) have not allowed, up to this date, to restore the economic and financial position of the Company.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

As of December 31, 2014, the Company recorded accumulated losses for Ps.779,357 thousand and kept a negative working capital of Ps. 526,553 thousand. As a consequence of the magnitude of accumulated losses registered as of that date, the Company registered a negative Shareholders’ equity attributable to controlling interest of Ps. 210,186 thousand, being subject to the provisions of Article 94, paragraph 5, and Article 96 of the Argentine Corporate Law.

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

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

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

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

#### **2.1 MetroGAS Reorganization Proceeding**

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

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

exchange for and lieu of payment of those claims, of two classes of notes (the “New Notes”) due December 31, 2018.

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

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

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

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

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

MetroGAS filed an appeal against the assessment of fees for the benefit of bankruptcy syndics, and at the same time held negotiations with such syndics, who accepted a payment of Ps. 4.5 million. As a result, the appeal against the assessment of fees was abandoned and an agreement was signed with bankruptcy syndics.

On December 13, 2013, the Registry of Real Estate of the Province of Buenos Aires recorded the lifting of the general restraining order on the disposition of property as ordered by the Court.

Also, the Company is currently holding negotiations with preferred creditors in relation to the payment of their respective claims, which are registered as of December 31, 2014 in “Reorganization liabilities”.

#### 2.2 MetroGAS’ Intervention

Following the Company’s filing to commence a reorganization proceeding (*concurso preventivo*) on June 17, 2010, MetroGAS was notified of Resolution No. I-1260 issued by the ENARGAS, which provided for the intervention and initiation of an integral corporate audit of MetroGAS which ended on May 31, 2013 with the issuance of the Resolution ENRG I-2587/13.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

#### **2.3 Regulatory Framework**

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

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

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

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

##### **2.3.1 Distribution License**

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

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

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

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

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

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

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

#### **2.3.2 Tariff Renegotiation**

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

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

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

The Emergency Law, which was originally to be due in December 2003, was extended several times until December 31, 2015. The terms for renegotiating licenses and public services concessions were also extended.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

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

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

On November 21, 2012, the Company, as well as the other gas Distribution Companies, except for Litoral Gas, subscribed an Agreement (“Agreement”) with ENARGAS, which in accordance with ENARGAS’ letter ENRG/SD/I 13,352 received on November 29, 2012, is in full force and effect. In such Agreement a fixed amount per invoice is agreed, stating a difference by customer category. The amounts collected in respect thereof by the Distribution Companies will be deposited in a trust fund called Fund for Gas Distribution Consolidation and Expansion Works (“FOCEGAS”) created to this effect and used to carry out infrastructure works, connection works, repowering, expansion and/or technological modification of the systems of gas distribution through network, security, reliability of the service and integrity of the network, as well as maintenance and any other related expense that may be necessary to provide the gas distribution public service, up to the amount of the funds actually available so as to be applied within the service area. On the other hand, gas distribution companies shall obtain the approval of the Execution Committee created under the trust fund to implement an Investment Plan of Consolidation and Expansion expressed in physical and monetary terms which guidelines shall be determined in the trust fund agreement to be entered into between the Company and Nación Fideicomisos S.A. The amounts that gas Licensees shall receive will be taken as a payment on account of the tariff adjustments stated in the License renegotiation agreements signed.

On November 29, 2012 ENARGAS Resolution No. 2407/12 was published in the Official Gazette, specifying that MPFIPyS Resolution No. 2000/05 had been complied with. As a consequence ENARGAS authorized Distribution Companies to collect the charge previously mentioned.

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

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

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

The Trust Fund Contract and the Operative Manual provide the general guidelines for the management of the deposited funds. Distribution Companies have to deposit, on a monthly basis, the amounts collected from customers together with a Sworn Statement which must be filed with ENARGAS and Nación Fideicomisos S.A. In addition, an annual Investment Plan of Consolidation and Expansion will have to be submitted to the Execution Committee for its approval. Upon obtaining approval thereof and of any modifications thereto, and once the Sworn Statement shall have been examined together with the progress of improvement works, the Execution Committee is responsible for approving the funds availability in order that Nación Fideicomisos may make the corresponding payments to suppliers for and on behalf of the Distribution Companies. Further, it is important to point out that the trust fund contract executed by MetroGAS contemplates the possibility of financing by Nación Fideicomiso S.A., provided that all those works that need financing shall have been stated in detail and approved by the Execution Committee. Such works shall be financed only with the Trust Fund Capital and only certain percentage of the collected net fixed amounts may be applied by the Distribution Company.

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

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

On December 18, 2013, the ENARGAS issued Resolution ENARGAS N°1-2767/13 by means of which stipulated that aiming at optimizing the processes of approval, execution, control and follow up of projects included in the “INVESTMENTS PLAN OF CONSOLIDATION AND EXPANSION”, each project will be under the category of “Works for Follow-up Protocol” or “Works by Certification of Advance”, being the latter ones executed and managed by Nación Fideicomisos S.A. in compliance with the FOCEGAS Trust Contract and its corresponding Operative Manual, and the “Works for follow-up Protocol” managed by MetroGAS, setting the payments to contractors who carried out tasks of the approved plan.

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

This modality which operated until December 31, 2014 and it allowed the normal development of the projects that compose the 2014 Works Plan.

On January 6, 2014 the Company submitted the 2014 Works Plan to the ENARGAS, including all information regarding works carried out according to the 2013 Plan and sent to Nación Fideicomiso S.A. the report of all expenses resulting from the alternative methodology of

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

advanced-funds; all of this was approved in March 2014. On November 14, 2014 the 2015 Works Plan corresponding to Reliability, Maintenance and Expansion was introduced.

On March 26, 2014, within the process of renegotiation of utilities contracts pursuant to Law No. 25,561 and supplementary rules, the Company signed a Provisional Agreement with the UNIREN, whereby a provisional tariff regime was agreed in order to obtain additional funds to those resulting from the enforcement of ENARGAS Resolution No. I/2407 dated December 27, 2012, that established the collection of a fixed amount per invoice depending on the customers' category, which should be transferred to a trust fund especially created for the execution of works. Besides, the Company hopes to reach a consensus with the National Government through the UNIREN as regards the conditions, terms and opportunity of subscribing the Comprehensive Letter of Understanding of Contractual Renegotiation, so as to facilitate the recovery of the Company's economic-financial situation.

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

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

The Provisional Agreement also provides that, from the execution date to December 31, 2015 (the date on which Law No. 25561 expires), the National Government through the UNIREN on behalf of the Grantor and the licensee shall reach a consensus with respect to the methodology, terms and timeline for the signing of the Comprehensive Letter of Understanding of Contractual Renegotiation.

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

Within this framework, new natural gas prices are established for Residential customers and for small general service customers for each of the production basins and user categories. These new prices will be applied by a mechanism of comparing consumption of same two-month/month period of current and previous year. Furthermore, a three-stage price revision is established to take effect on April 1, 2014, June 1, 2014 and August 1, 2014. For those customers that reduce their consumption over 20%, basin prices as of March 31, 2014 as per ES Resolution No. 1417/2008 will remain the same. While customers whose reduction in consumption is between 5% and 20% will have a special and lower basin natural gas price compared to the price applied to those customers not able to reduce consumption or whose reduction is below 5%.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

Through Note ENRG/SD No. 03097 dated April 7, 2014, ENARGAS notified Resolution No. I/2851, from the same date, wherein new tariff charts are approved and are stated to take effect on April 1, 2014, June 1, 2014 and August 1, 2014. Such charts display changes in the final tariff of residential and full general service customers. These include changes in the gas price at the transmission system entry point, as a result of the application of the new prices per basin established by the aforementioned ES Resolution No. 226/14, the transportation tariff as a consequence of the new tariff chart effective for gas transportation companies that reflect the terms of their 2008 signed provisional agreements establish, and MetroGAS’ distribution margin after the signing of the Provisional Agreement.

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

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

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

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

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

#### **2.3.3 Injunctions**

On October 9, 2014, notice was served on MetroGAS of an injunction ordered by the Judge of First Instance of Avellaneda, which provided for the urgent, unfailing and immediate suspension within the jurisdiction of Avellaneda of the tariff increases mentioned in Resolution SE 226/2014 and ENARGAS Resolution 2851/2014, and further instructed that future invoices should consider rates effective at March 31, 2014.

On October 10, 2014, MetroGAS filed a document with the intervening court claiming partial notification in detriment of the defense in court, incompetence and lack of legitimacy, and

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

requested the interruption of the deadlines to make appeals and the dismissal of the action as inadmissible.

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

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

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

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

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

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

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

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

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

#### **2.3.4 Unbundling of Natural Gas**

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

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

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

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

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

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

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

As pursuant to the Complementary Agreement with Natural Gas Producers as approved by SE Resolution No. 1,070/08, increases in the price of natural gas had to be fairly allocated to the different components of the user’s final tariff so as to guarantee that the distributors’ equation should remain unaltered after these increases, ENARGAS made the relevant tariff adjustments and issued, in the case of the Company, Resolution No. I/446/08 by which it approved a new tariff scheme reflecting the above mentioned tariff increases effective as from September 1, 2008, (October 1, 2008, in respect of CNG increases). However, the new tariff scheme did not provide for the tariff readjustment of the distribution segment.

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

#### **2.3.6 Procedure for Gas Applications, Confirmations and Control**

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

#### **2.3.7 New System for the Resolution of Consumption Conflicts**

Law 26,993 about Resolution of Consumption Conflicts, which partially amends Law 24,240 of Consumer Defense, was enacted on September 17, 2014. The new Law 26,993 establishes specific rules which will govern the administrative and judicial proceedings for claims based on the protection of user and/or consumer rights. Therefore, and depending on the amount and purpose of the claim, the Law determines: (i) a Prior Settlement System in Consumption Relationships for claims below the equivalent amount of 55 minimum, vital and mobile wages (“SMVM”) and, (ii) an audit in Consumption Relationships for claims about responsibility for damage, as provided for in Chapter X of Title I of Law 24,240, not above the equivalent value of 15 SMVM. Finally, Law 26,993 establishes the creation of a special jurisdiction which, through its own process regulations, will deal with claims made for non-fulfillment of Law 24,240, not above the value equivalent to 55 SMVM.

#### **2.4 Incentive Policies**

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

##### **2.4.1 “Plan Energía Total” (Total Energy Plan)**

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

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

In the same way, through ES Resolution No. 24/08, modified by ES Resolutions No.1,031/08 and 695/09, the government launched a program called “Gas Plus” in 2008 to encourage production of

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

natural gas in virtue of which every new gas volume produced under the said program shall neither be considered part of the volumes included in the 2007-2011 Agreement nor it shall be under its price conditions, however, it cannot be exported and its price has to cover associated costs and generate a reasonable profitability.

Within the framework of this Plan, ENARSA injects certain volumes for CNG filling stations above the volumes injected by producers according to the specific auctions carried out by Gas Electronic Market (“MEG”). On July 10, 2013, ENARGAS issued Resolution ENRG I-2,621/13 that provided that the regional distributors shall invoice the volumes injected by ENARSA on behalf of the latter together with the billing for the natural gas distribution and transportation service, and shall then render all accounts for the amounts thus invoiced. The Resolution specifically states that the higher costs that the invoicing on behalf of ENARSA generates to Distributors may not be passed through to consumers but they will eventually be covered within the framework of specific agreements that shall be negotiated and agreed between the Distributors and ENARSA resulting from that regulation. The operation in question applies to the volumes injected by ENARSA as from June 2013. As of the date of issuance of these financial statements no agreement was reached with ENARSA in relation to the higher costs.

#### **2.4.2 Program to Encourage the Surplus Injection of Natural Gas**

Resolution 1/2013 issued on January 18, 2013, by the Strategic Planning and Coordination Committee under the National Hydrocarbon Investment Plan (“CPCEPNIH”), approved the Program for the Promotion of Surplus Natural Gas Injection with the objective of encouraging gas producers to increase their gas injections to supply the domestic market through the acknowledgement of higher prices above those effectively charged, by means of a system of compensations to be provided by the National Government. By means of Resolutions 7/2013 and 8/2013 issued by the above mentioned Committee on July 4, 2013 (i) the deadline for adhering to the abovementioned Program, originally set for June 30, 2013, was extended until August 16, 2013, and (ii) a mechanism was approved for making advanced payments to producers of up to 75% of the compensation amounts due to them for their surplus injections of natural gas. By Resolution CPCEPNIH 32/2013, the deadline for adhering to the above Program was extended until October 4, 2013.

#### **2.5 Trust Funds**

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

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

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

#### **2.6 Municipal Rates**

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

As of the date of issuance of these financial statements the Company cannot pass through to its tariffs any payments made in respect thereof to certain municipalities in the Province of Buenos Aires and to the City of Buenos Aires (“CABA”), which as December 31, 2014 accumulated the sum of Ps. 234 million. The Company has assessed that these concepts should not be recorded as contingent assets in these financial statements.

The Company is still negotiating the pass through of these rates to tariffs in accordance with the Provisional Agreement approved, described in Note 2.3.2.

#### **2.7. Obligations and Restrictions Upon Privatization**

##### **2.7.1 Restricted Assets**

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

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

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

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

#### **2.7.2 Restrictions on the Distribution of Profits**

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

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

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

Pursuant to the terms and conditions of issuance of the Notes issued by MetroGAS as set forth under Note 17, any distribution of cash dividends shall be subject to prior redemption, payment or repurchase by the Company of at least U\$S 75 million principal amount of Class A Notes.

