

METROGAS S.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AS OF JUNE 30, 2016 AND COMPARATIVES

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METROGAS S.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2016 AND COMPARATIVES

LEGAL INFORMATION

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

Fiscal Year: No. 25 (initiated on January 1, 2016).

Financial Statements: Condensed Interim Consolidated as of June 30, 2016 and comparatives.

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

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

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

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

Parent Company: YPF S.A.

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

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

Percentage of votes held by parent company: 70%

Composition of Issued Capital as of 06.30.16:

Classes of Shares	Subscribed, Registered and Paid-in
Outstanding	
Common Certified Shares of Ps. 1 Par Value and 1 Vote each:	
Class "A"	290,277
Class "B"	275,026
Class "C"	3,868
Issued Capital as of 06.30.16	569,171

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission ("CNV").
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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2016 AND DECEMBER 31, 2015

(stated in thousands of pesos)

	Notes	06.30.16	12.31.15
Assets			
Non current Assets			
Properties, plant and equipment	10	2,181,473	2,076,672
Intangible assets	12	98,859	69,899
Deferred tax assets	28	13,334	9,375
Investment properties	11	2,364	2,394
Other receivables	14	3,441	9,519
Total Non current assets		<u>2,299,471</u>	<u>2,167,859</u>
Current assets			
Trade receivables	13	1,499,442	1,031,403
Other receivables	14	266,231	230,012
Cash and cash equivalents	15	516,271	596,223
Total Current assets		<u>2,281,944</u>	<u>1,857,638</u>
Total assets		<u>4,581,415</u>	<u>4,025,497</u>
Shareholders' Equity			
Issued capital	16	569,171	569,171
Accumulated results (losses)		(2,021,011)	(1,344,258)
Equity attributable to the owners of the parent		<u>(1,451,840)</u>	<u>(775,087)</u>
Non-controlling interest		2,414	7,317
Total Shareholders' Equity	16	<u>(1,449,426)</u>	<u>(767,770)</u>
Liabilities			
Non current Liabilities			
Trade payable	21	162,859	172,055
Financial debt	18	2,526,471	2,135,949
Deferred tax liabilities	28	201,238	223,161
Reorganization liabilities	19	13,642	13,642
Other taxes payable	17	4,848	5,647
Provisions	20	118,667	116,258
Total Non current Liabilities		<u>3,027,725</u>	<u>2,666,712</u>
Current Liabilities			
Trade payable	21	2,188,601	1,611,215
Salaries and social securities	22	143,688	128,329
Income tax and minimum presumed income tax ("MPIT")		-	43,113
Other taxes payable	17	509,555	176,217
Financial debt	18	139,270	144,858
Other accounts payable	23	22,002	22,823
Total Current Liabilities		<u>3,003,116</u>	<u>2,126,555</u>
Total Liabilities		<u>6,030,841</u>	<u>4,793,267</u>
Total Liabilities and Shareholders' Equity		<u>4,581,415</u>	<u>4,025,497</u>

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

Marcelo Adrián Núñez
Chairperson

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METROGAS S.A.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX AND THREE-MONTHS PERIODS ENDED JUNE 30, 2016 AND 2015

(stated in thousands of pesos)

	Notes	For the six months period ended,		For the three months period ended,	
		06.30.16	06.30.15	06.30.16	06.30.15
Revenues	24	3,095,955	1,912,542	2,088,460	1,138,100
Operating costs	25	(2,516,264)	(1,649,774)	(1,553,156)	(1,054,164)
Gross profit		579,691	262,768	535,304	83,936
Administration expenses	25	(281,778)	(210,368)	(159,321)	(119,444)
Selling expenses	25	(308,610)	(201,679)	(201,228)	(110,976)
Other income and expenses	26	(26,418)	1,744	(4,206)	931
Result before Temporary Economic Assistance Resolution ES 263/15		(37,115)	(147,535)	170,549	(145,553)
Temporary Economic Assistance Resolution ES 263/15		-	355,500	-	355,500
Operating income		(37,115)	207,965	170,549	209,947
Finance income	27	62,034	11,884	22,904	6,801
Finance cost	27	(702,670)	(298,567)	(291,752)	(180,304)
Net financial results		(640,636)	(286,683)	(268,848)	(173,503)
Result before income tax and MPIT		(677,751)	(78,718)	(98,299)	36,444
Income tax and MPIT	28	(3,905)	(15,500)	2,766	(11,198)
Net result for the period		(681,656)	(94,218)	(95,533)	25,246
Other comprehensive result		-	-	-	-
Net and comprehensive result for the period		(681,656)	(94,218)	(95,533)	25,246
Net and comprehensive result for the period attributable to controlling interest		(676,753)	(94,238)	(90,174)	26,398
Net and comprehensive result for the period attributable to non-controlling interest		(4,903)	20	(5,359)	(1,152)
Net and comprehensive result for the period		(681,656)	(94,218)	(95,533)	26,398
Net result per share					
Basic and diluted	29	(1.19)	(0.17)	(0.16)	0.05

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF JUNE 30, 2016 AND COMPARATIVES *(stated in thousands of pesos)*

	Issued capital	Accumulated results	Equity attributable to the owners of the parent	Non-controlling interest	Total Shareholders' Equity
Balance as of December 31, 2014	569,171	(779,357)	(210,186)	3,124	(207,062)
Net and comprehensive result for the six months period ended June 30, 2015	-	(94,238)	(94,238)	20	(94,218)
Balance as of June 30, 2015	569,171	(873,595)	(304,424)	3,144	(301,280)
Net and comprehensive result for the six months period ended December 31, 2015	-	(470,663)	(470,663)	4,173	(466,490)
Balance as of December 31, 2015	569,171	(1,344,258)	(775,087)	7,317	(767,770)
Net and comprehensive result for the six months period ended June 30, 2016	-	(676,753)	(676,753)	(4,903)	(681,656)
Balance as of June 30, 2016	569,171	(2,021,011)	(1,451,840)	2,414	(1,449,426)

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

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2016 AND 2015 (stated in thousands of pesos)

	06.30.16	06.30.15
Cash flows generated by operating activities		
Net result for the period	(681,656)	(94,218)
Adjustments to arrive to the net cash flow from operating activities		
Income tax and MPIT	3,905	15,500
Temporary Economic Assistance Resolution ES 263/15	-	(355,500)
Depreciation of properties, plant and equipment and investment properties and intangible assets	50,044	46,156
Net book value of disposals of properties, plant and equipment and investment properties	9,185	4,163
Net charge on provisions	25,712	10,456
Net financial results	683,018	282,052
Changes in assets and liabilities		
Trade receivables	(493,832)	(283,035)
Other receivables	(30,044)	(60,525)
Other non current investments	-	1,066
Trade payable	505,686	631,253
Salaries and social securities	15,359	420
Income tax and MPIT liability	-	(14,926)
Other taxes payable	310,120	42,645
Provisions	(16,774)	(450)
Other accounts payable	1,920	(5,143)
Income tax and MPIT paid in the period	(24,445)	(3,044)
Net cash flows generated by operating activities	<u>358,198</u>	<u>216,870</u>
Cash flows used in investing activities		
Increase in properties, plant and equipment	(166,601)	(127,621)
Increase in intangible assets	(30,680)	-
Proceeds from sales of investment properties	-	2,908
Net cash flows used in investing activities	<u>(197,281)</u>	<u>(124,713)</u>
Cash flows used in financing activities		
Financial debt interest payment	(148,105)	(78,068)
Commercial debt interest payment	(92,948)	-
Net cash flows used in financing activities	<u>(241,053)</u>	<u>(78,068)</u>
Net (decrease) increase in cash and cash equivalents	<u>(80,136)</u>	<u>14,089</u>
Cash and cash equivalents at the beginning of year (1)	596,223	97,586
Exchange differences on cash and cash equivalents	184	470
Cash and cash equivalents at the end of the period (1)	<u>516,271</u>	<u>112,145</u>
Net (decrease) increase in cash and cash equivalents	<u>(80,136)</u>	<u>14,089</u>

(1) As of June 30, 2016 and 2015, funds collected and pending to be deposited for Trust Funds and Resolution I-2,621/2013 amount to 40,602 and 129,550, respectively.

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

1. GENERAL INFORMATION

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

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

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

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

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

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

2. ECONOMIC AND FINANCIAL POSITION AND REGULATORY FRAMEWORK

Changes in the country's economic conditions and the amendments introduced by the Public Emergency and Foreign-Exchange System Law No. 25,561 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 Ente Nacional Regulador del Gas (“ENARGAS”), the gas regulatory agency, the Provisional Agreement subscribed on March 26, 2014 with the Unit for the Renegotiation and Analysis of Public Services Contracts (“UNIREN”) and the Provisional Agreement signed on February 24, 2016 with the Ministries of Energy and Mining (“MINEM”), and Economy and Public Finances have not allowed, up to this date, to restore the economic and financial position of the Company.

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

In this context, as of June 30, 2016, the Company registered accumulated losses attributable to controlling interest amounting to 2,021,011 and kept a consolidated negative working capital to 721,172.

In Note 2 of the consolidated financial statements as of December 31, 2015 the aspects related to the economic and financial situation and regulatory framework are described.

The significant developments occurred during the six months period ended June 30, 2016 are described as follows.

2.1 Provisional Agreement 2016

On February 24, 2016, within the framework of the public service contracts renegotiation process, as provided by Law No. 25,561 and complementary regulations, the Company signed a Provisional Agreement with the MINEM and Economy and the Ministry of Economy and Public Finances, which provides a temporary tariff schedule that will enable the provision of additional resources to those received by the application of the Provisional Agreement 2014 and ENARGAS Resolution No. I/2,407/2012 dated November 27, 2012.

The new Provisional Agreement, which is not subject to ratification by the Argentine Executive Power, establishes a transition tariff schedule as from April 1, 2016, consisting of the re-adjustment of tariffs based on the guidelines required to maintain the service and criteria common to the remaining distribution companies, following the current tariff legislation, including gas price variations at the point of entry into the transportation system.

The Provisional Agreement also anticipates the incorporation of the transfer resulting from changes in tax rules, with the exception of the income tax, which were pending of resolution, and establishes for MetroGAS a Mandatory Investment Plan of seven hundred fifteen million three hundred thousand pesos.

The Provisional Agreement states on the other hand that, between the date the agreement is entered into and December 31, 2016, the parties must agree on the modalities, deadlines and timeliness of the signature of the Comprehensive Letter of Understanding of Contractual Renegotiation.

On March 29, 2016, MINEM instructed ENARGAS through Resolution No. 31/2016 to carry out the Integral Tariff Review process as set forth in the Comprehensive Letter of Understanding of Contractual Renegotiation entered into with the Licensees within the framework of Law No. 25,561, amendments and supplements, which shall be completed within a term no more of one year as from March 29, 2016.

