

METROGAS S.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AS OF SEPTEMBER 30, 2017 AND COMPARATIVES

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2017 AND COMPARATIVES

LEGAL INFORMATION

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

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

Financial Statements: Condensed Interim Consolidated as of September 30, 2017 and comparatives.

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

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

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

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

Parent Company: YPF S.A.

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

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

Percentage of votes held by parent company: 70%

Composition of Issued Capital as of 09.30.17:

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 09.30.17	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 SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

(stated in thousands of pesos)

	Notes	09.30.17	12.31.16
Assets			
Non current Assets			
Properties, plant and equipment	10	15,528,384	2,436,979
Intangible assets	12	163,969	125,295
Deferred tax assets and MPIT	28	-	157
Investment properties	11	2,287	2,333
Other receivables	14	93,778	7,299
Total Non current assets		15,788,418	2,572,063
Current assets			
Inventories		2,546	2,696
Trade receivables	13	4,253,277	2,731,286
Other receivables	14	255,743	943,824
Cash and cash equivalents	15	581,239	357,904
Total Current assets		5,092,805	4,035,710
Total assets		20,881,223	6,607,773
Shareholders' Equity			
Issued capital	16	569,171	569,171
Accumulated results (losses)		7,476,288	(1,943,940)
Equity attributable to the owners of the parent		8,045,459	(1,374,769)
Non-controlling interest		4,124	2,591
Total Shareholders' Equity	16	8,049,583	(1,372,178)
Liabilities			
Non current Liabilities			
Trade payable	21	-	57,631
Financial debt	18	3,113,188	2,740,933
Deferred tax liabilities	28	4,144,287	115,957
Reorganization liabilities	19	8,772	10,269
Other taxes payable	17	3,142	4,180
Provisions	20	329,783	260,998
Total Non current Liabilities		7,599,172	3,189,968
Current Liabilities			
Trade payable	21	4,328,990	4,120,568
Salaries and social securities	22	224,123	173,071
Other taxes payable	17	583,498	327,490
Financial debt	18	76,860	153,661
Deferred tax liabilities	28	1,202	-
Other accounts payable	23	17,795	15,193
Total Current Liabilities		5,232,468	4,789,983
Total Liabilities		12,831,640	7,979,951
Total Liabilities and Shareholders' Equity		20,881,223	6,607,773

The accompanying notes 1 to 31 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 NINE-MONTHS PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

(stated in thousands of pesos)

	Notes	For the nine months period ended,		For the three months period ended,	
		09.30.17	09.30.16	09.30.17	09.30.16
Revenues	24	9,613,519	5,960,515	4,026,248	2,878,845
Operating costs	25	(6,990,711)	(5,055,100)	(2,958,507)	(2,538,836)
Gross profit		2,622,808	905,415	1,067,741	340,009
Administration expenses	25	(572,381)	(440,034)	(192,036)	(158,256)
Selling expenses	25	(821,828)	(543,062)	(306,252)	(229,976)
Other income and expenses	26	(57,119)	(36,803)	7,042	(13,324)
Operating income (loss)		1,171,480	(114,484)	576,495	(61,547)
Finance income	27	128,475	133,645	52,329	55,789
Finance cost	27	(781,673)	(921,653)	(353,133)	(218,983)
Net financial results		(653,198)	(788,008)	(300,804)	(163,194)
Result before income tax and MPIT		518,282	(902,492)	275,691	(224,741)
Income tax and MPIT	28	514,322	15,783	38,846	19,688
Net result for the period		1,032,604	(886,709)	314,537	(205,053)
Other comprehensive income (1)					
Essential assets revaluation		12,636,317	-	(139,925)	-
Income tax	28	(4,422,711)	-	48,974	-
Total other comprehensive income		8,213,606	-	(90,951)	-
Net and comprehensive result for the period		9,246,210	(886,709)	223,586	(205,053)
Net and comprehensive result for the period attributable to controlling interest		1,031,071	(881,958)	312,705	(205,205)
Net and comprehensive result for the period attributable to non-controlling interest		1,533	(4,751)	1,832	152
Net and comprehensive result for the period		1,032,604	(886,709)	314,537	(205,053)
Net result per share					
Basic and diluted	29	1.81	(1.55)	0.55	(0.36)

(1) Do not reversal to results.