#### **2.7.3 Limitation on the Transferability of Gas Argentino Shares**

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

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

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

#### **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 IFRS issued by the International Accounting Standards Board ("IASB") for entities included in the public offer regime of Law No. 17,811 due to their capital stock or to their notes, or those that have applied to be included in said regime.

On January 24, 2012, in order to evaluate the applicability and impact of Interpretation No. 12 "Service Concession Arrangements" ("IFRIC 12") for registrant licensees of the public service of natural gas transport and distribution, as well as, their controlling companies, the CNV issued Resolution No. 600 extending the enforcement of the IFRS to the fiscal year beginning on January 1, 2013. Afterwards, on December 20, 2012, the CNV issued Resolution No. 613 establishing reasons and cause on which the licensees of the public service of natural gas transport and distribution and their controlling companies are not included in the scope of the IFRIC12. See "Critical Accounting Estimates and Judgments" in Note 5.

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

In accordance to what has been stipulated by professional accounting standards, applicable before adopting IFRSs, the Company has recognized the effects of the variations in the currency's purchasing power until March 1, 2003 and following the method of restatement stipulated by Technical Resolution N° 6 of the Argentine Federation of Professional Councils in Economic Sciences. As of that date, and in compliance with Executive Order N°664/03 from the Executive Power, the Company suspended the preparation of the financial statements in homogeneous currency.

IFRSs and specially IAS 29, "Financial Reporting in hyperinflationary economies", require to state financial statements in terms of the current measuring unit at the end of the reporting period, on condition that certain characteristics are given as regards the country's economic environment. Although it is suggested to start applying this mechanism in a generalized way, it is up to each entity to start doing so. The general interpretation for this issue is that a country's accounting profession should reach an agreement on the starting date of the application of this criterion. Within a similar conceptual framework of that of IAS 29 for handling inflationary effects on financial statements, the Argentine profession, based on international practices and aiming at giving the decision a general extent, established as a necessary condition for the restatement of financial statements of non-public entities, the existence of an accumulated inflation around or over 100% for a three-year period, measured according to the Domestic Wholesale Price Index ("IPIM") published by the National Institute of Statistics and Census (INDEC). The accumulated variation of the price index between December 31, 2011 and December 31, 2014 amounts to approximately 67%. On account of this, as of the closing of this fiscal year, that condition has not been reached, coinciding with one of the characteristics of a hyperinflationary economic environment stipulated in IAS 29.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

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

These consolidated financial statements have been approved by the Board of Directors for issuance on February 25, 2015.

#### **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, 2014, considering the aforementioned in Note 3.

##### **4.1 Basis of Preparation**

###### **4.1.1 Classification of Current and Non-Current**

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

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

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

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

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

###### **4.1.2 Presentation Currency**

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

###### **4.1.3 Accounting Criteria**

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 4.1.4 Cash Flows

The Company presents its cash flows from operating activities by the indirect method. Any interest paid is presented within financing activities. Any interest received is presented within investment activities.

#### 4.1.5 Use of Estimates

Preparation of financial statements as of a specified date requires that the Company makes estimates and judgments that affect the amount of recorded assets and liabilities and of contingent assets and liabilities disclosed at such date, as well as expenses and revenues for the fiscal year. Actual future results may differ from the estimates and assessments made at the date of preparation of these financial statements. More complex areas, which require professional judgment or significant assumptions and estimations, are described in Note 5.

#### 4.2 New issued standards and revised standards

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

##### *IFRS 14- Regulated Activities*

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

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

On May 2014, the IASB modified IFRS 11 “Joint Arrangements”, that is applicable to fiscal years started on or as from January 1, 2016, with earlier application permitted. This IFRS requires the acquirer of interests in a joint arrangement whose activity constitutes a business, as it is defined in IFRS 3 “Business Combinations”, to apply all accounting principles of the business combinations of IFRS 3 and other IFRSs, except those that come into conflict with this IFRS guides. Additionally, the acquirer shall reveal all the information required by the IFRS 3 and other IFRSs for business combinations.

This is applicable to initial acquisition of interests and subsequent acquisitions in a joint arrangement when it constitutes a business. It would not apply to the formation of a joint operation if all the parties that participate in this joint operation only contribute, at the time of the formation of the business, with assets or group of assets that do not represent a business.

These amendments would apply prospectively to those acquisitions of interest in joint arrangements when it constitutes a business, as it is defined in IFRS 3, for those acquisitions in

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

scope that occur on the effective date of these amendments. As a consequence, amounts recognized for acquisition of interests in joint arrangements that had occurred in previous periods would not be adjusted.

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

#### ***IFRS 15 – Revenues from Contracts with Customers***

In May 2014, the IASB issued IFRS 15 “Revenues from Contract with Customers”, applicable to fiscal years started on or as from January 1, 2017, with earlier application permitted.

The core principle in this IFRS is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

The standard specifies the accounting of an individual contract with a customer. However, in some cases a company may be able to apply this standard to a portfolio of contracts (or performance liabilities) with similar characteristics, if the company reasonably expects that the effects on the financial statements of applying this standard to the portfolio would not significantly differ from applying the requirements separately to each contract (or performance liability) of the portfolio. When accounting for a portfolio, an entity should use estimates and assumptions that reflect the portfolio’s size and composition.

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

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

In May 2014, the IASB modified IASs 16 and 38 “Property, Plant and Equipment” and “Intangible Assets”, applicable to fiscal years started on or as from January 1, 2016, with earlier application permitted.

Amendments to this standard clarify that revenue-based methods of depreciation are not appropriate as they do not reflect the pattern of economic benefits consumed from the use of the asset. Revenues coming from activities that include the use of an asset, generally reflect factors other than the consumption of the economic benefits inherent within that asset.

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

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

In June 2014, the IASB modified IASs 16 and 41 “Property, Plant and Equipment” and “Agriculture”, that is applicable to fiscal years started on or as from January 1, 2016, with earlier application permitted.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

Amendments require bearer plants to be accounted as property, plant and equipment and to be included in the scope of IAS 16 instead of IAS 41. Additionally, the produce growing on bearer plants will remain within the scope of IAS 41.

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

#### ***Amendments to IAS 27 - Separate Financial Statements***

In August 2014, the IASB modified IAS 27 “Separate Financial Statements”, that is applicable to fiscal years started on or as from January 1, 2016, to be applied retroactively, with earlier application permitted.

Amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in separate financial statements at cost, in accordance with IFRS 9, or using the equity method as described in IAS 28.

The same accounting option must be applied to each category of investments. Investments accounted for at cost or using the equity method will be account for in accordance to IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”; in those cases that these are classified as held for sale or distribution (or are included in an assets group classified as held for sale or distribution). Under these circumstances, the measurement of investments accounted for in accordance to IFRS 9 will not be modified.

Company’s directors do not expect the application of these amendments to IAS 26 will have a significant effect on the Company’s financial statements, as the Company has already been applying the equity method to measure investment in its controlled company under the CNV standards.

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

On September 2014, the IASB modified IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”, with an effective date for fiscal years on or as from January 1, 2016, in a prospective manner, with earlier application permitted.

Amendments to IFRS 10 determine that when a parent company loses control of a subsidiary that does not constitute a business, as defined in IFRS 3, as a result of a transaction involving an associate or a joint venture that is accounted using the equity method, the parent will determine the profit or loss resulting from the transaction and it will be recognized in the income statement of the reporting period of the parent only to the extent of the interest in that associate or joint venture of other investors not related to the investment entity. The remaining part of the profit will be eliminated against the book value of the investment in that associate or joint venture. Additionally, if the parent holds an investment in the former subsidiary and the latter is now an associate or a joint business that is accounted using the equity method, the parent will recognize the gain or loss coming from the new measurement at fair value of the investment held in that previous subsidiary in the results of the reporting period only in the extent of the interest in the new associate or joint

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

business of other investors not related to the investment entity. The remaining part of the profit will be eliminated against the book value of the investment held in the former subsidiary. If the parent holds an investment in the former subsidiary now accounted for according to IFRS 9, the amount of the profit or loss coming from the new measurement at fair value of the investment held in the former subsidiary will be recognized as a whole in the results of the parent’s reporting period.

Amendments to IAS 28 clarifies that the profit or loss resulting from a “downstream” transaction involving assets that constitute a business, in accordance with IFRS 3 between an entity (including its consolidated subsidiaries) and an associate or joint venture will be recognized as a whole in the financial statements of the investing entity.

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

#### *Annual improvements to IFRSs - Cycle 2012-2014*

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

<b>Standard</b>	<b>Amendment Objective</b>
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.	Introduces guidance in circumstances in which an entity has to account for the reclassification of an asset held for sale or for distribution when the entity no longer meets the criteria stipulated for its recognition.
IFRS 7 Financial Instruments: Disclosure	Introduces guidance for the entity to assess if a servicing contract represents a continuing involvement for the purpose of the disclosure requirements. On the other hand, the amendment clarifies that the additional disclosure required by the amendments to IFRS 7 is not specifically required for all interim financial statements.
IAS 9 Employee Benefits	Clarifies that with currencies which do not have a deep market for high quality corporate bonds, it will be necessary to use market yields (at the end of the reporting period) of government bonds denominated in this currency to assess the discount rate for liabilities of post-employment benefits.
IAS 34 Interim Financial Reporting	Extends the paragraph that describes the information to be disclosed on interim financial statements of the entity; the disclosure should be part of the interim financial statements or included as a cross-reference of the interim financial statements with other statement (as comments from the managerial level or risks reports). Users should have access to financial statements on the same basis and on the same terms as they have for accessing financial interim statements. If users do not have access to information included as a cross-reference on the same basis and on the same terms, interim financial information is incomplete. Users should have access to this information since the beginning of the fiscal year.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

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

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

In December 2014, the IASB issued amendments to IAS 1 which are effective for fiscal years started on or as from January 1, 2016, with earlier application permitted.

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

Materiality: an entity shall not reduce comprehensibility of financial statements by adding or disaggregating information in a way that hides useful information, for example by aggregating items that have different characteristics or disclose a lot of irrelevant details. When it is determined that the information is material, the IAS 1 requires assessing if the disclosure of that information is to be presented, and if additional information is required to meet the needs of the users or the disclosure objectives of this standard.

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

Additional subtotals:

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

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

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

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

Other comprehensive Incomes (OCI) arising from equity accounted investments: IAS 1: The amendments also clarify that the share of OCI of associates and joint ventures accounted for by using the equity method must be presented in aggregate as a single line item to be classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

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

Amendments to IFRS 10 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. The exemption is available when the parent of the investment entity measures its subsidiaries at fair value. The intermediate parent entity should also have to comply with other criteria for exemptions listed in IFRS 10.

Additionally, these amendments clarify that an investment entity must consolidate a subsidiary that is not itself an investment entity and that provides support services to the entity, thus acting as an extension of the operations of the investment entity. However, amendments also confirm that the subsidiary is itself an investment entity; the parent investing entity must measure its investment in the subsidiary at fair value with changes in the results. This criterion is necessary, whether the subsidiary provides support services to the parent entity or to third parties.

Amendments to IAS 28 allow a non-investment entity that has an interest in an associate or joint business that is an investment entity, to apply the equity method. The non-investment entity can either chose to retain the fair value measurement applied to the investment entity associate or joint venture, or to reverse the fair value measurement and instead consolidate the investment entity associate or business venture.

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

#### **4.3 Segment Reporting**

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

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

#### **4.4 Foreign Currency Conversion**

##### **4.4.1 Functional Currency and Currency of Presentation**

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 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, if applicable, including any estimated amounts of gas delivered but not yet billed at the end of each fiscal year or period. Revenues from gas distribution and transmission are recognized for accounting purposes at the time the service is provided. Any revenues derived from rate increases established by Resolution No. 2,407/12 as explained in Note 2.3.2 are recognized at the time of their accrual for billing to customers.

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

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

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

Also, MetroGAS, through its subsidiary MetroENERGÍA, acts in certain natural gas sale and purchase transactions to handle the purchase of gas from producers and clients. Based on the criteria set forth in IAS 18, which establishes the criteria for determining whether any transactions

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

are conducted as principal or agent, the Company believes that on the basis of the relevant facts and circumstances referred to in such standard, MetroENERGÍA acts as principal. Consequently, in respect of MetroENERGÍA operations, the sales made to customers must be separately reflected from any costs assumed for the purchase of gas from producers in the respective accounts of the statement of profit and loss and other comprehensive income, instead of recording the fee received by MetroENERGÍA for its intermediation activities.

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

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

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

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

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

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

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

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

to assets by the Company. Depreciation of these assets begins when they are economically fit ready for use.

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

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

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

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

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

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

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

costs to be incurred; and (iv) macroeconomic variables such as growth rates, inflation rates, exchange rates, among others.

When the carrying amount of an asset is higher than its estimated recoverable value, the carrying amount thereof is reduced to its recoverable value as described in Note 4.8.

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

#### **4.7 Investment Properties**

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

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

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

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

#### **4.8 Impairment test of non-current assets**

The Company reviews the book value of its property, plant and equipment and investment properties 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.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 4.9 Financial Assets

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

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

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

##### 4.9.1 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, 2014 and 2013, the Company's financial assets measured at their amortized cost are cash and cash equivalents, 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, 2014 and 2013, the Company's financial assets measured at their fair value through profit or loss are mainly mutual funds.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

#### **4.9.2 Recognition and Measurement**

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

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

#### **4.9.3 Impairment of Financial Assets**

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

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

The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the impairment loss is recognized in the consolidated statement of profit and loss and other comprehensive income. As a practical suggestion, the Company may measure the impairment on the basis of the fair value of an instrument using an observable market price. If in a subsequent period the amount of the impairment loss decreases, and such decrease is objectively related to an event occurring after impairment recognition (such as, for example, an upgrade of the debtor’s credit rating) the previously recognized impairment loss is reversed to the extent of the decrease in the consolidated statement of net comprehensive income.