On March 28, 2016, MINEM established through Resolution No. 28/2016 the new prices for natural gas at city gate, effective from April 1, 2016 which includes a discount scheme for residential customers that register the same consumption or savings over 15% compared with the same period on previous year. For lower-income customers unable to pay the Final Tariff Charts, a differential tariff denominated “Social Tariff” was established.

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

On April 4, 2016, the Official Gazette published ENARGAS Resolution No. 3,726/2016, which approves, effective April 1, 2016, new tariff schedules to be applied to MetroGAS customers. ENARGAS Resolution No. 3,726/2016 also determinates tariff schedules for residential customers with 15% or more saving in their consumption compared to the same period of the previous year as well as those to be applied to customers registered with the registry provided for in ENARGAS Resolution No. I-2,905/2014 with the amendments introduced by the provisions of section 5 of MINEM Resolution No. 28/2016 respect to the social tariff.

As to the social tariff, section 5 of MINEM Resolution No. 28/2016 establishes that a discount of one hundred percent (100%) of the price of natural gas or of propane gas shall be granted to customers included in the register stipulated by ENARGAS Resolution No. I-2,905/2014, as well as those customers registered in the future pursuant to MINEM Resolution No. 28/2016. On May 6, 2016, through ENARGAS Resolution No. 3,784/2016 the Waived Customers Register was adjusted to the National Government Subsidies Redirecting Policy.

On the other hand, the new tariff schedules include the amounts corresponding to Fund for Gas Distribution Consolidation and Expansion Works (“FOCEGAS”) as a “Fixed Amount”, according to ENARGAS Resolutions No. I-2,407/2012 and I-3,249/2015.

Furthermore, ENARGAS Resolution No. 3,726/2016 instructs MetroGAS to (i) discontinue the inclusion of amounts resulting from the charge provided for in Decree No. 2,067/2008; and (ii) that the collection of the bills issued every two months, shall be effected as a monthly payment obligation, with two monthly payments each of them equivalent to 50% of the total amount of the bi-monthly bill, thirty days apart one from the other.

Finally, the Resolution states that MetroGAS may not distribute dividends if the company has not previously proved before ENARGAS the integral fulfillment of the Mandatory Investment Plan.

On June 8, 2016, and as a complement to MINEM Resolution No. 99/2016, ENARGAS through Resolution No. 3,843/2016 established – until December 31, 2016 - a limit of 400% and 500% increases in the final amount to be billed to Residential and Small General Service (“SGP”) customers, respectively, before taxes, over the amount that should have been billed by applying the tariff schedule effective 31 March 2016 to the consumption of the current period. Under MINEM Resolution No. 99/2016, differences between the final amount resulting from the application of the established limit and the tariff schedules valid to date, would be established during 2016 as a discount over prices billed by gas producers to distribution companies.

Later, on July 12, 2016 MINEM modified Resolution No. 99/2016 through Resolution No. 129/2016 and instructed ENARGAS to take the necessary measures so that during 2016, the total amount – including taxes – of the invoices issued by gas distributors across the country to residential customers (R category and subcategories) and full service SGP customers for gas consumption as from April 1, 2016 does not exceed 400% and 500%, respectively, the total amount including taxes of the invoice issued for that same customer in relation with the same invoicing period of previous year. Therefore, invoices shall not exceed 5 or 6 times the total amount billed to that same customer for that same period on previous year.

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Additionally, MINEM instructed ENARGAS to adopt the actions required in order to finish before December 31, 2016, the Integral Tariff Review process (mentioned in Section 1 of Resolution No. 31 dated March 29, 2016), and to this end the public hearing therein provided for shall be conducted before October 31, 2016.

On July 27, 2016 ENARGAS informed through Note No. 6,877 that as a result of the decision made in relation to the case Center of Studies for the Promotion of Equality and Solidarity (“CEPIS”) and until a final decision is reached in relation with the extraordinary appeal filed by MINEM, the application of ENARGAS Resolutions No. 3,726/2016 and No. 3,843/2016 will not be feasible. Therefore, the company estimated revenues related to the gas sale and transport and distribution services as well as the costs of gas supply and transportation as of June 30, 2016 applying tariffs in force as of March 31, 2016. If ENARGAS Resolution No. 3,726/2016 had been applied with the caps established by MINEM Resolution No. 129/2016 the net loss for the six-months period ended on June 30, 2016 would decrease approximately 466 million. As a result, the operating income would have been a profit of approximately 428 million and the net loss would have amounted to approximately 216 million.

The Company believes it will reach an agreement with the National Government with respect to the guidelines of the Annex to the 2016 Provisional Agreement as to modalities, deadlines and timeliness of the signature of the Comprehensive Letter of Understanding of Contractual Renegotiation, in order to enable the remediation of the Company’s economic-financial situation.

2.2. Provisional remedies – Injunctions

Following the 2016 Provisional Agreement and the tariff charts established therein, a number of legal actions (provisional remedies, injunctions, etc.) have been registered across the Nation against the tariff charts in force (ENARGAS Resolution No. 3,726/2016).

Respecting the universe of legal action having an impact on the application of the 2016 Provisional Agreement in MetroGAS, we would like to mention the following: (i) CEPIS and (ii) Municipality of Avellaneda.

i) Case CEPIS

On April 7, 2016, the CEPIS (a civil association registered with the Provincial Corporations Records Office) filed a provisional action requesting that MINEM Resolutions No. 28/2016 and 31/2016 be considered void of legal effect. The Lower Court decision dismissed the legal action and ordered the National Government – MINEM to call a public hearing in order to confirm MINEM Resolutions No. 28/2016 and 31/2016. On July 7, 2016 and following the appeals filed by the parties, Courtroom II of the Federal Court of La Plata ruled MINEM Resolutions No. 28/2016 and 31/2016 void of legal effect, ordering to bring back the tariff situation to apply the charts in force before both resolutions. The decision was appealed by MINEM on July 12, 2016 through an extraordinary appeal filed to the National Supreme Court of Justice that still has to decide on the matter.

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ii) Case Municipality of Avellaneda

On July 6, 2016 MetroGAS was served notice of the injunction granted by the Judge in charge of the Supervisory Court No. 9 Decentralized Courts Avellaneda District, through which the Company was ordered to cancel the application of the increases established by MINEM Resolutions No. 28/2016 and No. 31/2016 and ENARGAS Resolutions No. 3,726/2016 for all of the customers in the jurisdiction of Avellaneda and until the matter of fact is solved in a conclusive way.

In this regard, MetroGAS and MINEM appealed and therefore the case was referred to the Federal Court of La Plata for them to decide on the resources filed.

2.3. Unbundling of Natural Gas

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

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

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

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

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

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

On April 1, 2016, through Resolution No. 34/2016, the MINEM ordered a new arrangement for the supply of CNG stations establishing the obligation regarding these users to purchase natural gas for supply to the distributor of its area or range so that they provide full service (gas, transportation and distribution). ENARGAS Resolution No. 3,770/2016 dated April 26, 2016, and effective May 1, 2016, approved the tariff schedules to be applied to CNG stations within MetroGAS licensed area.

3. BASIS FOR PRESENTATION OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

In April 2016, FACPCE issued TR No. 43 which only admits the alternative of applying the equity method to measure investments in controlled companies in the separate financial statements of a controlling company under International Accounting Standard (“IAS”) 27, effective January 1, 2016.

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

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

These condensed interim consolidated financial statements should be read together with the Company’s annual consolidated financial statements as of December 31, 2015 and comparatives.

The condensed interim consolidated financial statements for the six months periods ended June 30, 2016 and 2015 have not been audited. In the Company’s opinion these financial statements reflect all the adjustments necessary to be presented on a basis consistent with the annual consolidated financial statements.

These condensed interim consolidated financial statements, originally issued in Spanish, have been approved by the Board of Directors for issuance on August 3, 2016.

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission ("CNV").
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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

4. ACCOUNTING POLICIES

The accounting policies adopted for these condensed interim consolidated financial statements are consistent with the ones applied in the consolidated financial statements for the year ended on December 31, 2015 which are detailed in Note 4 to those consolidated financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Except the described in section 5.1 of this note, for the preparation of these condensed interim consolidated financial statements, the key judgments made by the Company when applying its accounting policies and the sources of information used for the respective estimates are consistent with those that were applied in the consolidated financial statements for the year ended on December 31, 2015, which are detailed in Note 5 to those financial statements.

5.1 Revenue recognition

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

Considering the situation described in Note 2, the Company has estimated revenues for gas sales and transportation and distribution services as well as the costs of gas supply and transportation as at June 30, 2016 applying the tariffs effective as at March 31, 2016.

6. FINANCIAL RISK MANAGEMENT

The business of the Company exposes it to various financial risks: market risk, credit risk and liquidity risk. No significant changes have occurred during the six month period ended on June 30, 2016 in relation to financial risk factors and management policies with respect thereto, which are detailed in Note 6 to the consolidated financial statements as of December 31, 2015.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

7. FINANCIAL INSTRUMENTS

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

8. INTERESTS IN SUBSIDIARIES

The table below shows the Company’s controlling interest:

Directly controlled company	Percentage of capital stock and voting rights held	
	06.30.2016	12.31.2015
MetroENERGÍA	95%	95%

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

MetroGAS has used for the calculation of its share in MetroENERGÍA, the latest separate financial statements of such company, as of June 30, 2016. The equity of MetroENERGÍA at June 30, 2016 amounts to 48,277 and a positive result amounts to 47,966.

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

MetroENERGÍA’s General Ordinary Shareholders’ Meeting held on April 15, 2015, decided the distribution of the profit for the year 2014 to 62,174 to the payment of a dividend in cash, in the opportunity that the Boards of Directors is deemed relevant, taking into account cash availability and financial conditions of the business and any other factor deemed the organ of Administration. In this meeting, the representatives of YPF Inversora Energética S.A. (“YPFIESA”) decided to maintain their commitment by means of which they have renounced for the collection of dividends for as long as the financial debt of MetroGAS arising as a result of the restructuring and/or refinancing of the outstanding debt, is cancelled, pursuant to which the dividends approved shall be paid in full to the major shareholder MetroGAS.

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

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

Furthermore, according to what has been stated by MetroENERGÍA’s Boards of Directors in its meetings held on May 11, 2016, taking into account cash availability and financial conditions of the business, dividends for 42,174 have been made available to the major shareholder MetroGAS, which were canceled in May 2016, considering that the minority shareholder has resigned to collect these dividends. Therefore, 2014 dividends distribution as determined at Shareholders meeting on April 15, 2015 has been completed.