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY AS OF SEPTEMBER 30, 2017 AND COMPARATIVES *(stated in thousands of pesos)*

	Issued capital	Subtotal issued capital	Accumulated results		Subtotal accumulated results	Equity attributable to the owners of the parent	Non-controlling interest	Total Shareholders’ Equity
			Other comprehensive income	Unappropriated retained losses				
Balance as of December 31, 2015	569,171	569,171	-	(1,344,258)	(1,344,258)	(775,087)	7,317	(767,770)
Net and comprehensive result for the nine months period ended September 30, 2016	-	-	-	(881,958)	(881,958)	(881,958)	(4,751)	(886,709)
Balance as of September 30, 2016	569,171	569,171	-	(2,226,216)	(2,226,216)	(1,657,045)	2,566	(1,654,479)
Net and comprehensive result for the three months period ended December 31, 2016	-	-	-	282,276	282,276	282,276	25	282,301
Balance as of December 31, 2016	569,171	569,171	-	(1,943,940)	(1,943,940)	(1,374,769)	2,591	(1,372,178)
Net and comprehensive result for the nine months period ended September 30, 2017	-	-	-	1,031,071	1,031,071	1,031,071	1,533	1,032,604
Properties, plant and equipment revaluation	-	-	8,389,157	-	8,389,157	8,389,157	-	8,389,157
Properties, plant and equipment revaluation reversals	-	-	(175,551)	175,551	-	-	-	-
Balance as of September 30, 2017	569,171	569,171	8,213,606	(737,318)	7,476,288	8,045,459	4,124	8,049,583

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE-MONTHS PERIODS ENDED SEPTEMBER 30, 2017 AND 2016 (stated in thousands of pesos)

	09.30.17	09.30.16
Cash flows generated by operating activities		
Net result for the period	1,032,604	(886,709)
Adjustments to arrive to the net cash flow from operating activities		
Income tax and MPIT	(514,322)	(15,783)
Depreciation of properties, plant and equipment and investment properties and intangible assets	347,856	75,515
Net book value of disposals of properties, plant and equipment	17,929	14,392
Net charge on provisions	102,537	90,513
Net financial results	754,819	892,396
Changes in assets and liabilities		
Trade receivables	(1,541,832)	(1,606,856)
Other receivables	562,221	56,752
Inventories	150	(1,126)
Trade payable	232,567	1,947,047
Salaries and social securities	51,052	41,543
Reorganization liabilities	(1,497)	-
Other taxes payable	324,042	94,238
Provisions	(5,513)	(20,675)
Other accounts payable	(195,084)	(3,572)
Income tax and MPIT paid in the period	(3,515)	(34,972)
Net cash flows generated by operating activities	<u>1,164,014</u>	<u>642,703</u>
Cash flows used in investing activities		
Increase in properties, plant and equipment	(550,151)	(310,739)
Increase in intangible assets	(46,923)	(36,645)
Net cash flows used in investing activities	<u>(597,074)</u>	<u>(347,384)</u>
Cash flows used in financing activities		
YPF interest payment and loan payment	(167,298)	-
Financial debt interest payment	(140,947)	(149,047)
Commercial debt interest payment	(35,898)	(157,718)
Net cash flows used in financing activities	<u>(344,143)</u>	<u>(306,765)</u>
Net increase (decrease) in cash and cash equivalents	<u>222,797</u>	<u>(11,446)</u>
Cash and cash equivalents at the beginning of year	357,904	596,223
Exchange differences on cash and cash equivalents	538	216
Cash and cash equivalents at the end of the period (1)	<u>581,239</u>	<u>584,993</u>
Net increase (decrease) in cash and cash equivalents	<u>222,797</u>	<u>(11,446)</u>

(1) As of September 30, 2017 and 2016, funds collected and pending to be deposited for Trust Funds and Resolution I-2,621/2013 amount to 24,881 and 52,408, respectively.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTHS PERIOD ENDED AS OF SEPTEMBER 30, 2017 AND COMPARATIVE INFORMATION

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

1. GENERAL INFORMATION

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

The Company was created in 1992 and on December 1, 1992 it was registered as a corporation pursuant 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.

As of September 30, 2017, MetroGAS' controlling shareholder is YPF S.A. (“YPF”) whose principal business is the study, exploration and exploitation of liquid and/or gaseous hydrocarbons and other minerals, as well as the industrialization, transportation and marketing of these products and their byproducts, also including petrochemical products, and non-fossil fuels and chemicals, biofuels and their components, electric power generation based on hydrocarbons, telecommunication services, as well as production and industrialization, processing, marketing, conditioning services, grain transportation and storage and their byproducts (see Note 16).