#### **4.9.4 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.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

#### **4.10 Trade Receivables**

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

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

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

#### **4.11 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.

#### **4.12 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.

#### **4.13 Trade Payables**

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

The line items “Trust Funds” and “Trust Funds Decree No. 2,407” within this account include collected amounts which deposit was pending at the end of each year corresponding to any charges under Note 2.5. and 2.3.2, respectively.

#### **4.14 Other accounts payable**

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 4.15 Additional information on non-cash transactions

The principal non-cash transactions were related with interest capitalization as detailed in Note 17.

#### 4.16 Borrowing Costs

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

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

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

#### 4.17 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 and other comprehensive income, except to the extent that the tax relates to items recognized in other comprehensive income or directly in equity, in which case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

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

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

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

Argentine entities are subject to 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.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

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

#### **4.18 Salaries and Social Security**

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.

#### **4.19 Reorganization Liabilities**

The reorganization liabilities include any liabilities subject to the reorganization proceeding filed by the Company on June 17, 2012, as detailed under Note 2.1. Liabilities, under provision of IFRS 9, were valued at their amortized cost incorporating, when applicable, financial interest accrued until the date of filing of the reorganization proceeding, on which, according to Article 19 of the Argentine Bankruptcy Law, interest ceased to accrue. Foreign-currency denominated liabilities have been valued at the rate of exchange prevailing at the end of the fiscal year.

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 4.20 Financial debt

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

In order to account for the exchange of liabilities under the reorganization proceedings for new notes consummated on January 11, 2013 as described in Note 17 on financial indebtedness, the Company has applied the guidelines established by IFRS 9 – Financial Instruments: Recognition and Measurement.

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

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

#### 4.21 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.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

#### **4.22 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, 2014, 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.

#### **4.23 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.

#### **4.24 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 and adjustment to issued capital

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

value and any adjustment arising from monetary restatements made in accordance with Argentine GAAP on the transition date to the IFRS is recorded under Adjustment to issued capital.

In accordance with Argentine GAAP in force before the implementation of the IFRS, equity items were restated to reflect the effects of changes in currency purchasing power until March 1<sup>st</sup>, 2003, following the restatement method set forth by Technical Resolution No. 6 issued by the Argentine Federation of Professional Councils in Economic Sciences. As from such date on, and in compliance with Decree No. 664/03 issued by the Argentine Executive Power, the Company discontinued the preparation of financial statements in constant currency.

#### b) Legal reserve

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

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

#### 4.25 Net result per share

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

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 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:

- a) impairment of properties, plant and equipment;
- b) recognition of revenues and trade receivables;
- c) provisions;
- d) deferred income tax and minimum presumed income tax;
- e) application of IFRIC 12 “Service Concession Arrangements”.

##### 5.1 Impairment of properties, plant and equipment

The Company reviews the book value of its properties, plant and equipment as of the date of closing of each fiscal year in order to detect any indication that such assets may not be recoverable. Also, the Company assesses the book value of its long term assets based on the recovery value thereof from time to time, when any events or change of circumstances indicate that the carrying value of an asset is not recoverable. Indications of impairment to be observed in this analysis include, among others, any existing physical damage to or significant changes in the use of assets, deterioration in the expected level of asset performance or a significant drop in revenues. When an asset ceases to generate cash flows independently from other assets, the Company estimates the recoverable amount of the cash generating unit (“CGU”) that the asset belongs to.

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

If the recoverable amount of the assets of this CGU is lower than the carrying amount, the carrying amount of the respective asset or CGU is reduced to its recoverable amount. Impairment losses are immediately recognized in the statement of profit and loss and other comprehensive income.

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

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

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

#### 5.1.1 Impairment test for the fiscal year ended December 31, 2014.

For fiscal year ended on December 31, 2014, the Company has identified indicators of impairment and has carried out an impairment assessment of properties, plant and equipment in accordance with the IFRS. On the basis of this assessment, the property, plant and equipment book value has been compared to its recoverable value, determined as the present value of the future cash flow to be generated by those assets; this estimate was made by a weighting approach of different scenarios depending on their possibilities of occurrence. As the estimated discounted future cash flow value is higher than the book value of those assets, the Company determined that no impairment had occurred.

As regards relevant estimates used for the impairment assessment, has been taking into account (i) nature, opportunity, and length of the tariff renegotiation process with the Argentine Government, (ii) erosion of the operating result resulting from an increase in operating costs, (iii) an analysis to see how present results compare to forecasts for previous years, (iv) experience from impacts of the graduated tariff increase approved by the ENARGAS with different adjustments in the months of April, June and August 2014, taking into account the policy of reduction of consumption subsidies and differential prices depending on the tendency to consumption reduction that each consumer may have (v) experiences of another gas distributing company from the Buenos Aires metropolitan area (the main Argentine gas market), Gas Natural Fenosa, whose renegotiation agreement was approved by the Argentine Executive on April 10, 2006 (consequently implemented by ENARGAS on April 9, 2007 and on October 10, 2008) besides, it is the Licensee whose comprehensive tariff revision process is at the most advanced stage, and (vi) the consequences of the Provisional Agreement signed between the Company and the UNIREN in March 2014. Three possible scenarios have been evaluated and their occurrence probability has been estimated. Each one of these scenarios contemplates different assumptions as regards the critical variables. Additionally, every projection of cash flows has been prepared by taking into account the remaining term of the license, no possible extension thereof having been contemplated, which does not exceed the residual useful life of the Properties, plant and equipment.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

#### **5.1.2 Impairment test for the fiscal year ended December 31, 2013**

For fiscal year ended on December 31, 2013, the Company identified impairment indicators and made an impairment assessment of the properties, plant and equipment in compliance with the IFRSs. Based on such assessment, the books value of properties, plant and equipment was compared to the present value of the future cash flow to be generated by those assets; this estimate was made according to a probability approach. As the estimate of the discounted future cash flow value is higher, in those fiscal years, than the book value of those assets, the Company determined that no impairment had occurred.

#### **5.2 Revenue recognition and trade receivables**

Revenues are recognized on an accrual basis upon delivery to customers. This includes estimates of delivered gas or liquids amounts not yet billed at the end of each fiscal year, its transportation and distribution, if applicable. Amounts effectively delivered are estimated on the basis of purchased volumes and other historical data. Revenues related to the tariff increases established under Resolution No. 2407/12 as explained in Note 2.3.2 are recognized at the time they are accrued for billing to customers.

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

#### **5.3 Provisions**

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

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

#### **5.4 Deferred income tax and minimum presumed income tax**

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

In addition, the Company determines the Minimum Presumed Income Tax (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 minimum presumed income tax. However, if minimum presumed income tax 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 minimum presumed income tax that may arise for any of the ten subsequent fiscal years.

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

#### **5.5 Application of IFRIC 12 “Service Concession Arrangements”**

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

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

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

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

## **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.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

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 (Ps.) rate of exchange.

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

On the other hand, the Company's financial debt is denominated in U.S. dollars. It amounted to US\$ 156,418 thousand as of December 31, 2014, and to a nominal amount of US\$ 194,449 thousand.

As of December 31, 2014, the Company's net monetary liabilities position amounted to US\$ 148,339 thousand.

See Notes 12, 13, 14, 16, 17, 18, 20, 21 and 22 where describe the composition of currencies of each financial statement line.

The Company estimates that considering the accounting value of debts, each 10% increase or decrease of the Argentine peso – U.S. dollar exchange rate would give rise to a Ps. 134 million loss or profit before taxes. This is a hypothetical sensitivity analysis, as the real impact of such fluctuations might differ significantly and change in the course of time.

##### b) Interest Rate Risk

MetroGAS has a limited exposure to risks associated with interest rate fluctuations, because 100% of its financial indebtedness bears interest at a fixed rate.

On the other hand, the Company seeks to conduct financial transactions with top-level entities; these transactions include demand deposits and mutual fund investments. As of December 31, 2014, current investments in mutual funds and interest-bearing checking accounts amounted to Ps. 40,390 thousand. Such placements of funds bear interest at variable rates.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### c) Price Risk

The Company is not exposed to a commodity price risk in its gas distribution segment because the rates currently charged by MetroGAS to its customers are subject to regulation, and the regulatory framework contemplates a mechanism for the transfer of gas purchase costs to rates. (See Note 2.3)

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

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

#### 6.1.2 Credit Risk

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

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

Allowances for doubtful accounts are recorded (i) for the exact amount of any claims representing an individual risk (risk of bankruptcy, customers involved in legal proceedings against the Company); (ii) for claims other than those described in (i), provisions are recorded for customer segments taking into account the age of claims and historical charges for uncollectible amounts. According to the policy in force, the Company provides for 100% of any unpaid claims overdue for more than one year for MetroGAS and more than six months for MetroENERGÍA. Total overdue balances not covered by provisions for bad debts amount to Ps. 143,119 thousand as of December 31, 2014, and to Ps. 56,886 thousand as of December 31, 2013.

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

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

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

	Maximum exposure as of	
	12.31.14	12.31.13
Cash and cash equivalents	97,586	116,592
Trade receivables	658,855	339,257
Other receivables	89,867	32,191

As of December 31, 2014 and 2013, the allowance for doubtful accounts amounts to Ps. 28,983 thousand and Ps. 14,375 thousand, respectively. This provision represents the best Company’s estimate of losses incurred in relation to receivables.

Note 12 and 13 details the aging of trade receivables and other receivables, respectively.

#### 6.1.3 Liquidity Risks

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

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

As of December 31, 2014 MetroGAS recorded a negative working capital of Ps. 526,553 thousand.

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

- Bring claims for rate increases (including the transfer thereto of any municipal taxes) before Argentine authorities;
- Make efforts to achieve a strict cash management and expense control;
- Demand additional capital contributions from Company shareholders;
- Change payment terms with major suppliers; and
- Obtain funding from third parties.

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

No financial liability bears interest, other than Financial Debt. (See Note 17)

Maturities of financial assets are detailed in notes 12 and 13 and maturities of financial liabilities are detailed in notes 16, 17, 18, 20 and 22.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

On December 12, 2013, the Board of Directors of MetroGAS unanimously approved an agreement that contemplated the opening of a credit facility with YPF. YPF’s credit facility proposal has a BADLAR cost (around an annual rate of 19%) plus an annual 6% spread. YPF makes available to MetroGAS a “Non-Committed” credit facility for up to Ps. 180,000,000 for a period of 180 days as from the date of the proposal. MetroGAS may require such drawdowns as it may deem advisable according to its needs up to the maximum amount of the credit facility and for the above mentioned period, and may make partial or total advance payments without penalty. Finally, an annual 10% default interest will be applied in the event of default. As of December 31, 2014 the Company has made use Ps. 90,000 thousand of this facility.

#### 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 17 offset by cash balances and cash equivalents) and the Shareholder’s equity.

In the table below the debt rate as of December 31, 2014 and 2013 are detailed:

	<b>12.31.14</b>	<b>12.31.13</b>
Financial debt	1,445,776	953,124
Cash and cash equivalents	(97,586)	(116,592)
Net financial debt	1,348,190	836,532
Equity	(207,062)	424,117
Debt rate	-651%	197%

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 7. FINANCIAL INSTRUMENTS

The tables below show the amounts carried for financial assets and financial liabilities by category of financial instrument, and a reconciliation with the line shown in the statement of financial position, as it may correspond.

	<b>12.31.14</b>		
	Financial assets carried at amortised cost	Financial assets at fair value through profit or loss	Total financial assets
Trade receivables	658,855	-	658,855
Other receivables	89,867	-	89,867
Cash and cash equivalents	57,196	40,390	97,586
<b>Total</b>	<b>805,918</b>	<b>40,390</b>	<b>846,308</b>
	Financial liabilities carried at amortised cost	Financial liabilities at fair value	Total financial liabilities
Reorganization liabilities	16,313	-	16,313
Trade payable	1,014,456	-	1,014,456
Other accounts payable	28,902	-	28,902
Financial debt	1,445,776	-	1,445,776
<b>Total</b>	<b>2,505,447</b>	<b>-</b>	<b>2,505,447</b>
	<b>12.31.13</b>		
	Financial assets carried at amortised cost	Financial assets at fair value through profit or loss	Total financial assets
Trade receivables	339,257	-	339,257
Other receivables	32,191	-	32,191
Cash and cash equivalents	62,976	53,616	116,592
<b>Total</b>	<b>434,424</b>	<b>53,616</b>	<b>488,040</b>
	Financial liabilities carried at amortised cost	Financial liabilities at fair value	Total financial liabilities
Reorganization liabilities	17,040	-	17,040
Trade payable	461,589	-	461,589
Other accounts payable	10,751	-	10,751
Financial debt	953,124	-	953,124
<b>Total</b>	<b>1,442,504</b>	<b>-</b>	<b>1,442,504</b>

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 7.1 Determination of Fair Value

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

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

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

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

There are not financial liabilities subsequently measured at fair value.

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

The Company believes that the book value of its financial liabilities as recognized in its financial statements is near their respective fair value, with respect to financial debt related to negotiable obligations are approximately 8% below from their fair value.

Total profits for the fiscal year include a profit of Ps. 16,792 thousand and Ps. 15,849 thousand for years 2014 and 2013, 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	
	12.31.14	12.31.13
MetroENERGÍA	95%	95%

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

The company has used for the purposes of consolidation, the latest separate financial statements of MetroGAS and MetroENERGÍA as of December 31, 2014.