9. SEGMENT REPORTING

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

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

	06.30.16			
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	Total
Revenues	1,700,770	1,414,441	(19,256)	3,095,955
Operating income	(55,306)	71,060	(52,869)	(37,115)
Results of interest in subsidiaries	52,869	-	(52,869)	-
Finance income	43,049	18,985	-	62,034
Finance cost	(686,419)	(16,251)	-	(702,670)
Result before income tax	(698,676)	73,794	(52,869)	(677,751)
Income tax and MPIT	21,923	(25,828)	-	(3,905)
Net and comprehensive result for the period	(676,753)	47,966	(52,869)	(681,656)
Total assets	4,157,517	634,405	(210,507)	4,581,415
Total liabilities	5,609,357	586,128	(164,644)	6,030,841
Depreciation of properties, plant and equipment, Investment properties and Intangible assets	(50,044)	-	-	(50,044)
Increase in properties, plant and equipment	166,601	-	-	166,601
Increase in Intangible Assets	29,442	1,238	-	30,680
Investments in subsidiaries	45,863	-	(45,863)	-

	06.30.15			
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	Total
Revenues	912,185	1,006,167	(5,810)	1,912,542
Operating loss / income	(187,478)	102,496	(62,553)	(147,535)
Results on investments in subsidiaries	62,553	-	(62,553)	-
Finance income	7,387	4,497	-	11,884
Finance cost	(287,840)	(10,727)	-	(298,567)
Result before income tax	(112,431)	96,266	(62,553)	(78,718)
Income tax and MPIT	18,193	(33,693)	-	(15,500)
Net and comprehensive result for the period	(94,238)	62,573	(62,553)	(94,218)
Total assets	3,289,243	433,886	(133,346)	3,589,783
Total liabilities	3,593,667	371,002	(73,606)	3,891,063
Depreciation of properties, plant and equipment and Investment properties	(46,156)	-	-	(46,156)
Increase in properties, plant and equipment	127,621	-	-	127,621
Investments in subsidiaries	59,740	-	(59,740)	-

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 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 06.30.16	NET BOOK VALUE 12.31.15
	AT BEGINNING OF YEAR	INCREASES	TRANSFERS	RETIREMENTS	AT END OF PERIOD	ACCUMULATED AT BEGINNING OF YEAR	RETIREMENTS	INCREASES	ACCUMULATED AT END OF PERIOD		
Land	15,654	-	-	-	15,654	-	-	-	-	15,654	15,654
Building and civil constructions	72,000	-	-	-	72,000	29,238	-	712	29,950	42,050	42,762
High pressure mains	387,634	-	12	-	387,646	210,515	-	3,215	213,730	173,916	177,119
Medium and low pressure mains	2,109,883	-	69,394	-	2,179,277	730,572	-	24,210	754,782	1,424,495	1,379,311
Pressure regulating stations	82,627	-	-	-	82,627	49,702	-	1,363	51,065	31,562	32,925
Consumption measurement installations	374,599	-	9,301	(3,823)	380,077	213,664	(2,499)	7,293	218,458	161,619	160,935
Other technical installations	59,839	-	2,015	-	61,854	50,035	-	488	50,523	11,331	9,804
Machinery, equipment and tools	36,991	-	1,690	-	38,681	29,142	-	626	29,768	8,913	7,849
Computer and telecommunications equipment	254,796	-	2,833	-	257,629	214,760	-	9,039	223,799	33,830	40,036
Vehicles	14,888	-	2,047	-	16,935	11,493	-	580	12,073	4,862	3,395
Furniture and fixtures	6,240	-	44	-	6,284	5,504	-	40	5,544	740	736
Materials	59,180	28,114	(23,316)	(7,930)	56,048	-	-	-	-	56,048	59,180
Gas in pipelines	214	-	-	-	214	-	-	-	-	214	214
Work in progress	100,227	138,487	(66,638)	-	172,076	-	-	-	-	172,076	100,227
Distribution network extensions constructed by third parties	72,628	-	2,618	-	75,246	20,435	-	728	21,163	54,083	52,193
Subtotal	3,647,400	166,601	-	(11,753)	3,802,248	1,565,060	(2,499)	48,294	1,610,855	2,191,393	2,082,340
Allowance for obsolescence of materials	(1,386)	(2,914)	-	59	(4,241)	-	-	-	-	(4,241)	(1,386)
Allowance for disposal of properties, plant and equipment	(4,282)	(1,407)	-	10	(5,679)	-	-	-	-	(5,679)	(4,282)
Total as of June 30, 2016	3,641,732	162,280	-	(11,684)	3,792,328	1,565,060	(2,499)	48,294	1,610,855	2,181,473	
Total as of December 31, 2015	3,424,874	225,350	-	(8,492)	3,641,732	1,474,156	(2,762)	93,666	1,565,060		2,076,672

As mentioned in Note 2.7.1 to the consolidated financial statements as of December 31, 2015, according to the license a substantial portion of the Properties, plant and equipment are defined as “Essential Assets” and there are certain restrictions over them described in the mentioned note.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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11. INVESTMENT PROPERTIES

MAIN ACCOUNT	ORIGINAL VALUE		DEPRECIATION				NET BOOK VALUE 06.30.16	NET BOOK VALUE 12.31.15
	AT BEGINNING OF YEAR	AT END OF PERIOD	ACCUMULATED AT BEGINNING OF YEAR	ANNUAL RATE	INCREASES	ACCUMULATED AT END OF PERIOD		
Land	729	729	-	-	-	-	729	729
Building	3,049	3,049	1,384	2.00%	30	1,414	1,635	1,665
Total as of June 30, 2016	3,778	3,778	1,384		30	1,414	2,364	
Total as of December 31, 2015	3,778	3,778	1,323		61	1,384		2,394

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12. INTANGIBLE ASSETS

MAIN ACCOUNT	ORIGINAL VALUE				DEPRECIATION			NET BOOK VALUE 06.30.16	NET BOOK VALUE 12.31.15
	AT BEGINNING OF YEAR	INCREASES	TRANSFERS	AT END OF PERIOD	ACCUMULATED AT BEGINNING OF YEAR	INCREASES	ACCUMULATED AT END OF PERIOD		
Software development in progress	54,673	30,680	(3,299)	82,054	-	-	-	82,054	54,673
Software	15,484	-	3,299	18,783	258	1,720	1,978	16,805	15,226
Total as of June 30, 2016	70,157	30,680	-	100,837	258	1,720	1,978	98,859	
Total as of December 31, 2015	-	70,157	-	70,157	-	258	258		69,899

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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13. TRADE RECEIVABLES

	<u>06.30.16</u>	<u>12.31.15</u>
Current		
Trade receivables and unbilled revenues	1,517,020	952,768
Related parties	65,679	128,643
Tax on banking transactions to be recovered	17,270	17,168
Allowance for doubtful accounts	<u>(100,527)</u>	<u>(67,176)</u>
Total Current	<u>1,499,442</u>	<u>1,031,403</u>

The aging analysis of the trade receivables is as follows:

	<u>06.30.16</u>	<u>12.31.15</u>
-Past due		
under 3 months	152,183	85,932
from 3 to 6 months	22,726	51,208
from 6 to 9 months	27,040	28,861
from 9 to 12 months	27,191	10,655
from 1 to 2 years	37,545	16,393
more than 2 years	<u>45,523</u>	<u>18,309</u>
Subtotal	<u>312,208</u>	<u>211,358</u>
-Becoming due		
under 3 months	1,260,866	873,943
from 3 to 6 months	18,056	4,694
from 6 to 9 months	4,440	4,292
from 9 to 12 months	<u>4,399</u>	<u>4,292</u>
Subtotal	<u>1,287,761</u>	<u>887,221</u>
Allowance for doubtful accounts	<u>(100,527)</u>	<u>(67,176)</u>
Total	<u>1,499,442</u>	<u>1,031,403</u>

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

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

	<u>06.30.16</u>	<u>12.31.15</u>
Pesos	1,227,041	662,678
US Dollars	272,401	368,725
Total	<u>1,499,442</u>	<u>1,031,403</u>

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

	<u>06.30.16</u>	<u>12.31.15</u>
Balance at beginning of year	68,466	28,983
Revaluation of foreign currency	9,971	12,599
Increases (*)	25,289	31,140
Decreases	(1,821)	(4,256)
Balance at end of period/year	<u>101,905</u>	<u>68,466</u>

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

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14. OTHER RECEIVABLES

	06.30.16	12.31.15
	<u> </u>	<u> </u>
Non current:		
Social security and tax credits	3,290	9,171
Expenses paid in advance	151	348
Total non current	<u>3,441</u>	<u>9,519</u>
Current:		
Advances to employees	991	569
Insurance paid in advance	609	303
Expenses paid in advance	12,030	2,275
Trust Fund Resolution No. 2,407	1,443	1,474
Social security and tax credits	36,017	18,308
Recoverable expenses	13,974	13,961
Related parties	4,690	7,760
Advances to suppliers	6,690	11,432
Temporary Economic Assistance - Related parties	149,310	149,310
Advances and anticipated purchases of gas	27,682	15,742
Management service for third parties constructions	4,105	3,365
Miscellaneous	10,068	6,803
Allowance for doubtful accounts	<u>(1,378)</u>	<u>(1,290)</u>
Total current	<u>266,231</u>	<u>230,012</u>
Total	<u>269,672</u>	<u>239,531</u>

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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The aging analysis of the other receivables is as follows:

	<u>06.30.16</u>	<u>12.31.15</u>
-Past due		
under 3 months	6,179	152,592
from 3 to 6 months	297	771
from 6 to 9 months	149,863	235
from 9 to 12 months	618	33
from 1 to 2 years	493	615
more than 2 years	914	700
Subtotal	<u>158,364</u>	<u>154,946</u>
-Without due	35,097	25,667
-Becoming due		
under 3 months	67,432	46,198
from 3 to 6 months	5,922	7,516
from 6 to 9 months	547	2,195
from 9 to 12 months	247	471
from 1 to 2 years	132	802
more than 2 years	3,309	3,026
Subtotal	<u>77,589</u>	<u>60,208</u>
Allowance for doubtful accounts	(1,378)	(1,290)
Total	<u><u>269,672</u></u>	<u><u>239,531</u></u>

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

	<u>06.30.16</u>	<u>12.31.15</u>
Pesos	264,983	235,115
US Dollars	4,557	4,244
Pound sterling	132	172
Total	<u><u>269,672</u></u>	<u><u>239,531</u></u>

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15. CASH AND CASH EQUIVALENTS

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

	<u>06.30.16</u>	<u>12.31.15</u>
Cash and banks	118,994	79,702
Mutual funds	397,277	516,521
Total	<u>516,271</u>	<u>596,223</u>

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

	<u>06.30.16</u>	<u>12.31.15</u>
Pesos	514,738	593,937
US Dollars	1,405	2,161
Sterling pound	79	77
Euros	33	28
Reales	16	20
Total	<u>516,271</u>	<u>596,223</u>

As of June 30, 2016 and December 31, 2015, funds collected and pending to be deposit for Trust Funds and Resolution I-2,621/2013 amount to 40,602 and 59,593, respectively.