MetroGAS controls MetroENERGÍA S.A. (“MetroENERGÍA”) a *sociedad anónima* 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: (i) the Letter of Understanding subscribed on November 21, 2012 with the Ente Nacional Regulador del Gas (“ENARGAS”), (ii) the Provisional Agreement subscribed on March 26, 2014 (“Provisional Agreement 2014”) with the Unit for the Renegotiation and Analysis of Public Services Contracts (“UNIREN”), (iii) the temporary economic assistance granted by the Energy Secretariat (“ES”) through Resolution No. 263/2015 dated on June 8, 2015, (iv) the Provisional Agreement signed on February 24, 2016 with the Ministries of Energy and Mining (“MINEM”), and Economy and Public Finances (“Provisional Agreement 2016”), and (v) the

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temporary economic assistance granted by the MINEM Resolution No. 312 - E/2016 dated on December 28, 2016, have not allowed until December 31, 2016, to restore the economic and financial position of the Company.

In this context, as of December 31, 2016, the Company registered accumulated losses attributable to controlling interest amounting to 1,943,940 and kept a consolidated negative working capital to 754,273.

In Note 2 of the consolidated financial statements as of December 31, 2016 the aspects related to the economic and financial situation and regulatory framework are described.

The significant developments occurred during the nine months period ended September 30, 2017 are described as follows.

2.1 Provisional Agreement 2017

On March 30, 2017, the Company signed with MINEM and the Economy Ministry a provisional agreement (“Provisional Agreement 2017”) which provides the temporary adjustment of prices and tariffs of the Public Natural Gas Distribution Service, the specific allocation of the amounts therein provided until the execution of the Memorandum of Agreement of the Integral Contract Renegotiation and the enforcement of the final tariff schedule resulting from the Integral Tariff Review (“ITR”). The Provisional Agreement 2017 complements the agreement approved by Decree No. 234 dated March 26, 2009, which extends the Provisional Agreement 2014 and the Provisional Agreement 2016.

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

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

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

On March 30, 2017, MINEM instructed ENARGAS, through Resolution No. 74 - E/2017, to enforce the tariff schedules resulting from the Integral Tariff Review process in article 1 of MINEM Resolution No. 31 dated March 29, 2016, and carried on according to the provisions of the Memorandum of Agreement of the Integral Contract Renegotiation signed with Licensees within the framework of Law 25,561, its amendments and complementary.

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

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

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

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

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

Finally, ENARGAS Resolution No. 4,356/2017 approved the Six-month Adjustment Non-Automatic Methodology incorporated as Annex V and which will become effective together with the Memorandum of Agreement of License Readjustment.

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

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

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

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

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

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

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reflect the cost of money in the terms and conditions valid for the financing of public utilities companies.

- ENARGAS shall require the presentation by the Company of an investment plan to be incorporated into the tariff calculation.
- ENARGAS shall perform a cost analysis to determine new values of rates and charges for services of the Company’s regulated activity. The analysis shall be made on the basis of reasonable and efficient costs of these services.

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

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

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

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

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

On March 31, 2017, the O.G. published ENARGAS Resolution No. 4,356/2017 through which the tariff schedules resulting from MetroGAS Integral Tariff Review and the temporary tariff schedules to be applied to MetroGAS customers were published valid as from April 1, 2017.

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

2.3 2016 Temporary Economic Assistance

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

2.4 Unbundling of natural gas

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

2.5 Complementary Agreement with Natural Gas Producers

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

2.6 Promotion Program for Investments in Natural Gas Production Developments from Non-Conventional Reservoirs

On March 2, 2017, through Resolution No. 46-E/2017 MINEM created the “Promotion Program for Investments in Natural Gas Developments from Non-Conventional Reservoirs”, to promote investments for natural gas production from non-conventional reservoirs in the Neuquina Basin. The Program will be effective from March 2017 to December 31, 2021, and establishes a minimum price of (i) 7.50 USD/MMBTU for 2018, (ii) 7.00 USD/MMBTU for 2019, (iii) 6.50 USD/MMBTU for 2020, (iv) 6.00 USD/MMBTU for 2021.