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.

The shareholders representing the Non-controlling interest decided, at the General Ordinary Shareholders’ Meeting, dated March 26, 2014, 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 S.A. arising as a result of the restructuring and/or refinancing of the outstanding debt is cancelled, pursuant to which the dividends approved to Ps. 57,341 thousand shall be paid in full to the major shareholder, MetroGAS.

According to what has been stated by MetroENERGÍA’s Boards of Directors in its meetings held on March 26, 2014 and December 9, 2014, taking into account cash availability and financial conditions of the business, dividends for Ps. 28,000 thousand has been assigned to MetroGAS, Ps. 8,000 thousand of which were cancelled in August 2014 and Ps.20,000 thousand were cancelled in December 2014, considering that the minority shareholder has quit collecting these dividends.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 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.

	<b>12.31.14</b>			
	MetroGAS	MetroENERGIA	Eliminations	Total
	Distribution	Trading		
Revenues	1,814,829	1,383,993	(14,348)	3,184,474
Operating (loss) income	(131,275)	102,990	(61,933)	(90,218)
Income on investments in companies	61,933	-	(61,933)	-
Finance income	9,974	8,336	-	18,310
Finance cost	(517,793)	(15,657)	-	(533,450)
Result before income tax	(639,094)	95,669	(61,933)	(605,358)
Income tax and minimum presumed income tax	7,674	(33,495)	-	(25,821)
Total net and comprehensive result for the year	(631,420)	62,174	(61,933)	(631,179)
Total assets	2,609,886	294,712	(99,431)	2,805,167
Total liabilities	2,820,072	232,227	(40,070)	3,012,229
Depreciation of PP&E and investment properties	(87,014)	-	-	(87,014)
Increase in PP&E	200,344	-	-	200,344
Investments in subsidiaries	59,361	-	(59,361)	-
	<b>12.31.13</b>			
	MetroGAS	MetroENERGIA	Eliminations	Total
	Distribution	Trading		
Revenues	1,224,201	725,938	(13,928)	1,936,211
Operating income	26,489	91,834	(55,448)	62,875
Income on investments in companies	55,448	-	(55,448)	-
Finance income	18,965	6,561	-	25,526
Finance cost	(357,457)	(9,674)	-	(367,131)
Result before income tax	445,467	88,720	(55,447)	478,740
Income tax and minimum presumed income tax	(190,531)	(31,379)	-	(221,910)
Total net and comprehensive result for the year	254,936	57,341	(55,447)	256,830
Total assets	2,219,360	188,588	(62,950)	2,344,998
Total liabilities	1,798,126	130,936	(8,181)	1,920,881
Depreciation of PP&E and investment properties	(81,088)	-	-	(81,088)
Increase in PP&E	166,046	-	-	166,046
Investments in subsidiaries	54,769	-	(54,769)	-

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

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

### METROGAS S.A.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

### 10. PROPERTIES, PLANT AND EQUIPMENT

MAIN ACCOUNT	ORIGINAL VALUE					DEPRECIATION				NET BOOK VALUE 12-31-14	NET BOOK VALUE 12-31-13
	AT BEGINNING OF YEAR	INCREASES	TRANSFERS	RETIREMENTS	AT END OF YEAR	ACCUMULATED AT BEGINNING OF YEAR	RETIREMENTS	INCREASES	ACCUMULATED AT END OF YEAR		
Land	15,654	-	-	-	15,654	-	-	-	-	15,654	15,654
Building and civil constructions	71,833	-	1,332	(1,165)	72,000	27,559	(1,165)	1,419	27,813	44,187	44,274
High pressure mains	296,067	-	24,551	(7)	320,611	199,800	(7)	4,849	204,642	115,969	96,267
Medium and low pressure mains	1,910,404	-	80,708	(5,962)	1,985,150	645,791	(3,312)	44,204	686,683	1,298,467	1,264,613
Pressure regulating stations	82,456	-	171	-	82,627	44,216	-	2,761	46,977	35,650	38,240
Consumption measurement installations	360,055	-	7,650	(5,072)	362,633	188,599	(3,067)	13,889	199,421	163,212	171,456
Other technical installations	55,189	-	4,025	-	59,214	48,231	-	844	49,075	10,139	6,958
Machinery, equipment and tools	30,797	-	1,603	-	32,400	27,374	-	689	28,063	4,337	3,423
Computer and telecommunications equipment	226,673	-	23,996	(461)	250,208	180,926	(455)	15,958	196,429	53,779	45,747
Vehicles	13,215	-	1,042	(615)	13,642	10,309	(615)	896	10,590	3,052	2,906
Furniture and fixtures	5,476	-	-	-	5,476	5,464	-	4	5,468	8	12
Materials	41,582	41,494	(23,000)	(10,962)	49,114	-	-	-	-	49,114	41,582
Gas in pipelines	214	-	-	-	214	-	-	-	-	214	214
Work in progress	77,276	158,850	(122,676)	-	113,450	-	-	-	-	113,450	77,276
Distribution network extensions constructed by third parties	67,454	-	598	-	68,052	17,575	-	1,420	18,995	49,057	49,879
Subtotal	3,254,345	200,344	-	(24,244)	3,430,445	1,395,844	(8,621)	86,933	1,474,156	1,956,289	1,858,501
Allowance for obsolescence of materials	(3,183)	1,766	-	34	(1,383)	-	-	-	-	(1,383)	(3,183)
Allowance for disposal of properties, plant and equipment	(5,715)	(2,727)	-	4,254	(4,188)	-	-	-	-	(4,188)	(5,715)
Total as of December 31, 2014	3,245,447	199,383	-	(19,956)	3,424,874	1,395,844	(8,621)	86,933	1,474,156	1,950,718	
Total as of December 31, 2013	3,103,668	159,227	-	(17,448)	3,245,447	1,322,738	(7,862)	80,968	1,395,844		1,849,603

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

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

### METROGAS S.A.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

### 11. INVESTMENT PROPERTIES

MAIN ACCOUNT	ORIGINAL VALUE			DEPRECIATION					NET BOOK VALUE 12-31-14	NET BOOK VALUE 12-31-13
	AT BEGINNING OF YEAR	DECREASE OF YEAR	AT END OF YEAR	ACCUMULATED AT BEGINNING OF YEAR	DECREASE OF YEAR	ANNUAL RATE	INCREASES	ACCUMULATED AT END OF YEAR		
Land	1,847	(1,118)	729	-	-	-	-	-	729	1,847
Building	5,971	(2,922)	3,049	2,479	(1,237)	2.00%	81	1,323	1,726	3,492
Total as of December 31, 2014	7,818	(4,040)	3,778	2,479	(1,237)		81	1,323	2,455	
Total as of December 31, 2013	7,818		7,818	2,359	-		120	2,479		5,339

As of December 31, 2014, the fair value amounted to Ps. 37,200 thousand.

The fair value of investment properties of the Company at December 31, 2014 was obtained by independent valuers not related to MetroGAS.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 12. TRADE RECEIVABLES

	<u>12.31.14</u>	<u>12.31.13</u>
<b>Current</b>		
Trade receivables	432,682	231,514
Unbilled revenues	218,205	110,877
Related parties	25,432	1,366
Tax on banking transactions to be recovered	10,530	9,875
Allowance for doubtful accounts	<u>(27,994)</u>	<u>(14,375)</u>
<b>Total Current</b>	<b><u>658,855</u></b>	<b><u>339,257</u></b>

The aging analysis of the trade receivables is as follows:

	<u>12.31.14</u>	<u>12.31.13</u>
-Past due		
under 3 months	81,174	37,476
from 3 to 6 months	39,253	5,620
from 6 to 9 months	23,434	6,107
from 9 to 12 months	7,447	2,051
from 1 to 2 years	6,464	5,056
more than 2 years	10,965	8,935
Subtotal	<u>168,737</u>	<u>65,245</u>
-Becoming due		
under 3 months	508,127	280,980
from 3 to 6 months	3,900	2,469
from 6 to 9 months	3,453	2,469
from 9 to 12 months	<u>2,632</u>	<u>2,469</u>
Subtotal	<u>518,112</u>	<u>288,387</u>
Allowance for doubtful accounts	<u>(27,994)</u>	<u>(14,375)</u>
Total	<b><u>658,855</u></b>	<b><u>339,257</u></b>

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

	<u>12.31.14</u>	<u>12.31.13</u>
Pesos	434,050	225,010
US Dollars (US\$)	<u>224,805</u>	<u>114,247</u>
<b>Total</b>	<b><u>658,855</u></b>	<b><u>339,257</u></b>

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

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

	<u>12.31.14</u>	<u>12.31.13</u>
<b>Balance at beginning of year</b>	14,375	15,447
Revaluation of foreign currency	5,066	-
Increases / recoveries (*)	13,865	6,148
Decreases	<u>(4,323)</u>	<u>(7,220)</u>
<b>Balance at end of year</b>	<b><u>28,983</u></b>	<b><u>14,375</u></b>

(\*) Charged to Doubtfull account expenses (see Note 24. Expenses by nature)

The Company has a broad range of customers, including residential, commercial, industrial (small and large) and government entities customers. When determining the recoverability of a trade receivable, the Company takes into account any changes in the credit quality of such account as from the date when credit was initially granted to the end of the reporting period. There is a limited concentration of credit risk because the Company has a large 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. Note 6.1.2 includes a description of the credit risk and the analysis carried out by the Company in connection with trade receivables.

### 13. OTHER RECEIVABLES

	<u>12.31.14</u>	<u>12.31.13</u>
<b>Non current:</b>		
Related parties	5,713	3,631
Social security and tax credits	3,866	-
Expenses paid in advance	<u>242</u>	<u>2</u>
<b>Subtotal non current</b>	<b><u>9,821</u></b>	<b><u>3,633</u></b>
<b>Current:</b>		
Advances to employees	318	233
Insurance paid in advance	3,585	196
Expenses paid in advance	4,095	1,035
Trust Fund Decree No. 2407	4,538	17,098
Social security and tax credits	15,492	200
Expenses recoverable	2,879	793
Related parties	2,688	615
Advances to suppliers	15,772	2,911
Advances and anticipated purchases of gas	21,708	-
Other receivables	9,960	5,477
Allowance for doubtful accounts	<u>(989)</u>	<u>-</u>
<b>Subtotal current</b>	<b><u>80,046</u></b>	<b><u>28,558</u></b>
<b>Total</b>	<b><u>89,867</u></b>	<b><u>32,191</u></b>

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

The aging analysis of the other receivables is as follows:

	<u>12.31.14</u>	<u>12.31.13</u>
-Past due		
under 3 months	1,493	4,661
from 3 to 6 months	325	134
from 6 to 9 months	276	156
from 9 to 12 months	287	171
from 1 to 2 years	393	415
more than 2 years	591	479
Subtotal	<u>3,365</u>	<u>6,016</u>
-Without due	<u>22</u>	<u>22</u>
-Becoming due		
under 3 months	42,396	21,690
from 3 to 6 months	10,837	478
from 6 to 9 months	19,315	266
from 9 to 12 months	5,100	86
from 1 to 2 years	242	2
more than 2 years	9,579	3,631
Subtotal	<u>87,469</u>	<u>26,153</u>
Allowance for doubtful accounts	<u>(989)</u>	<u>-</u>
<b>Total</b>	<b><u>89,867</u></b>	<b><u>32,191</u></b>

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

	<u>12.31.14</u>	<u>12.31.13</u>
Pesos	73,288	28,035
US Dollars (US\$)	15,922	4,156
Pound sterling	657	-
<b>Total</b>	<b><u>89,867</u></b>	<b><u>32,191</u></b>

#### 14. CASH AND CASH EQUIVALENTS

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

	<u>12.31.14</u>	<u>12.31.13</u>
Cash and banks	57,196	62,976
Mutual funds	40,390	53,616
<b>Total</b>	<b><u>97,586</u></b>	<b><u>116,592</u></b>

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

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

	<u>12.31.14</u>	<u>12.31.13</u>
Pesos	95,676	115,078
US Dollars (US\$)	1,809	1,431
Pound sterling	53	43
Euros	31	27
Reales	17	13
<b>Total</b>	<b><u>97,586</u></b>	<b><u>116,592</u></b>

As of December 31, 2014 and December 31, 2013, fund collected and pending to be deposit for Trust Funds and Resolution I-2621/2013 amount to Ps. 135,106 thousand and Ps. 77,273 thousand, respectively.

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

As of December 31, 2014, the capital stock of MetroGas amounts to Ps. 569,171 thousand, 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 (thousands of Ps.)
Outstanding:	
Common Certified Shares, of Ps. 1 Par Value and 1 Vote each:	
Class "A"	290,277
Class "B"	221,977
Class "C"	56,917
<b>Issued Capital at 12.31.14</b>	<b><u>569,171</u></b>

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

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

On November 2, 1994, the CNV through Resolution No. 10,706 authorized the listing of the total number of shares comprising the capital stock of the Company at such date. At the same time, ADSs were issued in the United States of America and registered with the Securities & Exchange Commission (“SEC”). The Company’s shares are traded on the Buenos Aires Stock Exchange (“BCBA”) and the ADSs are traded on the New York Stock Exchange (“NYSE”). On June 17, 2010, the NYSE informed that the MetroGAS ADSs had been suspended from trading on the NYSE as a result of the announcement of the filing of a petition for the Company’s reorganization proceedings on that date. At the time of issuance of these financial statements the NYSE keeps suspension of trading of its MetroGAS ADSs. On January 21, 2015, MetroGAS started due actions to withdraw their registration from the SEC which implies the cessation of their duty to report to this commission.