16. SHAREHOLDERS' EQUITY AND ISSUED CAPITAL

As of June 30, 2016, the issued capital of MetroGAS amounts to 569,171, which is fully subscribed, registered and paid-in and it is composed of the following classes of shares:

Classes of shares	Subscribed, registered and paid in
Outstanding:	
Common Certified Shares, of Ps. 1 Par Value and 1 Vote each:	
Class "A"	290,277
Class "B"	275,026
Class "C"	3,868
Issued Capital at 06.30.16	<u>569,171</u>

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Seventy per cent (70%) of the whole capital stock belonged to Gas Argentino S.A. (“Gas Argentino”) as of December 31, 2015. In the meeting on March 3, 2016 Gas Argentino approved the merger by absorption by YPF of YPFIESA and of Gas Argentino, therefore, the latter shall be dissolved without liquidation effective January 1, 2016. Furthermore, on that same date YPF, as absorbing company, and YPFIESA and Gas Argentino, as absorbed companies, signed a Commitment Prior to Merger, under which YPF shall incorporate YPFIESA and Gas Argentino, effective January 1, 2016, based on the individual annual financial statements of each of the companies as at December 31, 2015, which shall be used as Special Merger Balance, and on the Consolidated Merger Statement of Financial Position as at the same date.

The General Ordinary and Extraordinary Shareholders’ Meeting of Gas Argentino on April 29, 2016 approved: i) Merger by absorption of Gas Argentino and YPFIESA by YPF under the terms of Article 82, following and matching ones in the General Corporation Law No. 19,950; ii) the Special Merger Balance of Gas Argentino and the Consolidated Merger Statements of Financial Position of YPFIESA, Gas Argentino and YPF, closed on December 31, 2015, iii) the Merger Commitment celebrated between YPFIESA and Gas Argentino and YPF, and iv) the Merger Prospect.

As of December 31, 2015, the Company recorded accumulated losses for 1,344,258 and kept a negative Shareholders’ equity attributable to the controlling interest of 775,087, being subject to the provisions of Article 94, paragraph 5, and Article 96 of the General Corporations Law. Considering the aforementioned, having discussed the issue at the Shareholders Meeting held on April 29, 2016, the shareholders of MetroGAS estimates that the Company’s economic-financial situation will gradually improve through the implementation of the Provisional Agreement subscribed on February 24, 2016 with the MINEM and the Ministry of Economic and Public Finances (see Note 2.1), regarding the terms include the subscription of an Comprehensive Letter of Understanding of Contractual Renegotiation, in order to facilitate the recomposition of the economic-financial situation of the Company. Nonetheless, the above, the Company cannot guarantee that the estimates aforementioned finally implemented or to be implemented under the terms provided. For these reasons, the shareholders of MetroGAS will monitor the evolution of the equity of the Company during the year as well as the effect of the tariff increase. In the case that application of the agreements suscripted with the National Government to date are insufficient to gradually rebuild the equity of the Company, the MetroGAS Board of Directors will evaluate the actions to be taken.

As a consequence of the magnitude of the accumulated losses, as of June 30, 2016, the Company registered a negative Shareholders’ equity attributable to controlling interest of 1,451,840, being subject to the provisions of Art. 94, paragraph 5 and Art. 96 of the General Corporations Law.

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17. OTHER TAXES PAYABLES

	<u>06.30.16</u>	<u>12.31.15</u>
Non current:		
Others taxes	4,848	5,647
Subtotal non current	<u>4,848</u>	<u>5,647</u>
Current:		
Value added tax	232,340	32,761
GCABA study, revision and inspection of works in public space levy	68,189	57,052
GNC Tax	44,999	6,102
Turnover tax	39,309	26,917
Provincial and municipal taxes	91,814	49,360
Hydric infrastructure rate	24,499	2,231
Withholding to third parties	6,736	-
Others taxes	1,669	1,794
Subtotal current	<u>509,555</u>	<u>176,217</u>
Total	<u>514,403</u>	<u>181,864</u>

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

The aging analysis of other taxes payables is as follows:

	<u>06.30.16</u>	<u>12.31.15</u>
-Without due	112,869	93,975
-Becoming due		
under 3 months	395,723	81,053
from 3 to 6 months	316	521
from 6 to 9 months	321	334
from 9 to 12 months	326	334
from 1 to 2 years	869	1,011
more than 2 years	3,979	4,636
Subtotal	<u>401,534</u>	<u>87,889</u>
Total	<u>514,403</u>	<u>181,864</u>

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18. FINANCIAL DEBT

	<u>06.30.16</u>	<u>12.31.15</u>
Non current:		
Negotiable Obligations (“Notes”)	2,468,957	2,087,326
Related parties (“Notes”)	57,514	48,623
Subtotal Non current	<u>2,526,471</u>	<u>2,135,949</u>
Current:		
Interest to be paid (“Notes”)	2,014	1,587
Related parties (Line of credit)	137,256	143,271
Subtotal Current	<u>139,270</u>	<u>144,858</u>
Total	<u>2,665,741</u>	<u>2,280,807</u>

As of June 30, 2016, financial debt denominated in U.S. dollars amounted to 2,528,485 and financial debt denominated in pesos amounted to 137,256. As of December 31, 2015, financial debt denominated in U.S. dollars amounted to 2,137,536 and financial debt denominated in pesos amounted to 143,271.

The table below shows the changes occurred in the balance of financial debt as of June 30, 2016 and December 31, 2015:

	<u>06.30.16</u>	<u>12.31.15</u>
Balance at beginning of year	2,280,807	1,445,776
Accrued interest at effective interest rate - Notes (1)	179,482	234,169
Accrued interest on YPF line of credit	21,447	35,029
Exchange difference	332,110	741,247
Interest payment	(148,105)	(175,414)
Balance at end of period/year	<u>2,665,741</u>	<u>2,280,807</u>

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

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The aging analysis of financial debt is as follows:

	<u>06.30.16</u>	<u>12.31.15</u>
-Becoming due		
under 3 months	2,014	74,504
from 3 to 6 months	-	70,354
from 6 to 9 months	76,547	-
from 9 to 12 months	60,709	-
more than 2 years	2,526,471	2,135,949
Subtotal	<u>2,665,741</u>	<u>2,280,807</u>
Total	<u><u>2,665,741</u></u>	<u><u>2,280,807</u></u>

Negotiable Obligations

Information related with negotiable obligations is detailed in Note 18 to the consolidated financial statements as of December 31, 2015.

No event of default has occurred as of June 30, 2016. During the present period the Company has complied with the terms and covenants established under the Offering Circular.

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 had a BADLAR cost plus an annual 6% spread. YPF made available to MetroGAS a “Non-Committed” credit facility for up to 180,000 for a period of 180 days as from the date of the proposal. MetroGAS may require such drawdowns as it may deem advisable according to its needs up to the maximum amount of the credit facility and for the above mentioned period, and make partial or total advance payments without penalty. An annual 10% default interest is applied in the event of default. On February 26, 2015 an extension of 365 days as from their corresponding maturity date and with the same terms and conditions was established, limiting the amount to 140,000. On February 25, 2016 and April 18, 2016 further extensions were set to be the new expiration dates February 27, 2017, for the first disbursement request, and April 21, 2017, for the second. As of June 30, 2016, the Company has taken 90,000 and has capitalized interest by 36,043 of this facility.

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19. REORGANIZATION LIABILITIES

	<u>06.30.16</u>	<u>12.31.15</u>
Non current:		
Taxes payable	13,283	13,283
Trade payables	23	23
Salaries and social security	336	336
Total Non current	<u><u>13,642</u></u>	<u><u>13,642</u></u>

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

20. PROVISIONS

Provisions	Civil, labor and other claims	Tax claims and other fines	Regulatory claims and interpretation disagreements	Total
Balance at 12.31.15	69,610	32,196	14,452	116,258
Net increases of the period (*)	24,885	(8,443)	-	16,442
Reclassification to other accounts payable	-	-	2,741	2,741
Decreases of the period	(540)	(16,234)	-	(16,774)
Balance at 06.30.16	93,955	7,519	17,193	118,667

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

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21. TRADE PAYABLES

	<u>06.30.16</u>	<u>12.31.15</u>
Non current:		
Gas creditors	65,157	18,478
Related parties	97,702	153,577
Total Non current	<u>162,859</u>	<u>172,055</u>
Current:		
Gas and transportation creditors	908,263	860,435
Other purchases and services creditors	128,267	128,220
Trust Funds	40,471	56,666
Related parties	1,111,469	562,967
Resolution I-2,621/2013	131	2,927
Total current	<u>2,188,601</u>	<u>1,611,215</u>
Total	<u><u>2,351,460</u></u>	<u><u>1,783,270</u></u>

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

	<u>06.30.16</u>	<u>12.31.15</u>
Pesos	2,005,401	1,464,731
US Dollars	346,026	317,615
Euros	33	924
Total	<u><u>2,351,460</u></u>	<u><u>1,783,270</u></u>

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The aging analysis of the trade payables is as follows:

	<u>06.30.16</u>	<u>12.31.15</u>
-Past due		
under 3 months	269,295	672,485
from 3 to 6 months	148,614	-
from 6 to 9 months	231,293	7
from 9 to 12 months	8	-
from 1 to 2 years	1,210	1,149
more than 2 years	166	117
Subtotal	<u>650,586</u>	<u>673,758</u>
-Becoming due		
under 3 months	1,402,399	856,461
from 3 to 6 months	42,477	25,268
from 6 to 9 months	45,149	26,859
from 9 to 12 months	47,990	28,869
from 1 to 2 years	162,859	133,322
more than 2 years	-	38,733
Subtotal	<u>1,700,874</u>	<u>1,109,512</u>
Total	<u>2,351,460</u>	<u>1,783,270</u>

22. SALARIES AND SOCIAL SECURITY

	<u>06.30.16</u>	<u>12.31.15</u>
Salaries	8,633	19,253
Social securities	29,385	24,091
Related parties	8,306	9,773
Vacation provision	69,222	46,754
Bonus provision	27,906	28,262
Others	236	196
Total	<u>143,688</u>	<u>128,329</u>

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

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

	<u>06.30.16</u>	<u>12.31.15</u>
-Becoming due		
under 3 months	58,833	99,554
from 3 to 6 months	33,966	9,485
from 6 to 9 months	41,963	9,485
from 9 to 12 months	8,926	9,805
Subtotal	<u>143,688</u>	<u>128,329</u>
Total	<u>143,688</u>	<u>128,329</u>