2.7 Procedure for Management of the Dispatch of the Emergency Executive Committee

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

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

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

2.8 ENARGAS - Intervention

The ENARGAS intervention originally established by Decree No. 571/2007 for 180 running days provided for the appointment of a temporary administrator in replacement of the ENARGAS Board of Directors, and it was consecutively extended for equal periods, the last of which was issued through Decree No. 844/2016 published in the O.G. on July 13, 2016.

El Decree No. 844/2016 ordered MINEM to start the recruitment process of the members of the ENARGAS Board of Directors for all the positions. As established in articles 53 and 54 of the Gas Law, the Board shall consist of a Chairman, Vice-Chairman and three Members who shall finish their mandates gradually. MINEM Resolution No. 142 – E/2016 appointed the members of the Recruitment Committee to assess the candidates, and established the deadlines for the assessment. Thus, a proposal was submitted to MINEM for consideration. On June 21, 2017, and, after the candidate proposed as Chairman of ENARGAS had declined, MINEM called for an open competition for the appointment of the Chairman of the ENARGAS Board (MINEM Resolution No. 205-E/2017).

Decree No. 594/2017, dated July 28, 2017, established the end of the temporary administration of ENARGAS. Furthermore, it appointed Vice-Chairman of ENARGAS Board of Director to the engineer Mr. Daniel Alberto Perrone, who will act as Chairman until the new Chairman is appointed by the PEN.

2.9 Municipal Rates

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

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

Under the terms of the regulatory framework, ENARGAS Resolution No. 4,356/2017 establishes that with respect to local taxes (provinces and municipalities) the same shall be incorporated to the final bill of the service in an independent line in order to make clear the tax charges included in the tariffs and differentiate them from the regulated components and their variations, thus preventing

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taxes and rates that tax the distribution and transportation public services in some jurisdictions from influencing the final tariff to be applied to all customers of a tariff subzone.

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

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

2.10 Residential Customers – Deferred payment in bills

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

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

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

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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 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, 2016 and comparatives.

The condensed interim consolidated financial statements for the nine months periods ended September 30, 2017 and 2016 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 November 7, 2017.

4. ACCOUNTING POLICIES

The accounting policies adopted for these condensed interim separate financial statements are consistent with the ones applied in the financial statements for the year ended on December 31, 2016 which are detailed in Note 4 to those separate financial statements, except for described below.

4.1 Properties, plant and equipment

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

In order to determine the cost, for assets received when the License was granted, the total transfer amount taken was that defined in the Transfer Agreement, which resulted as a counterpart of the contributions made and the liabilities transferred. Based on a special work undertaken by

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independent experts in 1993, the total allocation of the original total value was distributed among the various asset categories included, establishing as useful life the remaining years of estimated service based on each type of asset, condition of preservation and renewal and maintenance plans.

Any assets acquired after the date when the License was granted have been valued at their purchase cost as detailed in the first paragraph, except in the case of distribution networks built by third parties, which are valued under IFRIC 18 to the fair value of the consideration received. Such value is the amount equivalent to a specified number of cubic meters of gas decided by the ENARGAS determined to compensate to those third parties.

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

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

4.1.1. Essential assets

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

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

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

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

In order to measure the fair value of the Essential assets, the valuation technique used is “income approach” established in IFRS 13 - Measurement of fair value -. The Company uses the model of discounted cash flows prepared based on estimates about the future behavior of certain variables

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sensitive for the determination of the fair value: (i) gas distribution tariffs and gas and transportation costs, (ii) mandatory and additional investments, (iii) gas distribution costs; (iv) weighed rate of discount, and (v) macroeconomic variables such as the estimated demand, inflation rate, devaluation rate, among others.

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

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

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

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

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

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

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

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

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

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

Essential Assets	Net book value as of September 30,
Medium and low pressure mains	1,590,142
High pressure mains	166,079
Pressure regulating stations	28,068
Consumption measurement installations	146,806
Distribution network extensions constructed by third parties	53,936
Total	1,985,031

4.1.2 Other no essential assets

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

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

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

	<u>Estimated useful life</u>
• Other technical installations	15
• Computer and telecommunications equipment	5
• Buildings and civil constructions	50
• Machinery, equipment and tools	5-15
• Vehicles	5-10
• Furniture and fixtures	10

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

4.1.3. Measurement criteria for essential and Non-essential assets

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

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

Income from sales of Properties, plant and equipment are accounted for when all significant risks and benefits have been transferred to the purchaser. Any gain or loss from sales is determined by a comparison of any amounts received, net of direct selling expenses, and the carrying value of the asset, and is recognized under other expenses and income in the Statement of Profit and Loss and Other Comprehensive Income. In the case of the Essential assets, the Reserve for revaluation of Property, plant and equipment included in Other comprehensive income of Shareholders' Equity is also reversed with a corresponding entry in the Unappropriated retained losses.