On August 1, 2013, YIESA, in compliance with Article 215 of the Corporate Law, transferred to OPERADORA DE ESTACIONES DE SERVICIOS S.A. (“OPESSA”) 1,638,246 ordinary shares, Class A, nominative non endorsable, each one of \$1 par value and entitled to one vote per share, representing 2% of Gas Argentino’s share capital.

MetroGAS’ shareholders have decided, at the Shareholders meeting held on the 28th of April of 2014, to proceed to a mandatory reduction of the company’s issued capital. Therefore, Accumulated results (losses) as of December 31, 2013 were partially affected against the Legal reserve for Ps. 45,376 thousand and against Adjustments to issued capital for the sum of Ps. 684,769 thousand, keeping a negative balance of Ps. 147,937 thousand in Accumulated results (losses) as of such date, which added to the negative balance in fiscal year ended December 31, 2014 of Ps. 631,420 thousand, show an accumulated balance of Accumulated results (losses) of Ps. 779,357 thousand as of December 31, 2014.

As a consequence of the important amount of accumulated losses, as of December 31, 2014, the Company registered a negative Shareholders’ equity attributable to controlling interest of Ps. 210,186, being affected by regulations from Art. 96, S. 5° and Art. 96 of the Corporate Law.

#### **15.1 Employee Stock Ownership Plan**

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

In addition, the Company’s By-laws provide for the issuance of profit sharing bonds as defined in Section 230 of Law No. 19,550 in favor of all regular employees, distributing 0.5% of the net earnings of each year among the beneficiaries of this program. Accrued amounts will be deductible

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

as expenses in the statement of profit and loss and other comprehensive income for each year, in so far as there are appropriated retained earnings.

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

Once Class “C” shares are fully paid, they may be converted into Class “B” shares at the request of the holders. The decision regarding the conversion of Class “C” shares must be taken by the holders of said Class “C” shares, acting as a single class. So long as the requirements set forth in this plan are not met, neither the By-laws of the Company nor the relevant shareholding percentages may be changed.

On March 6, 2008, the Board of Directors of MetroGAS approved the procedure for the conversion of the Class “C” shares into Class “B” shares requested by the ESOP Executive Committee by the note dated March 3, 2008.

On May 21, 2008, the CNV notified MetroGas that the transfer procedure is subject to the presentation of the National Government Resolution approving the payment of the purchase price balance of the Class “C” shares. The early cancellation was approved by the Ministry of Economy through Resolution No. 252 on August 22, 2008.

On December 30, 2008, the ESOP Executive Committee requested MetroGAS to suspend the conversion procedure presented before the CNV and the BCBA until further notice.

#### 16. OTHER TAXES PAYABLES

	<u>12.31.14</u>	<u>12.31.13</u>
<b>Non current:</b>		
Others taxes	6,732	7,898
<b>Total non current</b>	<u>6,732</u>	<u>7,898</u>
<b>Current:</b>		
Value added tax	2,992	21,569
GCABA study, revision and inspection of works in public space levy	41,390	28,973
GNC Tax	5,781	4,954
Turnover tax	11,270	6,365
Provincial and municipal taxes	37,921	29,140
Hydric infrastructure rate	2,335	1,515
Others taxes	1,149	1,641
<b>Total current</b>	<u>102,838</u>	<u>94,157</u>
<b>Total</b>	<u><u>109,570</u></u>	<u><u>102,055</u></u>

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

The aging analysis of other taxes payables is as follows:

	<u>12.31.14</u>	<u>12.31.13</u>
-Without due	<u>70,865</u>	<u>-</u>
-Becoming due		
under 3 months	31,100	85,607
from 3 to 6 months	291	2,850
from 6 to 9 months	291	2,850
from 9 to 12 months	291	2,850
from 1 to 2 years	1,205	987
more than 2 years	5,527	6,911
Subtotal	<u>38,705</u>	<u>102,055</u>
<b>Total</b>	<u><b>109,570</b></u>	<u><b>102,055</b></u>

### 17. FINANCIAL DEBT

	<u>12.31.14</u>	<u>12.31.13</u>
<b>Non current:</b>		
Negotiable Obligations	1,305,524	931,351
Negotiable Obligations related parties	31,185	21,375
<b>Total Non current</b>	<u><b>1,336,709</b></u>	<u><b>952,726</b></u>
<b>Current:</b>		
Negotiable Obligations Interest to be paid	825	398
Related parties	108,242	-
<b>Total Current</b>	<u><b>109,067</b></u>	<u><b>398</b></u>
<b>Total</b>	<u><b>1,445,776</b></u>	<u><b>953,124</b></u>

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

	<u>12.31.14</u>	<u>12.31.13</u>
Balance at beginning of year	953,124	-
Initial recognition Notes at fair value as of 11 January, 2013	-	646,996
Proceeds from YPF loan	90,000	-
Notes of Late Verification	142	-
Accrued interest at effective interest rate - Notes (1)	193,302	115,298
Accrued interest on YPF loan	18,242	-
Exchange loss	302,690	221,117
Interest payment	(111,724)	(30,287)
Balance at end of year	<u><b>1,445,776</b></u>	<u><b>953,124</b></u>

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

The aging analysis of financial debt is as follows:

	<u>12.31.14</u>	<u>12.31.13</u>
-Becoming due		
under 3 months	55,808	398
from 3 to 6 months	53,259	-
more than 2 years	1,336,709	952,726
Subtotal	<u>1,445,776</u>	<u>953,124</u>
<b>Total</b>	<u><b>1,445,776</b></u>	<u><b>953,124</b></u>

#### Negotiable Obligations

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

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

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

and in exchange for the Company’s non-financial debt:

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

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

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

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

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

	<b>For the year ended, 12.31.13</b>
Derecognition of the reorganization liability corresponding to verified and declared acceptable creditors	1,422,585
Cash payments of accrued interest between the 1/1/13 and 1/11/13	<u>(1,866)</u>
Subtotal	<u>1,420,719</u>
Initial recognition of Series A and B Notes at fair value (1)	(646,996)
Withdrawal of prescribed liabilities	(3,363)
Debt restructuring expenses	<u>(12,890)</u>
Debt restructuring income before taxes	<u><b>757,470</b></u>

(1) Includes Ps. 134,335 thousand of capitalized interest on Series A notes.

The New Notes are denominated in U.S. dollars and their principal amounts as of the date of issue were determined as follows: (i) a Class A Notes equivalent to 53.2% of the amount of the respective allowed or provisionally admitted unsecured claim, and (ii) Class B Notes equivalent to 46.8% of the amount of the respective allowed or provisionally admitted unsecured claim. In turn, two different series of New Notes were issued within each such class for the purpose of distinguishing unsecured claims derived from existing notes (Series L) from other unsecured claims (Series U). Also, the Company offered to pay on the issue date of the New Notes an amount equivalent to any interest that might have accrued on the above Class A New Notes as from January 1, 2011 to the issue date, at an annual nominal interest rate of 8.875%. Pursuant to the proposal and at the Company’s option, such interest accrued until December 31, 2012, has been capitalized. The principal of the New Notes will be repaid in full at maturity on December 31, 2018, in a lump sum payment. Class A New Notes will be payable pursuant to their terms as from their issue date. Class B New Notes be payable pursuant to their terms solely as from the date when (a) an acceleration of maturity of Class A New Notes results from the occurrence of certain events of default under the main terms and conditions of the New Notes, or (b) holders of not less than 25% of Class A New Notes, Series L, request in writing to the Debtor and trustee an acceleration of maturity of Class A New Notes as a result of the occurrence of certain events of default under the main terms and conditions of the New Notes (any of the events described in (a) or (b), a “Triggering Event”), provided such Triggering Event occurs: (i) within the first year counted as from the issue date of the New Notes, or (ii) on or before June 30, 2014, whichever is earlier (the “Deadline”). In the event that a Triggering Event has not occurred on or be the Deadline, then Class B New Notes shall be automatically cancelled and the Company shall have no debt outstanding thereunder. Class A New Notes shall bear interest on their outstanding principal amount at an annual nominal rate of 8.875% as from their respective issue date to the date of payment thereof, which interest shall be computed and paid pursuant to their terms and conditions. Class B New Notes shall bear interest on the principal amount of such Class B New Notes solely upon the occurrence of a Triggering Event before the Deadline and as from the time of occurrence of such Triggering Event. Such interest shall also accrue at an annual nominal rate of 8.875% as from the date of the Triggering Event to the date of payment of such Class B New Notes, which interest shall be computed and paid pursuant to their specific terms and conditions.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

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

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

No event of default has occurred as of December 31, 2014. During fiscal year 2014 the Company has complied with the terms and covenants established under the Offering Circular.

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

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

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

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

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

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

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

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

On July 25, 2013, MetroGAS issued:

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

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

On January 29, 2014, MetroGAS issued:

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

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

On July 17, 2014, MetroGAS issued:

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

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

#### Related parties

On December 12, 2013, the Board of Directors of MetroGAS unanimously approved an agreement that contemplated the opening of a credit facility with YPF. YPF’s credit facility proposal has a BADLAR cost plus an annual 6% spread. YPF makes available to MetroGAS a “Non-Committed” credit facility for up to Ps. 180,000,000 for a period of 180 days as from the date of the proposal. MetroGAS may require such drawdowns as it may deem advisable according to its needs up to the maximum amount of the credit facility and for the above mentioned period, and may make partial or total advance payments without penalty. Finally, an annual 10% default interest will be applied

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

in the event of default. As of December 31, 2014 the Company has made use Ps. 90,000 thousand of this facility.

#### 18. REORGANIZATION LIABILITIES

	<u>12.31.14</u>	<u>12.31.13</u>
<b>Non current:</b>		
Taxes payable	15,953	16,262
Trade payables	23	181
Salaries and social security	337	597
<b>Total Non current</b>	<u><b>16,313</b></u>	<u><b>17,040</b></u>

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

#### 19. PROVISIONS

Provisions	Civil, labor and other claims	Tax claims and other fines	Regulatory claims and interpretation disagreements	Total
<b>Balance at 12.31.13</b>	<b>37,877</b>	<b>9,027</b>	<b>11,400</b>	<b>58,304</b>
Increases of the year (*)	16,102	(7,332)	3,548	12,318
Decreases of the year	(1,007)	(97)	-	(1,104)
<b>Balance at 12.31.14</b>	<b>52,972</b>	<b>1,598</b>	<b>14,948</b>	<b>69,518</b>

(\*) Charge to Other income and expenses (see Note 25).

##### 19.1 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, 2014, the Company recorded a provision of Ps. 52,972 thousand, of which Ps. 27,883 thousand correspond to labor lawsuits and Ps. 17,459 thousand to civil liability claims for damages, while Ps. 7,630 thousand corresponds to mediation proceedings.

##### 19.2 Tax claims and others fines

As of the date of issuance of these financial statements, the Company claims keeps due to the increase rates of turnover taxes of the Province of Buenos Aires, which amount to Ps. 1,598 thousand as of December 31, 2014.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 19.3 Regulator claims and interpretation disagreements

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

During the fiscal year ended December 31, 2014, the Company recorded provisions for any such disagreements of Ps. 3,548 thousand and as of that date it accumulated Ps. 14,948 thousand.

#### 20. TRADE PAYABLES

	<u>12.31.14</u>	<u>12.31.13</u>
Gas and transportation creditors	457,342	187,097
Other purchases and services creditors	106,024	77,117
Trust Fund Decree No. 2407	2,200	-
Trust Funds	132,750	77,147
Related parties	315,984	120,102
Resolution I-2621/2013	156	126
<b>Total</b>	<b><u>1,014,456</u></b>	<b><u>461,589</u></b>

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

	<u>12.31.14</u>	<u>12.31.13</u>
Pesos	836,775	388,536
U\$S	176,322	72,963
Euros	146	90
Pound sterling	1,213	-
<b>Total</b>	<b><u>1,014,456</u></b>	<b><u>461,589</u></b>

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

The aging analysis of the trade payables is as follows:

	<u>12.31.14</u>	<u>12.31.13</u>
-Past due		
under 3 months	350,686	147,124
from 3 to 6 months	134,752	54,575
from 6 to 9 months	7,979	17,780
from 9 to 12 months	8,137	12,469
from 1 to 2 years	52,353	-
more than 2 years	6,074	90
Subtotal	<u>559,981</u>	<u>232,038</u>
-Becoming due		
under 3 months	454,435	229,551
from 6 to 9 months	40	-
Subtotal	<u>454,475</u>	<u>229,551</u>
<b>Total</b>	<u><b>1,014,456</b></u>	<u><b>461,589</b></u>

### 21. SALARIES AND SOCIAL SECURITY

	<u>12.31.14</u>	<u>12.31.13</u>
Salaries	15,777	6,429
Social security	18,683	13,514
Related parties	7,691	5,249
Vacation provision	36,679	22,855
Bonus provision	21,009	12,819
Others	742	144
<b>Total</b>	<u><b>100,581</b></u>	<u><b>61,010</b></u>

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

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

	<u>12.31.14</u>	<u>12.31.13</u>
-Becoming due		
under 3 months	73,025	60,851
from 3 to 6 months	9,121	-
from 6 to 9 months	9,121	-
from 9 to 12 months	9,314	159
Subtotal	<u>100,581</u>	<u>61,010</u>
<b>Total</b>	<u><b>100,581</b></u>	<u><b>61,010</b></u>