23. OTHER ACCOUNTS PAYABLE

	<u>06.30.16</u>	<u>12.31.15</u>
Payables for works on behalf of third parties	10,573	10,739
ENARGAS' Fines	2,386	2,386
GCBA' Fines	8,540	9,234
Miscellaneous	503	464
Total	<u>22,002</u>	<u>22,823</u>

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

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

	<u>06.30.16</u>	<u>12.31.15</u>
-Without due	2,386	2,386
-Becoming due		
under 3 months	15,633	7,813
from 3 to 6 months	2,637	5,189
from 6 to 9 months	1,270	4,567
from 9 to 12 months	76	2,868
Subtotal	<u>19,616</u>	<u>20,437</u>
Total	<u>22,002</u>	<u>22,823</u>

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24. REVENUES

	For the six-months period ended,		For the three-months period ended,	
	06.30.16	06.30.15	06.30.16	06.30.15
Gas sales	1,548,102	790,278	1,259,528	453,427
MetroENERGÍA's gas sales and transportation	1,405,607	1,000,223	754,680	625,825
Transportation and distribution services	100,615	99,538	44,705	47,105
Other sales	31,303	14,833	23,834	7,471
Natural gas liquids processing	1,494	1,726	363	1,111
MetroENERGÍA's other revenues	8,834	5,944	5,350	3,161
Total	3,095,955	1,912,542	2,088,460	1,138,100

25. EXPENSES BY NATURE

	For the six-months period ended,				06.30.15
	06.30.16		06.30.15		
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	TOTAL
Payroll and other employees benefits	117,856	130,670	83,044	331,570	231,806
Social security contributions	26,622	18,612	18,574	63,808	52,639
Cost of natural gas	2,011,450	-	-	2,011,450	1,275,447
Transportation of natural gas and natural gas liquids processing	188,408	-	-	188,408	142,666
Directors and Supervisory committee fees	-	1,202	-	1,202	1,234
Fees for professional services	260	3,827	765	4,852	3,819
Sundry materials	12,444	-	-	12,444	6,715
Fees for sundry services	27,523	9,146	41,870	78,539	59,654
Post and telephone	1,149	3,627	28,293	33,069	24,906
Rent and leases	146	26	1,974	2,146	1,679
Transportation and freight charges	-	5,924	-	5,924	3,442
Office materials	376	831	1,102	2,309	1,736
Travelling expenses	484	433	271	1,188	918
Insurance premium	-	8,418	-	8,418	5,596
Properties, plant and equipment maintenance and repair	53,003	34,262	100	87,365	73,520
Properties, plant and equipment, Investment properties and Intangible assets depreciation	38,523	11,521	-	50,044	46,156
Taxes, rates and contributions	35,632	51,862	90,352	177,846	111,212
Publicity	-	-	4,411	4,411	2,130
Doubtful accounts	-	-	25,289	25,289	4,130
Bank expenses and commissions	-	497	12,135	12,632	8,615
Others expenses	2,388	920	430	3,738	3,801
Total as of June 30, 2016	2,516,264	281,778	308,610	3,106,652	
Total as of June 30, 2015	1,649,774	210,368	201,679		2,061,821

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	For the three-months period ended,				06.30.15
	06.30.16		06.30.15		
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	
Payroll and other employees benefits	60,573	75,239	43,591	179,403	129,458
Social security contributions	18,864	15,406	13,156	47,426	33,607
Cost of natural gas	1,286,524	-	-	1,286,524	845,205
Transportation of natural gas and natural gas liquids processing	96,593	-	-	96,593	82,564
Directors and Supervisory committee fees	-	749	-	749	740
Fees for professional services	63	2,215	497	2,775	1,677
Sundry materials	6,858	-	-	6,858	3,809
Fees for sundry services	14,409	4,774	22,387	41,570	33,651
Post and telephone	642	1,819	15,739	18,200	13,123
Leases	66	(267)	1,027	826	963
Transportation and freight charges	-	3,364	-	3,364	1,776
Office materials	237	436	612	1,285	966
Travelling expenses	292	247	165	704	512
Insurance premium	-	4,202	-	4,202	2,914
Properties, plant and equipment maintenance and repair	27,662	16,421	60	44,143	41,292
Properties, plant and equipment and Investment properties depreciation	19,450	5,812	-	25,262	23,364
Taxes, rates and contributions	20,341	27,958	68,019	116,318	60,250
Publicity	-	-	3,743	3,743	1,671
Doubtful accounts	-	-	24,583	24,583	(674)
Bank expenses and commissions	-	280	7,373	7,653	4,156
Others expenses	582	666	276	1,524	3,560
Total as of June 30, 2016	<u>1,553,156</u>	<u>159,321</u>	<u>201,228</u>	<u>1,913,705</u>	
Total as of June 30, 2015	<u>1,054,164</u>	<u>119,444</u>	<u>110,976</u>		<u>1,284,584</u>

The expenses included in the above table are net of the Company’s own expenses capitalized in properties, plant and equipment and intangible assets for 16,545 at June 30, 2016 and for 9,798 at June 30, 2015.

26. OTHER INCOME AND EXPENSES

	For the six-months period ended,		For the three-months period ended,	
	06.30.16	06.30.15	06.30.16	06.30.15
GCBA’ Fines	(13,325)	-	(13,325)	-
Publicity	163	338	(81)	338
Contractors penalties	1,216	1,077	924	464
Management service for third parties constructions	96	-	91	-
Other income	544	4,135	1,739	1,792
Revenues from rendering services to Controlling Company	1,330	1,322	230	918
Increases in provisions for claims and contingencies and others	(16,442)	(5,128)	6,216	(2,581)
Total	(26,418)	1,744	(4,206)	931

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27. NET FINANCIAL RESULTS

Finance income

	For the six-months period ended,		For the three-months period ended,	
	06.30.16	06.30.15	06.30.16	06.30.15
Financial assets at fair value	59,096	8,744	22,865	3,916
Exchange difference on cash and cash equivalents	184	470	(18)	215
Other financial expenses	2,754	2,670	57	2,670
	<u>62,034</u>	<u>11,884</u>	<u>22,904</u>	<u>6,801</u>

Finance costs

	For the six-months period ended,		For the three-months period ended,	
	06.30.16	06.30.15	06.30.16	06.30.15
Exchange difference on financial debt	332,110	86,538	60,933	43,628
Accrued interest on financial debt	179,482	108,382	86,319	56,024
Accrued interest on YPF line of credit	21,447	13,959	10,116	7,005
Accrued interest on commercial debt	150,163	76,314	126,419	65,118
Other financial expenses	19,468	13,374	7,965	8,529
	<u>702,670</u>	<u>298,567</u>	<u>291,752</u>	<u>180,304</u>

28. INCOME TAX AND MINIMUM PRESUMED INCOME TAX

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

MetroGAS

Deferred income tax assets

	Trade receivables and Other receivables	Provisions	Total deferred tax assets
Balances at 12.31.15	100,917	26,221	127,138
Movements of the period	14,602	(4,132)	10,470
Balances at 06.30.16	<u>115,519</u>	<u>22,089</u>	<u>137,608</u>

Deferred income tax liabilities

	Properties, plant and equipment	Financial debt	Cash and cash equivalents	Others	Total deferred tax liabilities	Total net deferred tax liabilities
Balances at 12.31.15	(207,040)	(139,437)	(3,923)	101	(350,299)	(223,161)
Movements of the period	7,284	637	3,299	233	11,453	21,923
Balances at 06.30.16	<u>(199,756)</u>	<u>(138,800)</u>	<u>(624)</u>	<u>334</u>	<u>(338,846)</u>	<u>(201,238)</u>

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MetroENERGÍA

Deferred income tax assets

	Trade receivables	Others	Total
Balances at 12.31.15	10,090	(715)	9,375
Movements of the period	4,477	(518)	3,959
Balances at 06.30.16	14,567	(1,233)	13,334

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

	For the six-months period ended,		For the three-months period ended,	
	06.30.16	06.30.15	06.30.16	06.30.15
Income tax expense on result before income tax	237,213	27,551	34,405	(12,756)
<u>Tax effect due to:</u>				
Net non deductible expenses and non taxable income	(1,150)	(171)	(1,222)	(473)
Tax loss carry forwards not recognized	(239,968)	(42,880)	(30,417)	2,031
Total income tax charged to results	(3,905)	(15,500)	2,766	(11,198)

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

	For the six-months period ended,		For the three-months period ended,	
	06.30.16	06.30.15	06.30.16	06.30.15
Income tax determined for fiscal purposes MetroGAS	233,052	42,880	30,440	(2,031)
Current income tax MetroENERGÍA	(29,787)	(36,690)	(22,151)	(22,134)
Temporary differences	25,882	21,190	24,917	10,936
2015 Tax loss carry forward adjustment	6,916	-	(23)	-
Tax loss carry-forward not recognized	(239,968)	(42,880)	(30,417)	2,031
Total income tax (charged)/credit to results	(3,905)	(15,500)	2,766	(11,198)

The remaining tax losses carry-forward as of June 30, 2016 amounted to 794,136, were not recognized in the financial statements at the end of the period. That tax loss carry-forward could be offset against future results expiring 67,290 in 2017, 239,099 in 2019, 254,695 in 2020 and 233,052 thousand in 2021.

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

As of June 30, 2016, the Company has not set MPIT since it believes that the assets do not have potential to produce taxable income reached by this tax in the present period.

In addition, the tax credit on minimum presumed income tax not recognized in the financial statements as of June 30, 2016 amounted to 99,711, expiring between the years 2016 and 2024.

29. NET RESULT PER SHARE

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

	For the six-months period ended,		For the three-months period ended,	
	06.30.16	06.30.15	06.30.16	06.30.15
Net and comprehensive result for the period attributable to controlling interest	(676,753)	(94,238)	(90,174)	26,398
Average of common shares outstanding	569,171	569,171	569,171	569,171
Net basic and diluted result per share	(1.19)	(0.17)	(0.16)	0.05

30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

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

The information described in the following charts shows the balances with related companies as of June 30, 2016 and December 31, 2015, as well as operations with these companies for the six and three months periods ended on June 30, 2016 and 2015.