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

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

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

When the carrying amount of an asset is higher than its estimated recoverable value, the carrying amount thereof is reduced to its recoverable value.

If there is an impairment loss it will be recognized immediately in profit or loss for the period or year unless the asset is accounted for using the revaluation method, in which case the impairment loss will be treated as a decrease in the Revaluation of Property, Plant and Equipment of the ORIA and the surplus will be charged to the Statement of Profit and Loss and Other Comprehensive Income.

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.

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, 2016, which are detailed in Note 5 to those financial statements.

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 nine month period ended on September 30, 2017 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, 2016.

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7. FINANCIAL INSTRUMENTS

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

8. INTERESTS IN SUBSIDIARIES

The table below shows the Company’s controlling interest:

Directly controlled company	Percentage of capital stock and voting rights held	
	09.30.2017	12.31.2016
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 September 30, 2017. The equity of MetroENERGÍA at September 30, 2017 amounts to 82,471 and a positive result amounts to 82,160.

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.

According to the provisions of MetroENERGÍA’s Board of Directors on May 11, 2016, considering cash flow availability and the financial conditions of the business, total dividends for the amount of 42,174, were made available to the company’s main shareholder, MetroGAS, and cancelled considering that the minority shareholder has resigned to collect these 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 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.

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MetroENERGÍA’s General Ordinary Shareholders’ Meeting held on April 27, 2017, decided the distribution of the profit for the year 2016 to 51,506 to the payment of a dividend in cash, in the opportunity that the Boards of Directors is deemed relevant, taking into account cash availability and financial conditions of the business and any other factor deemed the organ of Administration. In this meeting, the representatives of YPF (in representation of YPFIESA within the terms of the prior merger agreement dated March 3, 2016 and CNV Resolution 18,415 dated December 22, 2016) decided to maintain their commitment by means of which they have renounced for the collection of dividends for as long as the financial debt of MetroGAS arising as a result of the restructuring and/or refinancing of the outstanding debt, is cancelled, pursuant to which the dividends approved shall be paid in full to the major shareholder MetroGAS.

9. SEGMENT REPORTING

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

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

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	09.30.17			Total
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	
Revenues	6,787,505	2,879,770	(53,756)	9,613,519
Operating income	1,126,233	125,874	(80,627)	1,171,480
Results of interest in subsidiaries	80,627	-	(80,627)	-
Finance income	104,981	23,494	-	128,475
Finance cost	(758,125)	(23,548)	-	(781,673)
Result before income tax	473,089	125,820	(80,627)	518,282
Income tax and MPIT	557,982	(43,660)	-	514,322
Total net and comprehensive result for the period	1,031,071	82,160	(80,627)	1,032,604
Total assets	20,324,357	879,003	(322,137)	20,881,223
Total liabilities	12,278,898	796,532	(243,790)	12,831,640
Depreciation of properties, plant and equipment, Investment properties and Intangible assets	(347,521)	(335)	-	(347,856)
Increase in properties, plant and equipment	550,151	-	-	550,151
Increase in Intangible Assets	46,540	383	-	46,923
Investments in subsidiaries	78,347	-	(78,347)	-

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	09.30.16			Total
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	
Revenues	3,722,758	2,286,528	(48,771)	5,960,515
Operating (loss) income	(128,893)	70,169	(55,760)	(114,484)
Results on investments in subsidiaries	55,760	-	(55,760)	-
Finance income	100,066	33,579	-	133,645
Finance cost	(896,380)	(25,273)	-	(921,653)
Result before income tax	(925,207)	78,475	(55,760)	(902,492)
Income tax and MPIT	43,249	(27,466)	-	15,783
Total net and comprehensive result for the period	(881,958)	51,009	(55,760)	(886,709)
Total assets	5,448,752	536,992	(227,581)	5,758,163
Total liabilities	7,105,797	485,672	(178,827)	7,412,642
Depreciation of properties, plant and equipment and Investment properties	(75,515)	-	-	(75,515)
Increase in properties, plant and equipment	310,739	-	-	310,739
Increase in Intangible Assets	35,013	1,632	-	36,645
Investments in subsidiaries	48,754	-	(48,754)	-