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 22. OTHER ACCOUNTS PAYABLE

	<u>12.31.14</u>	<u>12.31.13</u>
Directors fees	164	-
Payables for works on behalf of third parties	22,760	8,475
ENARGAS' Fines	2,276	2,276
GCBA' Fines	3,605	-
Miscellaneous	97	-
<b>Total</b>	<b><u>28,902</u></b>	<b><u>10,751</u></b>

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

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

	<u>12.31.14</u>	<u>12.31.13</u>
-Without due	<u>2,276</u>	<u>10,751</u>
-Becoming due		
under 3 months	14,552	-
from 3 to 6 months	11,743	-
from 6 to 9 months	199	-
from 9 to 12 months	132	-
Subtotal	<u>26,626</u>	-
<b>Total</b>	<b><u>28,902</u></b>	<b><u>10,751</u></b>

#### 23. REVENUES

	<b>For the years ended,</b>	
	<u>12.31.14</u>	<u>12.31.13</u>
Gas sales	1,543,220	871,776
MetroENERGÍA's gas sales and transportation	1,376,751	721,209
Transportation and distribution services	216,983	227,853
Other sales	37,757	37,114
Natural gas liquids processing	2,521	73,530
MetroENERGÍA's other revenues	7,242	4,729
<b>Total</b>	<b><u>3,184,475</u></b>	<b><u>1,936,211</u></b>

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 24. EXPENSES BY NATURE

	For the years ended,				12.31.13
	12.31.14			TOTAL	
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	TOTAL
Payroll and other employees benefits	145,361	139,167	105,354	389,882	284,941
Social security contributions	31,047	23,165	22,839	77,051	56,951
Cost of natural gas	1,973,494	-	-	1,973,494	871,130
Transportation of natural gas and processed natural gas	229,505	-	-	229,505	205,840
Directors' and members of Supervisory committee fees	-	2,128	-	2,128	1,647
Fees for professional services	283	10,154	721	11,158	9,078
Sundry materials	9,623	-	-	9,623	10,671
Fees for sundry services	24,575	20,060	51,531	96,166	70,518
Post and telephone	601	3,771	37,257	41,629	29,643
Leases	79	1,822	2,486	4,387	3,749
Transportation and freight charges	-	5,979	-	5,979	2,969
Office materials	732	2,357	582	3,671	2,898
Travelling expenses	632	544	310	1,486	1,237
Insurance premium	-	9,347	24	9,371	8,197
Fixed assets maintenance	64,236	45,842	1,499	111,577	85,076
PP&E and Investment properties depreciation	69,628	17,386	-	87,014	81,088
Taxes, rates and contributions	37,508	52,730	97,735	187,973	163,568
Publicity	-	-	4,816	4,816	2,205
Doubtful accounts	-	-	13,865	13,865	6,148
Bank expenses and commissions	-	548	16,358	16,906	12,928
Others expenses	2,102	371	1,238	3,711	10,120
Total as of December 31, 2014	<u>2,589,406</u>	<u>335,371</u>	<u>356,615</u>	<u>3,281,392</u>	
Total as of December 31, 2013	<u>1,433,202</u>	<u>228,647</u>	<u>258,753</u>		<u>1,920,602</u>

The expenses included in the above table are net of the Company's own expenses capitalized in properties, plant and equipment for Ps. 15,028 thousand at December 31, 2014 and for Ps. 12,837 thousand at December 31, 2013.

#### 25. OTHER INCOME AND EXPENSES

	For the years ended,	
	12.31.14	12.31.13
Leases	810	1,716
Result from sales of Investment Properties	8,067	-
Publicity	678	672
Other income	6,515	678
Revenues from rendering services to Controlling Company	2,948	1,220
Increases (recoveries) in provisions for contingencies	(12,318)	42,980
<b>Total</b>	<b><u>6,700</u></b>	<b><u>47,266</u></b>

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### 26. NET FINANCIAL RESULTS

##### Finance income

	For the years ended,	
	12.31.14	12.31.13
Financial assets at fair value	16,792	15,849
Other holding results	-	3,118
Interest on financial operations	-	6,553
Exchange difference on cash and cash equivalents	1,518	-
Exchange difference on financial operations	-	6
	<u>18,310</u>	<u>25,526</u>

##### Finance costs

	For the years ended,	
	12.31.14	12.31.13
Exchange difference on financial debt	302,690	230,949
Accrued interest on notes	193,302	115,302
Accrued interest on YPF loan	18,242	-
Others	19,216	20,880
	<u>533,450</u>	<u>367,131</u>

#### 27. INCOME TAX AND MINIMUM PRESUMED INCOME TAX

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

##### MetroGAS

##### Deferred income tax assets

	Trade receivables	Provisions	Others	Total deferred tax assets
Balances at 12.31.13	81,298	21,235	(59)	102,474
Movements of the year	4,892	2,683	5	7,580
Balances at 12.31.14	<u>86,190</u>	<u>23,918</u>	<u>(54)</u>	<u>110,054</u>

##### Deferred income tax liabilities

	Properties, plant and equipment	Financial debt	Others	Total deferred tax liabilities	Total net deferred tax liabilities
Balances at 12.31.13	(225,430)	(101,389)	(394)	(327,213)	(224,739)
Movements of the year	9,234	(12,431)	439	(2,758)	4,822
Balances at 12.31.14	<u>(216,196)</u>	<u>(113,820)</u>	<u>45</u>	<u>(329,971)</u>	<u>(219,917)</u>

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

#### MetroENERGÍA

#### Deferred income tax assets

	Trade receivables	Others	Total
Balances at 12.31.13	1,645	(538)	1,107
Movements of the year	3,625	(112)	3,513
<b>Balances at 12.31.14</b>	<b>5,270</b>	<b>(650)</b>	<b>4,620</b>

The net consolidated position as of December 31, 2014 accounted for a deferred income tax asset amounting to Ps. 4,620 thousand, as regards MetroENERGÍA, and a deferred income tax liability amounting to Ps. 219,917 thousand, as regards MetroGAS, and as of December 31, 2013; a deferred income tax asset amounting to Ps. 1,107 thousand, as regards MetroENERGÍA, and a deferred income tax liability amounting to Ps. 224,739 thousand, as regards MetroGAS.

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,	
	12.31.14	12.31.13
Income tax expense on pre tax income	211,875	(167,559)
<u>Tax effect due to:</u>		
Non deductible expenses and non taxable income	(1,026)	(2,065)
Tax loss carry forwards not recognized	(239,522)	(34,422)
Minimum presumed income tax recognized	2,852	(17,864)
<b>Total income tax charged to results</b>	<b>(25,821)</b>	<b>(221,910)</b>

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

	For the years ended,	
	12.31.14	12.31.13
Income tax determined for fiscal purposes MetroGAS	239,522	(29,652)
Income tax determined for fiscal purposes MetroENERGÍA	(37,008)	(31,735)
Temporary differences	8,335	(111,359)
2012 Tax loss adjustment	-	3,122
Minimum presumed income tax recognized	2,852	(17,864)
Tax loss carry forwards not recognized	(239,522)	(34,422)
<b>Total income tax charged to results</b>	<b>(25,821)</b>	<b>(221,910)</b>

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

The remaining tax losses carry-forward as of December 31, 2014 amounted to Ps. 306,812 thousand, considering the current fiscal year result, and were not recognized in the financial statements at the end of the year. That tax loss carry-forward could be offset against future results expiring Ps. 67,290 thousand in 2017 and Ps. 239,522 thousand in 2019.

As of December 31, 2014, the Company has not determined minimum presumed income tax since assets are not considered to have potential to produce taxable income subject to this tax in the current year. In addition, the tax credit on minimum presumed income tax not recognized in the financial statements as of December 31, 2014 amounted to Ps. 113,553 thousand, expiring between the years 2014 and 2024.

#### 28. 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:

	<b>For the years ended,</b>	
	<b>12.31.14</b>	<b>12.31.13</b>
Net and comprehensive result for the year attributable to controlling interest	(631,420)	254,936
Average of common shares outstanding	569,171	569,171
Net basic and diluted result per share	(1.11)	0.45

#### 29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

There are, at the same time, agreements for the rendering of Professional Services provided by MetroGAS to MetroENERGÍA and Gas Argentino related to administrative, accounting, tax, financial, and legal aspects and all those that contribute to the common operations of MetroENERGÍA and Gas Argentino, whose value has been fixed according to reasonable market guidelines for this kind of services.

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

Furthermore, on May 3, 2012, the National Congress enacted Law No. 26,741, which declared of public utility and subject to expropriation the 51% of the equity of YPF represented by an equal

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

percentage of Class D shares owned, directly or indirectly, by Repsol and its controlled or controlling entities, and the same time, establishing the temporary occupation of such shares pursuant to the terms of article 57 and 59 of Law No. 21,499.

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

The information described in the following charts shows the balances with related companies as of December 31, 2014 and December 31, 2013, as well as operations with these companies for the years ended on December 31, 2014 and 2013.

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

### METROGAS S.A.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

The transactions shown below have been made with related parties:

	For the years ended,										
	12.31.14			12.31.13							
	Gas & transportation sales	Gas purchases	Finance costs	Sundry material - Operating cost	Other net income	Salaries and others employee benefits	Gas & transportation sales	Other net income	Gas purchases	Fees for professional services	Salaries and others employee benefits
<b>Controlling company</b>											
Gas Argentino	-	-	-	-	2,948	-	-	1,220	-	-	-
<b>Related parties:</b>											
YSUR Energía Argentina S.R.L.	-	42,823	-	-	-	-	-	-	-	-	-
Central Dock Sud S.A.	22,082	-	-	-	-	-	8,453	-	-	-	-
YPF S.A.	14	328,183	18,242	2,030	-	-	40	-	161,498	677	-
Operadora de Estaciones de Servicios S.A.	5,061	-	-	-	-	-	1,083	-	-	-	-
Astra Evangelista S.A.	871	-	-	-	-	-	49	-	-	-	-
ENARSA	-	58,732	-	-	-	-	-	-	27,645	-	-
Profertil S.A.	91,360	-	-	-	-	-	201	-	-	-	-
<b>Key directors and management:</b>	-	-	-	-	-	23,010	-	-	-	-	19,938
	119,388	429,738	18,242	2,030	2,948	23,010	9,826	1,220	189,143	677	19,938

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

The balances shown below are outstanding with related parties:

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

	<b>12.31.13</b>						
	Trade receivables	Other receivables		Trade payable	Financial debt		Salaries and social security
	Current	Current	Non current	Current	Non current	Current	
<b>Controlling company</b>							
Gas Argentino	-	615	3,631	-	-	-	-
<b>Related parties:</b>							
Central Dock Sud S.A.	1,090	-	-	-	-	-	-
Operadora de Estaciones de Servicios S.A.	263	-	-	-	-	-	-
YPF S.A.	(2)	-	-	104,864	21,375	-	-
Astra Evangelista S.A.	15	-	-	-	-	-	-
ENARSA	-	-	-	15,238	-	-	-
<b>Key directors and management:</b>	-	-	-	-	-	-	5,249
	<b>1,366</b>	<b>615</b>	<b>3,631</b>	<b>120,102</b>	<b>21,375</b>	<b>-</b>	<b>5,249</b>

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

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

Also, as mentioned in Note 2.4.1 and pursuant to Resolution I-2621/2013 of ENARGAS, MetroGAS currently bills on behalf and for the account of ENARSA the injected volumes in relation to CNG as from June 2013. The net balance of this operation as of December 31, 2013 and 2014 is shown in Note 20.

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

Furthermore, as explained in Note 2.5 MetroGAS must invoice, collect and settle three specific charges, with different appropriations, which is done for the order and account of Nación Fideicomisos S.A. Balances of this operation are stated in Note 20.

Finally, as described in Note 2.3.2 MetroGAS signed with ENARGAS on November 21, 2012 Minutes of Agreement that establish a fixed amount per bill, separated by customer category, which has to be considered as advanced payment for future tariff adjustments provided for in the Temporary Agreement approved by Decree No. 234/09. ENARGAS executed the agreement through Resolution No. 2,407/12 published on November 29, 2012. The Minutes state that amounts thus collected shall be deposited in a specifically dedicated trust fund used for the execution of infrastructure, connections, re-boosting, extensions and/or technological adjustment of gas distribution systems. Therefore, on December 12, 2012 a trust agreement was signed by MetroGAS and Nación Fideicomisos S.A. Balances for these operations are shown in Notes 13 and 20.

### **30. 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.

#### **30.1 Purchases of Gas**

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

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

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

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

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

## **METROGAS S.A.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION**

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

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

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

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

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

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

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

On September 28, 2010 ENARGAS Resolution N° 1,410/10 was issued aiming at complementing delivery standards in force in face of demand and transport capacity that were higher than natural gas offer and at preserving the operation of transport and distribution systems giving priority to the consumption of the urgent demand: residential customers, complete service customers (natural gas, transportation and distribution is sold to them) and complete-service sub- distributing companies.

This procedure is in compliance with the regulations of ES Resolutions N° 599/2007 and N° 1,146/2004, and standards that rule and complete them.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

Once the Urgent Demand is met, producers will have to confirm volumes requested by the rest of the segments according to what is stated in the paragraph above, in the following order:

- 1° Natural Gas Stations
- 2° uninterruptible customers (Unbundling).
- 3°
  - a) Large Users
  - b) Treatment Plants in and out of the system
  - c) Power Plants (according to Note ES N° 6866/09).
- 4° Exports.