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

The transactions shown below have been made with related parties:

	For the six-months period ended,									
	06.30.16									
	Gas & transportation sales	Other income and expenses	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs on loans	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
Controlling company:										
YPF	33	1,330	484,654	642	1,838	-	21,447	51,927	-	-
Other related parties:										
YSUR Energía Argentina S.R.L.	-	-	10,224	-	-	-	-	2,274	-	-
Central Dock Sud S.A.	19,601	-	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	11,692	-	-	-	-	-	-	-	-	-
A-Evangelista S.A.	597	-	-	-	-	-	-	-	-	-
Energía Argentina SA ("ENARSA")	-	-	130,207	-	-	-	-	22,904	-	-
Profertil S.A.	320,567	-	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A.	-	-	64,200	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	3,118	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	-	612	-
MINEM										
Others (1)	507	-	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	-	20,136
	357,107	1,330	689,285	642	1,838	3,118	21,447	77,105	612	20,136

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

	For the six-months period ended,									
	06.30.15									
	Gas & transportation sales	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Other income and expenses	Insurance premium	Finance costs	Post and telephone expenses	Temporary Economic Assistance Resolution ES 263/15	Salaries and others employee benefits
Controlling company:										
Gas Argentino	-	-	-	-	1,322	-	-	-	-	-
Other related parties:										
YSUR Energía Argentina S.R.L.	-	20,919	-	-	-	-	-	-	-	-
Central Dock Sud S.A.	32,918	-	-	-	-	-	-	-	-	-
YPF	248	324,593	343	876	-	-	13,959	-	-	-
Operadora de Estaciones de Servicio S.A.	8,703	-	-	-	-	-	-	-	-	-
A-Evangelista S.A.	1,338	-	-	-	-	-	-	-	-	-
Energía Argentina SA ("ENARSA")	-	39,992	-	-	48	-	-	-	-	-
Profertil S.A.	325,760	-	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	28,635	-	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	2,014	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	472	-	-
MINEM	-	-	-	-	-	-	-	-	355,500	-
Others (1)	1,264	-	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	-	14,466
	370,231	414,139	343	876	1,370	2,014	13,959	472	355,500	14,466

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

	For the three-months period ended,									
	06.30.16									
	Gas & transportation sales	Other income and expenses	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs on loans	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
Controlling company:										
YPF	31	230	338,778	250	721	-	10,116	42,271	-	-
Other related parties:										
YSUR Energía Argentina S.R.L.	-	-	8,324	-	-	-	-	1,924	-	-
Central Dock Sud S.A.	10,497	-	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	9,583	-	-	-	-	-	-	-	-	-
A-Evangelista S.A.	556	-	-	-	-	-	-	-	-	-
Energía Argentina SA ("ENARSA")	-	-	130,207	-	-	-	-	18,561	-	-
Profertil S.A.	126,965	-	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	-	30,692	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	1,593	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	-	356	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	933	-	-	-	-	-	-	-	-	-
Otros (1)	335	-	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	-	10,742
	148,900	230	508,001	250	721	1,593	10,116	62,756	356	10,742

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

	For the three-months period ended,									
	06.30.15									
	Gas & transportation sales	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Other income and expenses	Insurance premium	Finance costs	Post and telephone expenses	Temporary Economic Assistance Resolution ES 263/15	Salaries and others employee benefits
Controlling company:										
Gas Argentino	-	-	-	-	918	-	-	-	-	-
Other related parties:										
YSUR Energía Argentina S.R.L.	-	7,746	-	-	-	-	-	-	-	-
Central Dock Sud S.A.	24,945	-	-	-	-	-	-	-	-	-
YPF	211	256,031	232	561	-	-	7,005	-	-	-
Operadora de Estaciones de Servicio S.A.	7,070	-	-	-	-	-	-	-	-	-
A-Evangelista S.A.	1,237	-	-	-	-	-	-	-	-	-
Energía Argentina SA ("ENARSA")	-	39,992	-	-	46	-	-	-	-	-
Profertil S.A.	228,326	-	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	20,087	-	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	1,076	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	472	-	-
MINEM	-	-	-	-	-	-	-	-	355,500	-
Otros (1)	1,171	-	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	-	7,591
	262,960	323,856	232	561	964	1,076	7,005	472	355,500	7,591

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

The balances shown below are outstanding with related parties:

	06.30.16						
	Trade receivables	Other receivables	Trade payable		Financial debt		Salaries and social securities
	Current	Current	Current	Non current	Current	Non current	Current
Controlling company:							
YPF	12	3,058	731,382	65,750	137,256	55,230	-
Other related parties:							
YSUR Energía Argentina S.R.L.	-	-	27,297	2,382	-	2,284	-
Central Dock Sud S.A.	12,839	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	10,385	-	-	-	-	-	-
A-Evangelista S.A.	447	-	-	-	-	-	-
ENARSA	5	-	310,785	29,570	-	-	-
Profertil S.A.	39,674	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	-	42,005	-	-	-	-
Nación Seguros S.A.	-	1,632	-	-	-	-	-
MINEM	-	149,310 ⁽²⁾	-	-	-	-	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	2,304	-	-	-	-	-	-
Others (1)	13	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	8,306
	65,679	154,000	1,111,469	97,702	137,256	57,514	8,306

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

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

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

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

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2016 AND COMPARATIVE INFORMATION

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

In the same way, YPF provided MetroGAS with the professional services for setting up, installing and starting up the new system SCADA (Supervisory Control and Data Acquisition in real time). The amount invoiced for services during the six months period ended on June 30, 2016 amounted to 338 these were capitalized under Intangible Assets (Note 12).

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 to the consolidated financial statements as of December 31, 2015 and pursuant to Resolution I-2,621/2013 of ENARGAS, MetroGAS currently bills on behalf and for the account of ENARSA the injected volumes in relation to CNG as from June 2013. The net balance at the end of each period of this operation is shown in Note 21.

Furthermore, as explained in Note 2.5 to the consolidated financial statements as of December 31, 2015, MetroGAS must invoice, collect and settle three specific charges, with different appropriations, which is done for the order and account of Nación Fideicomisos S.A. Balances of this operation are stated in Note 21.

Marcelo Adrián Núñez
Chairperson

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

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

Argentine Economic Context and its impact on the Company

Note 2 to the consolidated financial statements as of December 31, 2015, include a detailed description of the economic and regulatory context, the impact of Emergency Law and regulations thereunder on the Company.

Significant developments during the six-month period ended on June 30, 2016 are described in Note 2 to these condensed interim consolidated financial statements.

These circumstances have been taken into account by the Management of the Company when making any significant accounting estimates included in these condensed interim consolidated financial statements, which include estimates for the recoverable value of non-current assets. For this purpose, the Company prepares from time to time an economic and financial forecast on the basis of alternative scenarios based on macroeconomic, financial, market and regulatory assumptions. See Note 5.

General considerations

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

On account of regulatory changes (see Note 2.2.4 to the consolidated financial statements as of December 31, 2015), on April 20, 2005 the Board of Directors of MetroGAS S.A. ("MetroGAS") resolved to create MetroENERGÍA S.A. ("MetroENERGÍA"), a corporation whose equity is owned 95% by MetroGAS and whose corporate purpose is to engage, on its own account and on behalf of or in association with third parties, in the sale and purchase and/or transportation of natural gas.

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

The Provisional Agreement 2014, ratified by Decree No. 445/2014 dated April 1, 2014 and published in the Official Gazette on April 7, 2014, establishes a provisional tariff regime as from April 1, 2014, consisting in readjust prices and tariffs considering the guidelines necessary to maintain the continuity of service and also sets forth common criteria applicable to all distribution licensees, in accordance with tariff regulations in force, including changes in the gas price at the transmission system entry point (see Note 2.2.2.2 to the consolidated financial statements as of December 31, 2015).

On June 8, 2015, the Official Gazette published Resolution No. 263/2015 whereby the Energy Secretariat ("ES") approved the allocation of funds as a temporary economic assistance to be paid in ten consecutive installments in benefit of MetroGAS and the rest of the natural gas distributors effective as from March 2015, in order to cover expenditures and investments related to the regular operation of the natural gas public service and in advance for the Comprehensive Tariff Revision to be carried out in due time (see Note 2.2.2.3 to the consolidated financial statements as of December 31, 2015).

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

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

On February 24, 2016, within the framework of the public service contracts renegotiation process, as provided by Law No. 25,561 and complementary regulations, the Company signed a Provisional Agreement with the Ministry of Energy and Mining (“MINEM”), and the Ministry of Economy and Public Finances, which provides a temporary tariff schedule that will enable the provision of additional resources to those received by the application of the Provisional Agreement 2014 and ENARGAS Resolution No. I/2,407/2012 dated November 27, 2012.

On April 4, 2016, the Official Gazette published ENARGAS Resolution No. 3,726/2016 that approves effective April 1, 2016, new tariff schedules for MetroGAS customers. ENARGAS Resolution No. 3,726/2016 additionally determines tariff schedules for residential customers with savings in their consumption of or above 15% with respect to the same period of the previous year, as well as those to be applied to customers registered with the registry provided for by ENARGAS Resolution No. I-2,905/2014 with the amendments provided for by article 5 of MINEM Resolution No. 28/2016 about the social tariff.

On June 8, 2016, and as a complement to MINEM Resolution No. 99/2016, ENARGAS through Resolution No. 3,843/2016 established – until December 31, 2016 - a limit of 400% and 500% increases in the final amount to be billed to Residential and Small General Service (“SGP”) customers, respectively, before taxes, over the amount that should have been billed by applying the tariff schedule effective 31 March 2016 to the consumption of the current period. Under MINEM Resolution No. 99/2016, differences between the final amount resulting from the application of the established limit and the tariff schedules valid to date, would be established during 2016 as a discount over prices billed by gas producers to distribution companies.

Later on, dated July 12, 2016, through Resolution No. 129/2016, MINEM amended Resolution No. 99/2016 and instructed ENARGAS to take necessary steps so that during 2016, the total amount, taxes included, of the bills issued by gas public utilities throughout the country, that residential (Category R and sub-categories) and SGP customers with complete service shall pay for consumptions as from April 1, 2016, does not exceed 400% or 500%, respectively, of the total amount, with taxes, of the bill issued to the same customer the same period of the previous year; that is, the amount billed shall not exceed an amount equivalent to 5 and 6 times, respectively, the total amount of the bill issued to the same customer, for the same billing period of the previous year.

Additionally, MINEM instructed ENARGAS to adopt the actions required in order to finish before December 31, 2016, the Integral Tariff Review process (mentioned in Article 1 of Resolution No. 31 dated March 29, 2016), and to this end the public hearing therein provided for shall be conducted before October 31, 2016.

On April 7, 2016, the Center of Studies for the Promotion of Equality and Solidarity (“CEPIS”) - a civil association registered with the Provincial Corporations Records Office – filed an injunction to declare MINEM Resolutions No. 28/2016 and 31/2016 null and void. The first instance ruling dismissed the action and ordered the National Government, MINEM, to summon a public hearing to confirm MINEM Resolutions No. 28/2016 and 31/2016. On July 7, 2016, and as a result of the appeals filed by the parties, Court II of the Federal Court of Appeals of La Plata ruled MINEM Resolutions No. 28/2016 and No. 31/2016 null and void, and returned the tariff situation throughout the country to the tariff schedule effective before both resolutions were issued. The ruling was appealed by MINEM on July 12, 2016 and, should Court II of the Federal Court of Appeals of La Plata accept the extraordinary appeal filed by MINEM, the National Supreme Court of Justice will have to solve this issue.