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTHS PERIOD ENDED AS OF SEPTEMBER 30, 2017 AND COMPARATIVE INFORMATION

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10. PROPERTIES, PLANT AND EQUIPMENT

MAIN ACCOUNT	ORIGINAL VALUE								
	AT BEGINNING OF YEAR	TRANSFERS BETWEEN JANUARY 1, 2017 AND MARCH 31, 2017	RETIREMENTS BETWEEN JANUARY 1, 2017 AND MARCH 31, 2017	REVALUATION AS OF APRIL 1, 2017	TRANSFER ACCUMULATED DEPRECIATION AS OF MARCH 31, 2017	INCREASES	TRANSFERS FROM APRIL 1, 2017 TO SEPTEMBER 30, 2017	RETIREMENTS FROM APRIL 1, 2017 TO SEPTEMBER 30, 2017	AT END OF PERIOD
Essential Assets									
High pressure mains	387,642	-	-	3,023,473	(218,542)	-	3	-	3,192,576
Medium and low pressure mains	2,255,694	48,509	-	8,351,105	(790,197)	-	95,211	(9,376)	9,950,946
Pressure regulating stations	82,394	-	-	675,671	(52,966)	-	-	-	705,099
Consumption measurement installations	382,280	6,025	(7)	485,446	(228,274)	-	9,359	(19)	654,810
Distribution network extensions constructed by third parties	75,869	339	-	370,701	(22,301)	-	798	-	425,406
Subtotal Essential Assets	3,183,879	54,873	(7)	12,906,396	(1,312,280)	-	105,371	(9,395)	14,928,837
No Essential Assets									
Land	15,654	-	-	-	-	-	-	-	15,654
Building and civil constructions	72,000	-	-	-	-	-	7,945	-	79,945
Other technical installations	61,854	-	-	-	-	-	-	-	61,854
Machinery, equipment and tools	39,106	-	-	-	-	-	6,729	-	45,835
Computer and telecommunications equipment	250,601	-	-	-	-	-	14,372	(38)	264,935
Vehicles	35,180	-	-	-	-	-	311	(283)	35,208
Furniture and fixtures	6,475	-	-	-	-	-	327	-	6,802
Materials	74,308	-	-	-	-	119,439	(46,505)	(14,629)	132,613
Gas in pipelines	214	-	-	-	-	-	-	-	214
Work in progress	339,294	(54,873)	-	-	-	430,712	(88,550)	-	626,583
Subtotal No Essential Assets	894,686	(54,873)	-	-	-	550,151	(105,371)	(14,950)	1,269,643
Subtotal	4,078,565	-	(7)	12,906,396	(1,312,280)	550,151	-	(24,345)	16,198,480
Allowance for obsolescence of materials	(6,441)	-	-	-	-	(3,277)	-	4,279	(5,439)
Allowance for disposal of properties, plant and equipment	(5,463)	-	-	-	-	(4,377)	-	2,049	(7,791)
Total as of September 30, 2017	4,066,661	-	(7)	12,906,396	(1,312,280)	542,497	-	(18,017)	16,185,250
Total as of December 31, 2016	3,641,732	-	-	-	-	477,855	-	(52,926)	4,066,661

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10. PROPERTIES, PLANT AND EQUIPMENT (Cont.)