On March 8, 2012, was published the SE Resolution No. 55/2012, which approved the third extension of the Agreement with Natural Gas Producers setting that a specific treatment should apply to those producers who have not accepted the extension of the agreement so that they could not receive the increases created by SE Resolutions No. 1,070/2008 and No. 1,417/2008. ENARGAS Resolution No. 2,087/2012, published on March 23, 2012, established the mechanism for the allocation of natural gas volumes in respect of those producers who have not accepted the extension of the agreement to residential and small commercial customers without increases under the above Resolutions of 2008, providing that distribution companies should directly deliver to the Compensation Fund for Liquefied Natural Gas created under such resolutions certain amounts collected from their customers for natural gas.

On March 31, 2014 ES Resolution N° 226/14 stipulated the application of a scheme of rationalization of natural gas use, providing the new basin prices that will be exclusively applied to gas sales to complete-service residential and commercial users according to their saving percentage compared to the same bimester/month from the previous year (see Note 2.3.2).

### 30.2 Gas Transportation

MetroGAS has entered into various transportation contracts, with expiration dates ranging between 2015 and 2027, with Transportadora de Gas del Sur S.A. (“TGS”), Transportadora de Gas del Norte S.A. (“TGN”) and other companies, in order to ensure a firm transportation capacity of 24.33 MMCM per day, taking into account the ongoing contracts as of December 31, 2014.

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)
2015	172.57
2016	121.53
2017	37.64
2018	2.43
2019	2.43
2020/27	5.24

Contracts entered into by the Company with gas transportation companies could be subject to amendment pursuant to the Emergency Law provisions applicable to contracts for public utility services, including transportation of natural gas. At the issue date of these financial statements, the potential impact of any such modifications, if implemented, cannot be assessed.

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

## METROGAS S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS OF DECEMBER 31, 2014 AND COMPARATIVE INFORMATION

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

In July 2012, the ENARGAS granted 174,343 m<sup>3</sup> of firm transportation capacity to MetroGAS, effective from May 1, 2013 through April 30, 2014 for the route Neuquén - GBA, and 233,333 m<sup>3</sup> of firm transportation capacity, effective from May 1, 2014 through April 30, 2017, for the same route. This allocation relates to an irrevocable offer submitted by MetroGas to TGN in the open bid process regarding capacity No. 01/2012. The capacity contracted under the remaining contracts with TGN was also increased in 2,540,000 m<sup>3</sup> per day until April 30, 2017.

On April 9, 2014 and April 10, 2014, ENARGAS Resolutions N° I/2853/14 and N° I/2852/14 were issued respectively, these resolutions established a new tariff scheme to be applied to TGS and TGN in three stages as from April 1, 2014, June 1, 2014 and August 1, 2014.

#### 30.3 Transportation and Distribution Commitments

Contracts entered into with power plants include certain clauses for the concession of the transportation service during the winter period; these clauses allow MetroGAS to restrict the transportation and distribution service to a certain volume to supply its demand on an uninterruptible basis.

Should MetroGAS be forced to limit the transportation and distribution service to a volume higher than the one established in each contract, mainly due to an increase in firm demand, those contracts establish penalties to be paid to power plants as a result of those restrictions.

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> <u>(Millions of Pesos)</u>
2015	17.13
2016	17.13
2017	17.13
2018	17.13
2019	17.13

#### 30.4 Leases

##### a. As lessee

As of December 31, 2014, the future minimum payments related to operating leases, are detailed below:

	<u>12.31.14</u> <u>(Thousands of Pesos)</u>
2015	1,143
2016	998
2017	999
2018	687
2019	530
From 2020	1,061
Total minimum payments	<u>5,418</u>

David Tezanos Gonzalez  
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 the Company.

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

**General considerations**

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

On account of regulatory changes (see Note 2.3.4), on April 20, 2005 the Board of Directors of MetroGAS resolved to create MetroENERGÍA, a corporation whose equity is owned 95% by MetroGAS and whose corporate purpose is to engage, on its own account and on behalf of or in association with third parties, in the sale and purchase and/or transportation of natural gas.

On March 26, 2014, within the process of renegotiation of utilities contracts pursuant to Law No. 25,561 and supplementary rules, the Company signed a Provisional Agreement with the Unit for the Renegotiation and Analysis of Utility Contracts ("UNIREN") whereby a provisional tariff regime was agreed in order to obtain additional funds to those resulting from the enforcement of ENARGAS Resolution No. I/2407 dated December 27, 2012, that established the collection of a fixed amount per invoice depending on the customers' category, which should be transferred to a trust fund especially created for the execution of works.

In addition, the new Provisional Agreement, ratified by Decree No. 445/2014 dated April 1, 2014 (published in the Official Gazette on April 7, 2014), establishes a provisional tariff regime as from April 1, 2014, consisting in readjust prices and tariffs considering the guidelines necessary to maintain the continuity of service and also sets forth common criteria applicable to all distribution licensees, in accordance with tariff regulations in force, and including changes in the gas price at the transmission system entry point (see Notes 2.3.2 these financial statements).

**Analysis of transactions in the years ended December 31, 2014 and 2013**

The sales of the Company for the fiscal year ended December 31, 2014 increased by 64.5%, and operating costs rose by 80.7% as compared with the previous fiscal year, as a result of which gross profit increased by Ps. 92,059 thousand, to Ps. 595,068 thousand during the year ended on December 31, 2014, as compared with Ps. 503,009 thousand shown for the preceding fiscal year.

Administrative expenses increased by 46.7%, from Ps. 228,647 thousand during the year ended on December 31, 2013, as compared with Ps. 335,371 thousand shown for the present fiscal year, and selling expenses increased by 37.8%, from Ps. 258,753 thousand, during for the year ended December 31, 2013, to Ps. 356,615 thousand shown for the present fiscal year.

Consequently, during the year ended December 31, 2014 an operating loss of Ps. 90,218 thousand was recorded, as compared to an operating income of Ps. 62,875 thousand for the previous fiscal year.

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

During the year ended December 31, 2014 net financial results was a loss of Ps. 515,140 thousand, as compared with a loss of Ps. 341,605 thousand sustained in the previous fiscal year.

During the year ended on December 31, 2013 the Company registered a gain from reorganization debt amounting to Ps. 757,470 thousand.

Consequently, the Company's net loss for the year ended December 31, 2014 amounted to Ps. 631,179 thousand, as compared to a net gain of Ps. 256,830 thousand for the previous fiscal year.

**Results of Operations and Financial Condition****Sales**

Total consolidated sales increased by 64.5% during the year ended December 31, 2014, and amounted to Ps. 3,184,474 thousand, as compared with Ps. 1,936,211 thousand shown for the previous fiscal year.

The increase in sales for the year ended on December 31, 2014, was mainly due to increase in MetroGAS' sales to residential customers and increased in MetroENERGÍA's sales, partially offset by lower processing natural gas sales.

MetroGAS' gas sales to residential customers increased by 83.8%, from Ps. 762,881 thousand to Ps. 1,402,139 thousand for the year ended on December 31, 2013 and 2014, respectively, mainly due to the increase in tariffs for the year ended December 31, 2014, as compared to the previous fiscal year, according to The Provisional Agreement described in Note 2.3.2 of these financial statements, partially offset by decrease of the volumes delivered to this customer category by 11.3%.

MetroGAS' gas sales to industrial and commercial customers and governmental entities increased by 29.6%, to Ps. 141,081 thousand during the year ended on December 31, 2014 from Ps. 108,895 thousand during the previous fiscal year, mainly on account of the tariff increases previously mentioned.

Sales of transportation and distribution services to power stations increased by 22.1%, from Ps. 87,717 thousand during the year ended on December 31, 2013, to Ps. 107,091 thousand for the present fiscal year, mainly on account of an increase in average prices of sale, and a decrease of the volumes delivered to this customer category by 13.5%.

On the other hand, sales of transportation and distribution services to industrial and commercial customers and governmental entities decreased by 19.2%, from Ps. 92,025 thousand during the year ended on December 31, 2013 to Ps. 74,366 thousand for the present fiscal year, mainly on account of a decrease in average prices of sale.

Sales of transportation and distribution services to Compressed Natural Gas ("CNG") stations decreased by 26.2%, from Ps. 48,111 thousand during the year ended on December 31, 2013, to Ps. 35,526 thousand for the present fiscal year, mainly on account of a decrease in average prices of sale.

As from July 2013, MetroGAS discontinued the processing of natural gas to obtain hydrocarbons at the General Cerri plant. Subsequently, for the period August-December 2013, an agreement was reached with Transportadora Gas del Sur ("TGS") to assign those hydrocarbons at the head of the TGS gas pipeline in exchange of a monthly rate. This agreement has been renewed for the period July-December 2014.

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

MetroENERGÍA's gas sales during the year ended on December 31, 2014 amounted to Ps. 1,383,993 thousand as compared to the previous fiscal year amounted to Ps. 725,938 thousand. This increase was mainly due to an increase in average prices and to a lesser extent on account of the 6.4% increase in delivered volumes.

The table below shows the consolidated sales of the Company by type of service and customer categories for the year ended on December 31, 2014 and 2013, in thousands of pesos:

	<b>For the year ended December 31, 2014</b>	<b>% of Total Sales</b>	<b>For the year ended December 31, 2013</b>	<b>% of Total Sales</b>
<b>MetroGAS</b>				
Gas sales:				
Residential	1,402,139	44.1	762,881	39.4
Industrial, Commercial and Governmental entities	141,081	4.4	108,895	5.6
Subtotal	1,543,220	48.5	871,776	45.0
Transportation and Distribution Services				
Power Plants	107,091	3.4	87,717	4.5
Industrial, Commercial and Governmental entities	74,366	2.3	92,025	4.8
Compressed Natural Gas	35,526	1.1	48,111	2.5
Subtotal	216,983	6.8	227,853	11.8
Processed Natural Gas	2,521	0.1	73,530	3.8
Other Gas Sales and Transportation and Distribution Services	37,757	1.2	37,114	1.9
<b>MetroENERGÍA</b>				
Gas and transportation sales	1,376,751	43.2	721,209	37.3
Other income	7,242	0.2	4,729	0.2
<b>Total of Sales</b>	<b>3,184,724</b>	<b>100.0</b>	<b>1,936,211</b>	<b>100.0</b>

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

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

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, 2014 and 2013, in millions of cubic meters:

	<b>For the year ended December 31, 2014</b>	<b>% of Volumes of gas delivered</b>	<b>For the year ended December 31, 2013</b>	<b>% of Volumes of gas delivered</b>
Gas sales:				
Residential	1,909.3	27.3	2,151.5	28.0
Industrial, Commercial and Governmental entities	463.2	6.6	468.0	6.1
Subtotal	<u>2,372.5</u>	<u>33.9</u>	<u>2,619.5</u>	<u>34.1</u>
Transportation and Distribution Services				
Power Plants	2,751.7	39.3	3,181.1	41.5
Industrial, Commercial and Governmental entities	795.1	11.4	795.0	10.4
Compressed Natural Gas	538.3	7.6	529.5	6.9
Subtotal	<u>4,085.1</u>	<u>58.3</u>	<u>4,505.6</u>	<u>58.8</u>
Processed Natural Gas	-	-	70.1	0.9
Other Gas Sales and Transportation and Distribution Services	546.4	7.8	475.7	6.2
Total delivered volume by MetroGAS	<u>7,004.0</u>	<u>100.0</u>	<u>7,670.9</u>	<u>100.0</u>
Total gas and transportation delivered volume by MetroENERGÍA	<u>960.5</u>	<u>100.0</u>	<u>903.0</u>	<u>100.0</u>

**Operating Costs**

Operating costs increased by 80.7% amounting to Ps. 2,589,406 thousand during the year ended on December 31, 2014, respect to Ps. 1,433,202 thousand registered during the previous fiscal year. This variation was mainly due to the increase in gas purchase costs and transportation and in payroll and other employees benefits, in fixed assets maintenance and repair and the decrease in charges in taxes, rates and contributions.

The costs of natural gas purchases increased by 126.5%, from Ps. 871,130 thousand for the year ended on December 31, 2013 to Ps. 1,973,494 thousand during the present fiscal year, mainly as a result of increased in average price gas purchased by MetroGAS and MetroENERGÍA. During the year ended on December 31, 2014 2,719.1 million cubic meters were purchased by MetroGAS, and 960.5 million cubic meters by MetroENERGÍA, which as a whole represent a 6.3% decrease with respect to gas volumes purchased in the previous fiscal year.

Gas transportation costs increased by 11.5% during fiscal year ended on December 31, 2014 compared to the previous fiscal year, mainly due to the increase in transportation cost to exchange and movements by MetroENERGÍA.

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

The table below shows the operating costs and expenses of the Company by type of expenses for the years ended on December 31, 2014 and 2013, in thousands of pesos.

	<b>For the year ended December 31, 2014</b>	<b>% of Total Operating Costs</b>	<b>For the year ended December 31, 2013</b>	<b>% of Total Operating Costs</b>
Cost of natural gas	1,973,494	76.1	871,130	60.8
Transportation of natural gas	229,505	8.9	205,840	14.4
Depreciation of PP&E	69,628	2.7	67,088	4.7
Payroll and other employees benefits	176,408	6.8	123,613	8.6
Fixed assets maintenance	64,236	2.5	58,125	4.1
Sundry materials	9,623	0.4	10,671	0.7
Fees for sundry services	24,575	1.0	23,078	1.6
Taxes, rates and contributions	37,508	1.5	61,520	4.3
Other operating expenses	4,429	0.1	12,137	0.8
<b>Total</b>	<b><u>2,589,406</u></b>	<b><u>100.0</u></b>	<b><u>1,433,202</u></b>	<b><u>100.0</u></b>

**Administrative Expenses**

Administrative expenses increased by 46.7%, from Ps. 228,647 thousand for the year ended on December 31, 2013 to Ps. 335,371 thousand for the current year. This increase was mainly due to the increase in payroll and social contributions, in taxes, rates and contributions, in fixed assets maintenance, in fees for sundry services, in depreciation of PP&E, in transportation and freight charges, in fees for professional services and in post and telecommunication expenses and insurance premium.