Although the Company is not a part of the CEPIS case and the resolution dated July 7, 2016 does not mention the tariff schedules approved by ENARGAS, on July 27, 2016 ENARGAS informed in Note No. 6,877 that, due to the decisions in the CEPIS case, and until the extraordinary appeal filed by MINEM is solved, the application of ENARGAS Resolution No. 3,726/2016 is not feasible.

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

Considering the situation described in Note 2, the Company has estimated revenues for gas sales and transportation and distribution service as well as the costs of gas supply and transportation as at June 30, 2016 applying the tariffs effective as at March 31, 2016.

Analysis of transactions for the six months period ended June 30, 2016 and 2015

The sales of the Company for the six months period ended on June 30, 2016 increased by 61.9%, and operating costs rose by 52.5% as compared with the same period in previous fiscal year, as a result of which gross profit increased by 316,923, amounted to 579,691 during the six-months period ended on June 30, 2016, as compared with 262,768 shown for the same period in the preceding fiscal year.

Administrative expenses increased by 33.9%, from 210,368 during the six-months period ended on June 30, 2015, as compared with 281,778 shown for the same period of the present fiscal year, and selling expenses increased by 53.0%, from 201,679, during the six months period ended June 30, 2015, to 308,610 shown for the same period of the present fiscal year.

Other income and expenses went from a gain 1,744 in the period of six months ended on June 30, 2015 to a loss of 26,418 in the same period of the present fiscal year.

During the six months period ended June 30, 2015 MetroGas has recognized the amount of 355,500 in Temporary Economic Assistance Resolution ES 263/15.

Consequently, during the six-months period ended on June 30, 2016 an operating loss of 37,115 was recorded, as compared to an operating gain of 207,965 for the same period in previous fiscal year.

During the six months period ended on June 30, 2016 net financial results was a loss of 640,636, as compared with a loss of 286,683 in the same period in previous fiscal year.

Consequently, the Company's net loss for the six months period ended on June 30, 2016 amounted to 681,656, as compared to a net loss of 94,218 for the same period in previous fiscal year.

Results of operations and financial condition**Sales**

Total consolidated sales increased by 61.9% during the six months period ended on June 30, 2016, amounted to 3,095,955, as compared with 1,912,542 shown for the same period in previous fiscal year.

The increase in sales for the six months period ended on June 30, 2016, was mainly due to increase in MetroGAS sales to residential customers, to Compressed Natural Gas ("CNG") stations and increase in MetroENERGÍA's sales.

MetroGAS gas sales to residential customers increased by 61.9%, from 720,140 to 1,165,809 for the six months period ended on June 30, 2015 and 2016, respectively, mainly due to an increase in average tariffs and an increase in volumes delivered to this customer category by 33.4%.

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

MetroGAS gas sales to industrial and commercial customers and governmental entities increased by 7.8%, to 75,604 during the six months period ended on June 30, 2016 from 70,138 during the same period in previous fiscal year, due to an increase in average tariffs, and remained stable volumes delivered to this customer category.

Gas sales to CNG stations reached 306,689 during the six months period ended on June 30, 2016. There had been no sales of this kind in the same period of the previous fiscal year, because resolution No. 34/2016 effective April 1, 2016, provided a new schedule applicable to CNG stations that states the obligation of these users to buy natural gas for their supply from the Distribution Company of their area or service territory so that the latter can provide a full service (gas, transportation and distribution).

On the other hand, sales of transportation and distribution services to CNG stations increased by 22.9%, from 18,659 during the six months period ended on June 30, 2015, to 22,935 for the same period of the present fiscal year, mainly on account of an increase average tariff the incidence of transport cost component, according to the tariff established by ENARGAS for Transportadora de Gas del Sur S.A. ("TGS") and Transportadora de Gas del Norte S.A. ("TGN") Resolutions No. 3,347/15 and No. 3,348/15, respectively, applicable from May 1, 2015.

Sales of transportation and distribution services to power stations decreased by 10.4%, from 53,435 during the six months period ended on June 30, 2015 to 47,857 for the same period of the present fiscal year, due to an decrease of volumes delivered to this customer category by 19.3%, partially offset by an increase in average tariff the incidence of transport cost component, according to the tariff established by ENARGAS for TGS and TGN Resolutions No. 3,347/15 and No. 3,348/15, respectively, applicable from May 1, 2015.

On the other hand, sales of transportation and distribution services to industrial and commercial customers and governmental entities increased by 8.7%, from 27,444 during the six months period ended on June 30, 2015 to 29,823 for the same period in the present fiscal year, mainly on account of an increase average tariff the incidence of transport cost component, according to the tariff established by ENARGAS for TGS and TGN, partially offset by a decrease in volumes delivered to this customer category by 6.1%.

On July 2014, the agreement with TGS to assign hydrocarbons at the head of the TGS gas pipeline in exchange of a monthly rate has been renewed. On April 29, 2015 an addendum to the agreement that set a new duration and prices until April 2016 is performed. During the six months period ended on June 30, 2015 sales were recorded in relation with the processing of natural gas amounted to 1,726, while during the six months period ended on June 30, 2016 revenue was amounted to 1,494.

MetroENERGÍA gas sales during the six months period ended on June 30, 2016 amounted to 1,405,607 increasing by 40.5% as compared of the same period in previous fiscal year amounted to 1,000,223. This increase was mainly due to an increase in average prices, partially offset by a decrease of volumes delivered to this customer category by 9.4%.

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

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

The table below shows the consolidated sales of the Company by type of service and customer categories for the six months period ended on June 30, 2016 and 2015, in thousands of pesos:

	Revenues			
	For the six months period ended June 30,			
	2016		2015	
	Thousands of Ps.	% of Total Sales	Thousands of Ps.	% of Total Sales
MetroGAS				
Gas sales:				
Residential	1,165,809	37.7 %	720,140	37.7 %
Industrial, Commercial and Governmental entities	75,604	2.4 %	70,138	3.7 %
Compressed Natural Gas	306,689	9.9 %	-	-
Subtotal	1,548,102	50.0 %	790,278	41.4 %
Transportation and Distribution Services				
Power Plants	47,857	1.5 %	53,435	2.8 %
Industrial, Commercial and Governmental entities	29,823	1.0 %	27,444	1.4 %
Compressed Natural Gas	22,395	0.7 %	18,659	1.0 %
Subtotal	100,615	3.2 %	99,538	5.2 %
Processed Natural Gas	1,494	0.0 %	1,726	0.1 %
Other Gas Sales and Transportation and Distribution Services	31,303	1.0 %	14,833	0.8 %
MetroENERGÍA				
Gas and transport sales	1,405,607	45.4 %	1,000,223	52.3 %
Other income	8,834	0.4 %	5,944	0.2 %
Total of Sales	3,095,955	100.0 %	1,912,542	100.0 %

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

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The table below presents the volumes of sales of natural gas and transportation and distribution services by MetroGAS by customer category for the six months periods ended on June 30, 2016 and 2015, in millions of cubic meters:

	Volumes			
	For the six months period ended June 30,			
	2016		2015	
	MMMC	% of Volumes of gas delivered	MMMC	% of Volumes of gas delivered
MetroGAS				
<i>Gas sales:</i>				
Residential	1,002.6	29.9 %	751.8	21.8 %
Industrial, Commercial and Governmental entities	196.0	5.8 %	194.3	5.6 %
Compressed Natural Gas	85.7	2.5 %	-	-
Subtotal	1,284.3	38.2 %	946.1	27.4 %
<i>Transportation and Distribution Services:</i>				
Power Plants	1,222.3	36.3 %	1,514.5	43.9 %
Industrial, Commercial and Governmental entities	357.9	10.6 %	381.2	11.1 %
Compressed Natural Gas	171.7	5.1 %	262.8	7.6 %
Subtotal	1,751.9	52.0 %	2,158.5	62.6 %
Other Gas Sales and Transportation and Distribution Services	329.4	9.8 %	343.8	10.0 %
Total delivered volume by MetroGAS	<u>3,365.6</u>	<u>100.0 %</u>	<u>3,448.4</u>	<u>100.0 %</u>
Total gas volumes delivered and transported by MetroENERGÍA	<u>607.0</u>	<u>100.0 %</u>	<u>669.8</u>	<u>100.0 %</u>

Operating Costs

Operating costs increased by 52.5% amounting to 2,516,264 during the six months period ended on June 30, 2016, respect to 1,649,774 registered during the same period in previous fiscal year. This variation was mainly due to increase in gas purchase costs, in gas transportation cost, in payroll and other employees' benefits, in taxes, rates and contributions, in maintenance and repair, in fees for sundry services and sundry materials.

The costs of natural gas purchases increased by 57.7%, from 1,275,447 for the six months period ended on June 30, 2015 to 2,011,450 during the same period in present fiscal year, mainly due to the increase in average purchased price MetroGAS and MetroENERGÍA, and at a lesser extent, the increase in volumes purchased by MetroGAS. During the six months period ended on June 30, 2016, 1,481 million cubic meters were purchased by MetroGAS, and 607 million cubic meters by MetroENERGÍA, which as a whole represent 18.1% increase with respect to gas volumes purchased in the same period in previous fiscal year.

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Gas transportation costs increased by 32.1% during the six months period ended on June 30, 2016 as compared with the same period in previous fiscal year mainly due to the increase in average prices of transportation of MetroGAS.

The table below shows the operating costs of the Company by type of expenses for the six month periods ended on June 30, 2016 and 2015, in thousands of pesos:

	Operating costs				
	For the six months period ended June 30,				
	2016		2015		
Thousands of Ps.	% of Total Operating Costs	Thousands of Ps.	% of Total Operating Costs		
Cost of natural gas	2,011,450	80.0%	1,275,447	77.3%	
Transportation of natural gas	188,408	7.5%	142,666	8.6%	
Depreciation of properties, plant and equipment, investment properties and intangible assets	38,523	1.5%	36,174	2.2%	
Payroll and other employees benefits	144,478	5.7%	99,918	6.1%	
Maintenance and repair	53,003	2.1%	42,792	2.6%	
Sundry materials	12,444	0.5%	6,715	0.4%	
Fees for sundry services	27,523	1.1%	19,717	1.2%	
Taxes, rates and contributions	35,632	1.4%	23,810	1.4%	
Other operating expenses	4,803	0.2%	2,535	0.2%	
Total	2,516,264	100.0%	1,649,774	100.0%	

Administrative expenses

Administrative expenses increased by 33.9%, from 210,368 for the six months period ended on June 30, 2015 to 281,778 for the same period of the present fiscal year. This increase was mainly due to the increase in payroll and other employee's benefits, in taxes, rates and contributions, and in plant and equipment maintenance and repair.