MAIN ACCOUNT	DEPRECIATION							NET BOOK VALUE 09.30.17	NET BOOK VALUE 12.31.16
	AT BEGINNING OF YEAR	INCREASES AS OF MARCH 31, 2017	RETIREMENTS AS OF MARCH 31, 2017	TRANSFER ACCUMULATED DEPRECIATION AS OF APRIL 1, 2017	RETIREMENTS FROM APRIL 1, 2017 TO SEPTEMBER 30, 2017	INCREASES (1)	ACCUMULATED AT END OF PERIOD		
Essential Assets									
High pressure mains	216,934	1,607	-	(218,543)	-	60,698	60,696	3,131,880	170,708
Medium and low pressure mains	777,289	12,908	-	(790,197)	(207)	169,485	169,278	9,781,668	1,478,405
Pressure regulating stations	52,287	679	-	(52,969)	-	32,567	32,564	672,535	30,107
Consumption measurement installations	224,491	3,787	(4)	(228,274)	(1)	30,979	30,978	623,832	157,789
Distribution network extensions constructed by third parties	21,921	380	-	(22,299)	-	6,180	6,182	419,224	53,948
Allowance for disposal of properties, plant and equipment	-	-	-	-	-	-	-	(7,791)	(5,463)
Subtotal Essential Assets	1,292,922	19,361	(4)	(1,312,282)	(208)	299,909	299,698	14,621,348	1,885,494
No Essential Assets									
Land	-	-	-	-	-	-	-	15,654	15,654
Building and civil constructions	30,663	-	-	-	-	1,365	32,028	47,917	41,337
Other technical installations	51,030	-	-	-	-	754	51,784	10,070	10,824
Machinery, equipment and tools	30,441	-	-	-	-	1,233	31,674	14,161	8,665
Computer and telecommunications equipment	206,007	-	-	-	(13)	13,405	219,399	45,536	44,594
Vehicles	13,032	-	-	-	(253)	3,829	16,608	18,600	22,148
Furniture and fixtures	5,587	-	-	-	-	88	5,675	1,127	888
Materials	-	-	-	-	-	-	-	132,613	74,308
Gas in pipelines	-	-	-	-	-	-	-	214	214
Work in progress	-	-	-	-	-	-	-	626,583	339,294
Subtotal No Essential Assets	336,760	-	-	-	(266)	20,674	357,168	912,475	557,926
Subtotal	1,629,682	19,361	(4)	(1,312,282)	(474)	320,583	656,866	15,533,823	2,443,420
Allowance for disposal of properties, plant and equipment	-	-	-	-	-	-	-	(5,439)	(6,441)
Total as of September 30, 2017	1,629,682	19,361	(4)	(1,312,282)	(474)	320,583	656,866	15,528,384	-
Total as of December 31, 2016	1,565,060	-	-	-	(32,645)	97,267	1,629,682	-	2,436,979

(1) Corresponds to the amortization of the essential assets from the period from April 1, 2017 to September 30, 2017 and amortization of the other non-essential assets for the period from January 1, 2017 to September 30, 2017.

As mentioned in Note 2.7.1 to the separate financial statements as of December 31, 2016, according to the license a substantial portion of the Properties, plant and equipment are defined as “Essential Assets” and there are certain restrictions over them described in the mentioned note.

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11. INVESTMENT PROPERTIES

MAIN ACCOUNT	ORIGINAL VALUE		DEPRECIATION				NET BOOK VALUE 09.30.17	NET BOOK VALUE 12.31.16
	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	1,445	2.00%	46	1,491	1,558	1,604
Total as of September 30, 2017	3,778	3,778	1,445		46	1,491	2,287	
Total as of December 31, 2016	3,778	3,778	1,384		61	1,445		2,333

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12. INTANGIBLE ASSETS

MAIN ACCOUNT	ORIGINAL VALUE					DEPRECIATION					NET BOOK VALUE 09.30.17	NET BOOK VALUE 12.31.16
	AT BEGINNING OF YEAR	INCREASES	TRANSFERS	DECREASE	AT END OF PERIOD	ACCUMULATED AT BEGINNING OF YEAR	ANNUAL RATE	INCREASES	DECREASE	ACCUMULATED AT END OF PERIOD		
Software development in progress	103,412	46,923	(32,845)	-	117,490	-		-	-	-	117,490	103,412
Software	25,960	-	32,845	(383)	58,422	4,077	20%	7,866	-	11,943	46,479	21,883
Total as of September 30, 2017	129,372	46,923	-	(383)	175,912	4,077		7,866	-	11,943	163,969	
Total as of December 31, 2016	70,157	59,665	-	(450)	129,372	258		3,894	(75)	4,077		125,295

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13. TRADE RECEIVABLES

	<u>09.30.17</u>	<u>12.31.16</u>
Current		
Trade receivables	2,335,027	1,040,771
Unbilled revenues	1,926,162	1,701,937
Related parties (Note 30)	41,335	79,891
Tax on banking transactions to be recovered	39,570	22,317
Study rate, revision and inspection in the public thoroughfare of the GCABA (Transferable balance)	44,456	-
Health and Safety rate (Transferable balance)	3,673	-
Allowance for doubtful accounts	<u>(136,946)</u>	<u>(113,630)</u>
Total Current	<u>4,253,277</u>	<u>2,731,286</u>