**Selling Expenses**

Selling expenses increased by 37.8%, from Ps. 258,753 thousand for the year ended on December 31, 2013 to Ps. 356,615 thousand for the present fiscal year. This increase was mainly due to the increase in taxes, rates and contributions, in payroll and social contributions, in fees for sundry services, in post and telecommunication expenses, in doubtful account charge, in bank expenses and commissions, and in publicity expenses.

**Other income and expenses**

Other income and expenses decreased from a gain of Ps. 47,266 thousand for the year ended December 31, 2013 to a gain of Ps.6,700 thousand in the current fiscal year, mainly due to the recovery of provisions registered during the year 2013. This variation was partially offset by the result from sales of investment properties during the year 2014.

**Net Financial Results**

During the year ended on December 31, 2014 net financial results was a loss of Ps. 515,140 thousand, as compared to a Ps. 341,605 thousand loss for the previous fiscal year. The variation in financial results was mainly due to an increase in accrued financial interest from the financial debt and the loss from the exchange difference on financial debt.

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

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

**Income Tax**

During the year ended on December 31, 2014 the Company accrued loss of Ps. 25,821 thousand, as compared to a loss of Ps. 221,910 thousand shown for the previous fiscal year. This change is attributable mainly to the tax increase due to the gain from reorganization debt restructuring registered in the previous year.

**Net Cash Flows from Operating Activities**

Net cash flows from operating activities for the year ended on December 31, 2014 amounted to Ps. 193,249 thousand, as compared with Ps. 162,710 thousand for the previous fiscal year. This change was mainly due to increase in funds from working capital during the current year with respect to the previous fiscal year, partially offset by a decrease in cash flows from operating results.

**Net Cash Flows from Investing Activities**

Net cash flows from investment activities for the year ended on December 31, 2014 amounted to Ps. 192,049 thousand, as compared with Ps. 166,046 thousand for the in previous fiscal year. This variation was mainly due to an increase in PP&E during the present year compared to the previous fiscal year, partially offset by the proceeds from sales of investment properties.

**Net Cash Flows from Financing Activities**

Net cash flows from financing activities amounted to Ps. 21,724 thousand for year ended on December 31, 2014 mainly due to the interest payments on financial debt amounted Ps. 111,724 thousand compared to Ps. 32,153 thousand used in the previous fiscal year corresponding to the partial payment of interests partially offset by the credit facility agreement with YPF amounted to Ps. 90,000 thousand.

**Liquidity and Capital Resources****Financing**

As of December 31, 2014, the financial debt accounted for by Company amounted to Ps. 1,445,776 thousand. Also, nominal debt amounted to U\$S 194,449 thousand and U\$S 325,251 thousand (including Serie A and B) as of December 31, 2014 and 2013, respectively.

In compliance with the arrangement made with creditors under the reorganization proceedings, on January 11, 2013 MetroGAS proceeded to exchange the existing Notes held by financial creditors and any allowed or provisionally admitted claims held by non-financial creditors, for the New Notes (see Note 17 to the consolidated financial statements).

During the fiscal year ended December 31, 2014, having the Limit Date (June 30<sup>th</sup>, 2014) been reached, and given the fact that no triggering events occurred, Class B Notes were cancelled and the Company does not owe anything in relation to them.

**METROGAS S.A.****INFORMATIVE SUMMARY OF ACTIVITY**  
RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION**Comparative Structure of Consolidated Statement of financial position** <sup>(1)(2)</sup>

Consolidated Statement of financial positions as of December 31, 2014, 2013 and 2012.

	<b>12.31.14</b>	<b>12.31.13</b>	<b>12.31.12</b>
	Thousands of Ps.		
Non current Assets	1,968,680	1,860,591	1,788,122
Current assets	836,487	484,407	432,380
Total assets	<u>2,805,167</u>	<u>2,344,998</u>	<u>2,220,502</u>
Non current Liabilities	1,649,189	1,260,707	1,490,369
Current Liabilities	<u>1,363,040</u>	<u>660,174</u>	<u>562,846</u>
Total Liabilities	3,012,229	1,920,881	2,053,215
Non-controlling interest	3,124	2,883	989
Equity attributable to the owners	<u>(210,186)</u>	<u>421,234</u>	<u>166,298</u>
Total Liabilities and Shareholders' Equity	<u>2,805,167</u>	<u>2,344,998</u>	<u>2,220,502</u>

(1) In accordance with the provisions of section 114 of Chapter XXXI – Temporary Provisions, of the Argentine Securities Commission (“CNV”) Regulations, as amended by CNV Resolution No. 592/2011, the Informative Summary accompanying the annual and quarterly financial statements for a fiscal year beginning as from January 1, 2013 the balances and income for the fiscal year/period must be presented in comparison with those of the previous fiscal year, both prepared under IFRS, as required under paragraph 16 (c) of Technical Resolution No. 26 (as amended by Technical Resolution No. 29), and no other comparative amounts will be presented.

(2) Information covered by the Independent auditors report.

## METROGAS S.A.

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

**Comparative Consolidated Structure of Profit and loss and other comprehensive income** <sup>(1) (2)</sup>

Consolidated Statements of Profit and Loss and Other Comprehensive Income for the years ended on December 31, 2014, 2013 and 2012.

	<b>12.31.14</b>	<b>12.31.13</b>	<b>12.31.12</b>
	Thousands of Ps.		
Revenues	3,184,474	1,936,211	1,481,375
Operating costs	(2,589,406)	(1,433,202)	(1,192,226)
<b>Gross profit</b>	<b>595,068</b>	<b>503,009</b>	<b>289,149</b>
Administration expenses	(335,371)	(228,647)	(169,984)
Selling expenses	(356,615)	(258,753)	(199,413)
Other income and expenses	6,700	47,266	(6,086)
<b>Operating (loss) income</b>	<b>(90,218)</b>	<b>62,875</b>	<b>(86,334)</b>
Finance income	18,310	25,526	29,917
Finance cost	(533,450)	(367,131)	(171,517)
<b>Net financial results</b>	<b>(515,140)</b>	<b>(341,605)</b>	<b>(141,600)</b>
Debt restructuring result	-	757,470	-
<b>Result before income tax</b>	<b>(605,358)</b>	<b>478,740</b>	<b>(227,934)</b>
Income tax and MPIT	(25,821)	(221,910)	49,106
<b>Net result for the year</b>	<b>(631,179)</b>	<b>256,830</b>	<b>(178,828)</b>
Other comprehensive result	-	-	-
<b>Net and comprehensive result for the year</b>	<b>(631,179)</b>	<b>256,830</b>	<b>(178,828)</b>

<sup>(1)</sup> In accordance with the provisions of section 114 of Chapter XXXI – Temporary Provisions, of the Argentine Securities Commission (“CNV”) Regulations, as amended by CNV Resolution No. 592/2011, the Informative Summary accompanying the annual and quarterly financial statements for a fiscal year beginning as from January 1, 2013 the balances and income for the fiscal year/period must be presented in comparison with those of the previous fiscal year, both prepared under IFRS, as required under paragraph 16 (c) of Technical Resolution No. 26 (as amended by Technical Resolution No. 29), and no other comparative amounts will be presented.

<sup>(2)</sup> Information covered by the Independent auditors report.

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

The information shown below makes reference to the years ended on December 31, 2014, 2013 and 2012.

	<b>12.31.14</b>	<b>12.31.13</b>	<b>12.31.12</b>
	<b>Volumes</b>		
	<b>In millions of cubic meters</b>		
Gas purchased by MetroGAS	2,719.1	3,087.9	3,156.0
Gas contracted by third parties	5,106.0	5,467.6	5,946.9
	<u>7,825.1</u>	<u>8,555.5</u>	<u>9,102.9</u>
Volume of gas withheld:			
- Transportation	(478.3)	(527.7)	(565.8)
- Loss in distribution	(342.8)	(353.3)	(404)
- Transportation and processing of natural gas	-	(3.6)	(6.7)
	<u>7,004.0</u>	<u>7,670.9</u>	<u>8,126.4</u>
Volume of gas delivered by MetroGAS			
Volume of gas purchased and delivered by MetroENERGÍA	<u>960.5</u>	<u>838.9</u>	<u>786.6</u>

**Comparative Ratios** <sup>(1) (2)</sup>

The information below makes reference to the years ended on December 31, 2014 and 2013.

	<b>12.31.14</b>	<b>12.31.13</b>	<b>12.31.12</b>
Liquidity	0.61	0.73	0.77
Solvency	(0.07)	0.22	0.08
Inmobilization	0.70	0.79	0.81
Profitability	(5.82)	0.87	(0.70)

<sup>(1)</sup> In accordance with the provisions of section 114 of Chapter XXXI – Temporary Provisions, of the Argentine Securities Commission (“CNV”) Regulations, as amended by CNV Resolution No. 592/2011, the Informative Summary accompanying the annual and quarterly financial statements for a fiscal year beginning as from January 1, 2013 the balances and income for the fiscal year/period must be presented in comparison with those of the previous fiscal year, both prepared under IFRS, as required under paragraph 16 (c) of Technical Resolution No. 26 (as amended by Technical Resolution No. 29), and no other comparative amounts will be presented.

<sup>(2)</sup> Information covered by the Independent auditors report.

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

		Share Price on the Buenos Aires Stock Exchange (1)	ADSs Price on the New York Stock Exchange (1) and (2)
		\$	US\$
December	2010	1.16	- (2)
December	2011	0.69	-
December	2012	0.70	-
January	2013	0.87	-
February	2013	0.67	-
March	2013	0.70	-
April	2013	0.76	-
May	2013	0.88	-
June	2013	0.71	-
July	2013	0.77	-
August	2013	0.84	-
September	2013	1.10	-
October	2013	1.35	-
November	2013	1.74	-
December	2013	1.29	-
January	2014	1.26	-
February	2014	1.33	-
March	2014	1.74	-
April	2014	2.05	-
May	2014	3.50	-
June	2014	3.74	-
July	2014	3.40	-
August	2014	3.66	-
September	2014	4.85	-
October	2014	4.10	-
Nivember	2014	3.75	-
December	2014	3.12	-

(1) Prices on the last business day of each month (except for (2)).

(2) On June 17, 2010, the NYSE announced the immediate suspension of MetroGAS ADSs from listing on such exchange due the Company's announcement of its voluntary petition for reorganization proceedings on such date.

**Perspectives**

MetroGAS intends to focus its efforts on ensuring the continuity of its business, maintaining gas supply quality and reliability, complying with basic License rules and finally, on the basis of the outcome of the License agreement renegotiation, MetroGAS will define its new strategy towards the future and in relation to matters such as business planning, business policy and an the development of an investment plan.

Autonomous City of Buenos Aires, February 25, 2015

David Tezanos Gonzalez  
Chairperson

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

Deloitte & Co. S.A.  
Florida 234, 5th floor  
C1005AAF  
Ciudad Autónoma  
de Buenos Aires  
Argentina

Phone.: (+54-11) 4320-2700  
Fax: (+54-11) 4325-8081/4326-7340  
[www.deloitte.com/ar](http://www.deloitte.com/ar)

## Independent Auditors' Report

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

### **Report over consolidated financial statements**

#### **1. Identification of the consolidated financial statements subject to audit**

We have audited the accompanying consolidated financial statements of METROGAS SOCIEDAD ANÓNIMA (an Argentine corporation, hereinafter mentioned as "METROGAS S.A." or the "Company") which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of profit and loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information included in Notes 1 to 30.

The figures and other information corresponding to the fiscal year ended on December 31, 2013 are an integral part of the consolidated financial statements mentioned above and are presented with the purpose to be read only in relation to the figures and other information of the current year.

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

The Company's Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), adopted by the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE") as accounting professional standards, as they were approved by the International Accounting Standards Board ("IASB"), and incorporated by the Argentine Securities Commission to its regulation, as well of internal control system as the Company's Board of Directors deems necessary to enable the preparation of financial statements that are free from material misstatement.

#### **3. Auditor's responsibility**

Our responsibility is to express an opinion about the accompanying consolidated financial statements, based on our audit. We conducted our audit in accordance with the International Standards on Auditing ("ISA") adopted by the FACPCE through the Technical Resolution No. 32, as they were approved by the International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures, substantially on a test basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends 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, and 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 the Company's Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **4. Opinion**

In our opinion, the consolidated financial statements referred to section 1 of this report, presents fairly, in all material respects, the financial position of METROGAS S.A. and its controlled company as of December 31, 2014, and its profits and loss and other comprehensive results, changes in its shareholders' equity and their cash flows corresponding to the year then ended, in accordance with International Financial Reporting Standards.

#### **5. Additional explanatory paragraphs**

Without modifying our previous opinion, we emphasize that as a consequence of the magnitude of the accumulated losses recorded at December 31, 2014, the Company has a negative Shareholder's Equity attributable to the parent company of thousands of Ps. 210,186, being subject to the provisions of Art. 94 paragraph 5 and Art. 96 of the Argentine Corporate Law.

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

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

Buenos Aires City, Argentina  
February 25, 2015

Deloitte & Co. S.A.

Fernando G. del Pozo  
Partner