Selling expenses

Selling expenses increased by 53.0%, from 201,679 for the six months period ended on June 30, 2015 to 308,610 for the same period in present fiscal year. This increase was mainly due to the increase in taxes, rates and contributions, in payroll and other employee's benefits, the increased in the charge for doubtful accounts, in fees for sundry services, in post and telecommunication expenses and in commissions in bank expenses.

Other income and expenses

Other income and expenses amounted to a gain of 1,744 for the six months period ended June 30, 2015 and amounted a loss of 26,418 in the same period in present fiscal year, mainly due to the increase in the provision for contingencies as a consequence by increased civil, labor and other claims and by the increase in GCBA' Fines.

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

RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION

Net financial results

During the six months period ended on June 30, 2016 net financial results were a loss of 640,636, as compared to a loss of 286,683 for the same period in previous fiscal year. The variation in financial results was mainly due to an increase the loss of the exchange difference on financial debt an increase in accrued interest from the financial and commercial, partially offset by an increase in the gain generated by the financial assets measured at fair value.

Income tax

During the six months period ended on June 30, 2016 the Company accrued a loss of 3,905, as compared to a loss of 15,500 shown for the same period in previous fiscal year. This variation was mainly due to the lower tax determined of MetroENERGÍA in the current period with respect to the same period in previous fiscal year, partially offset by the variation in deferred tax assets and liabilities of MetroENERGÍA and MetroGAS.

Net cash flows generated by operating activities

Net cash flows generated by operating activities for the six months period ended on June 30, 2016 amounted to 358,198, as compared with 216,870 generated for the same period in previous fiscal year. This variation was mainly due to higher cash funds generated by operating results, partially offset by the lower funds generated from working capital.

Net cash flows used in investing activities

Net cash flows used in investment activities amounted to 197,281 for the six months period ended on June 30, 2016 mainly due to increases in properties, plant and equipment and intangible assets, as compared with 124,713 for the same period in previous fiscal year.

Net cash flows used in financing activities

Net cash flows used in financing activities amounted to 241,053 for the six months period ended on June 30, 2016 as a consequence to the payment of interests from the financial and commercial debt as compared with cash flows used in the same period in previous fiscal year amounted to 78,068 as a consequence the payments of interest from financial debt.

Liquidity and capital resources**Financing**

As of June 30, 2016, the financial debt accounted for by Company amounted to 2,665,741 (See Note 18 to these condensed interim consolidated statements as of June 30, 2016).

METROGAS S.A.**INFORMATIVE SUMMARY OF ACTIVITY**
RESOLUTION No. 368/01 OF THE ARGENTINE SECURITIES COMMISSION**Comparative structure of condensed interim consolidated statement of financial position** ^{(1) (2)}

Condensed Interim Consolidated Statement of Financial Positions as of June 30, 2016, 2015, 2014 and 2013.

	06.30.16	06.30.15	06.30.14	06.30.13
	Thousands of Ps.			
Non current Assets	2,299,471	2,046,182	1,891,847	1,810,120
Current assets	2,281,944	1,543,601	937,692	637,720
Total assets	<u>4,581,415</u>	<u>3,589,783</u>	<u>2,829,539</u>	<u>2,447,840</u>
Non current Liabilities	3,027,725	1,749,254	1,562,563	1,144,746
Current Liabilities	3,003,116	2,141,809	1,176,893	738,160
Total Liabilities	<u>6,030,841</u>	<u>3,891,063</u>	<u>2,739,456</u>	<u>1,882,906</u>
Non-controlling interest	2,414	3,144	2,054	910
Equity attributable to the owners of the parent	<u>(1,451,840)</u>	<u>(304,424)</u>	<u>88,029</u>	<u>564,024</u>
Total Liabilities and Shareholders' Equity	<u>4,581,415</u>	<u>3,589,783</u>	<u>2,829,539</u>	<u>2,447,840</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 condensed interim consolidated structure of results ^{(1) (2)}

Condensed Interim Consolidated Statements of Profit and Loss and Other Comprehensive Income for the six months periods ended on June 30, 2016, 2015, 2014 and 2013.

	06.30.16	06.30.15	06.30.14	06.30.13
	Thousands of Ps.			
Revenues	3,095,955	1,912,542	1,371,166	849,575
Operating costs	(2,516,264)	(1,649,774)	(1,053,515)	(643,058)
Gross profit	579,691	262,768	317,651	206,517
Administration expenses	(281,778)	(210,368)	(148,456)	(98,821)
Selling expenses	(308,610)	(201,679)	(144,920)	(120,499)
Other income and expenses	(26,418)	1,744	(6)	(1,003)
Result before Temporary Economic Assistance Resolution ES 263/15	(37,115)	(147,535)	24,269	(13,806)
Temporary Economic Assistance Resolution ES 263/15	-	355,500	-	-
Operating (loss) income	(37,115)	207,965	24,269	(13,806)
Finance income	62,034	11,884	8,914	6,200
Finance cost	(702,670)	(298,567)	(344,342)	(125,112)
Net financial results	(640,636)	(286,683)	(335,428)	(118,912)
Debt restructuring result	-	-	-	757,470
Result before income tax	(677,751)	(78,718)	(311,159)	624,752
Income tax and minimum presumed income tax	(3,905)	(15,500)	(22,875)	(227,105)
Net result for the period	(681,656)	(94,218)	(334,034)	397,647
Other comprehensive result	-	-	-	-
Net and comprehensive result for the period	(681,656)	(94,218)	(334,034)	397,647

(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 statistical data**

The information shown below makes reference to the six months periods ended on June 30, 2016, 2015, 2014 and 2013.

	06.30.16	06.30.15	06.30.14	06.30.13
	Volumes			
	In millions of cubic meters			
Gas purchased by MetroGAS	1,481	1,098	1,237	1,327
Gas contracted by third parties	2,277	2,722	2,570	2,859
	<u>3,758</u>	<u>3,820</u>	<u>3,807</u>	<u>4,186</u>
Volume of gas withheld:				
- Transportation	(225)	(231)	(231)	(258)
- Loss in distribution	(167)	(141)	(150)	(154)
- Transportation and processing of natural gas	-	-	-	(3)
	<u>3,366</u>	<u>3,448</u>	<u>3,426</u>	<u>3,771</u>
Volume of gas purchased and delivered by MetroENERGÍA	<u>607</u>	<u>670</u>	<u>467</u>	<u>385</u>

Comparative ratios ^{(1) (2)}

The information below makes reference to the six months periods ended on June 30, 2016, 2015, 2014 and 2013.

	06.30.16	06.30.15	06.30.14	06.30.13
Liquidity	0.76	0.72	0.80	0.86
Solvency	(0.24)	(0.08)	0.03	0.30
Immobilization	0.50	0.57	0.67	0.74

⁽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**Additional information****Changes in MetroGAS shares and ADS prices:**

		Share Price on the Buenos Aires Stock Exchange (1)
		\$
June	2012	0.60
June	2013	0.71
June	2014	3.74
January	2015	2.90
February	2015	3.83
March	2015	4.24
April	2015	4.35
May	2015	4.00
June	2015	3.57
January	2016	8.45
February	2016	8.75
March	2016	9.00
April	2016	8.00
May	2016	7.00
June	2016	7.60

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

Perspectives

MetroGAS intends to focus its efforts on ensuring the continuity of its business, maintaining gas supply quality and reliability, complying with basic License rules and finally, on the basis of the outcome of the License agreement renegotiation, MetroGAS will define its new strategy towards the future and in relation to matters such as business planning, business policy and an the development of an investment plan.

Autonomous City of Buenos Aires, August 3, 2016

Marcelo Adrián Núñez
Chairperson

Independent Auditors' Report (Review of condensed interim consolidated financial statements)

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

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

We have reviewed the accompanying condensed interim consolidated financial statements of METROGAS SOCIEDAD ANÓNIMA (an Argentine corporation, hereinafter mentioned as "METROGAS S.A." or the "Company") which comprise the consolidated statement of financial position as of June 30, 2016, the related consolidated statements of profit and loss and other comprehensive income for the three and six month periods then ended, the related statements of changes in shareholders' equity and cash flows for the six-month period then ended and the supplemental information included in their Notes 1 to 30.

The amounts and other information corresponding to the fiscal year ended December 31, 2015 and for the three and six-month periods ended June 30, 2015, are an integral part of the condensed interim consolidated financial statements mentioned above and are intended to be read only in relation to the amounts and other information of the current interim period.

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

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

3. **Independent Auditors' responsibility**

Our responsibility is to report on these accompanying condensed interim consolidated financial statements based on our review. We have conducted our review in accordance with the International Standard on Review Engagements ("ISRE") adopted by the FACPCE through the Technical Resolution N° 33, as they were issued by the International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"). These standards require that we comply with ethical requirements.

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

4. **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of METROGAS S.A. corresponding to the six-months period ended June 30, 2016 are not presented, in all material respects, in conformity with International Accounting Standard 34.

5. **Emphasis of matters**

Without modifying our previous conclusion, we emphasize that:

- a) As the Company mentioned in Note 2.1 to the accompanying consolidated financial statements, the Company received a communication from Ente Nacional Regulador del Gas dated July 25 2016, which indicated that the application of the new tariff charts was not feasible until the provisional remedies and injunctions mentioned in Note 2.2 were solved. Therefore, the Company has estimated revenues related to gas sales and transport and distribution services, as well as the cost of gas supply and transportation as of June 30, 2016, applying the tariffs in force as of March 31, 2016.
- b) As mentioned in more detail in Note 16, as a consequence of the magnitude of the accumulated losses recorded at December 31, 2015 and June 30, 2016, the Company recorded a negative Shareholders' Equity attributable to the owners of thousands of Ps. 775,087 and of thousands Ps. 1,451,840, respectively, being subject to the provisions of Art. 94 paragraph 5 and Art. 96 of the General Corporations Law N° 19,550.

6. **English translation of the statutory condensed interim consolidated financial statements**

The accompanying condensed interim consolidated financial statements are the English translation of those originally issued by METROGAS SOCIEDAD ANÓNIMA in Spanish and presented in accordance with International Accounting Standard 34. This report and the accompanying condensed interim consolidated financial statements have been translated into English for the convenience of English-speaking readers and may not be appropriate for other purposes.

Buenos Aires City, Argentina
August 3, 2016

Deloitte & Co. S.A.
Ricardo C. Ruiz
Partner