The aging analysis of the trade receivables is as follows:

	<u>09.30.17</u>	<u>12.31.16</u>
-Past due		
under 3 months	270,083	60,157
from 3 to 6 months	114,260	21,169
from 6 to 9 months	58,671	14,269
from 9 to 12 months	20,212	14,019
from 1 to 2 years	37,903	61,966
more than 2 years	91,989	42,542
Subtotal	<u>593,118</u>	<u>214,122</u>
-Becoming due		
under 3 months	3,718,555	2,613,010
from 3 to 6 months	58,664	6,473
from 6 to 9 months	9,993	5,732
from 9 to 12 months	9,893	5,579
Subtotal	<u>3,797,105</u>	<u>2,630,794</u>
Allowance for doubtful accounts	<u>(136,946)</u>	<u>(113,630)</u>
Total	<u>4,253,277</u>	<u>2,731,286</u>

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

	<u>09.30.17</u>	<u>12.31.16</u>
Pesos	3,838,809	2,371,242
US Dollars	414,468	360,044
Total	<u>4,253,277</u>	<u>2,731,286</u>

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

	<u>09.30.17</u>	<u>12.31.16</u>
Balance at beginning of year	115,814	68,466
Revaluation of foreign currency	7,178	(9,748)
Increases (*)	20,435	68,493
Decreases	(3,702)	(3,708)
Uses	-	(7,689)
Balance at end of period	<u>139,725</u>	<u>115,814</u>

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

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14. OTHER RECEIVABLES

	<u>09.30.17</u>	<u>12.31.16</u>
Non current:		
Social security and tax credits	4,869	7,271
Advances to employees	1,147	-
MPIT credit	51,321	-
Expenses paid in advance	36,441	28
Total non current	<u>93,778</u>	<u>7,299</u>
Current:		
Advances to employees	2,580	791
Insurance paid in advance	49	47
Expenses paid in advance	7,414	4,012
Trust Fund Resolution No. 2,407	14	1,351
Social security and tax credits	76,024	85,344
Recoverable expenses	13,210	14,188
Related parties (Note 30)	4,289	3,058
Advances to suppliers	44,437	26,773
Temporary Economic Assistance - Related parties	-	759,200
Advances and anticipated purchases of gas	23,965	9,622
Management service for third parties constructions	2,781	9,382
Miscellaneous	83,759	32,240
Allowance for doubtful accounts	(2,779)	(2,184)
Total current	<u>255,743</u>	<u>943,824</u>
Total	<u>349,521</u>	<u>951,123</u>

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The aging analysis of the other receivables is as follows:

	<u>09.30.17</u>	<u>12.31.16</u>
-Past due		
under 3 months	23,966	14,585
from 3 to 6 months	15,409	2,830
from 6 to 9 months	8,328	736
from 9 to 12 months	13,767	287
from 1 to 2 years	1,162	1,249
more than 2 years	1,734	935
Subtotal	<u>64,366</u>	<u>20,622</u>
-Without due	<u>45,224</u>	<u>785,973</u>
-Becoming due		
under 3 months	132,055	94,783
from 3 to 6 months	1,368	35,894
from 6 to 9 months	15,215	4,777
from 9 to 12 months	294	3,959
from 1 to 2 years	37,457	20
more than 2 years	56,321	7,279
Subtotal	<u>242,710</u>	<u>146,712</u>
Allowance for doubtful accounts	<u>(2,779)</u>	<u>(2,184)</u>
Total	<u>349,521</u>	<u>951,123</u>

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

	<u>09.30.17</u>	<u>12.31.16</u>
Pesos	349,208	946,548
US Dollars	293	3,095
Euros	20	1,480
Total	<u>349,521</u>	<u>951,123</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>09.30.17</u>	<u>12.31.16</u>
Cash and banks	133,427	154,385
Mutual funds	447,812	203,519
Total	<u>581,239</u>	<u>357,904</u>

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

	<u>09.30.17</u>	<u>12.31.16</u>
Pesos	573,253	353,988
US Dollars	7,986	3,916
Total	<u>581,239</u>	<u>357,904</u>

As of September 30, 2017 and December 31, 2016, funds collected and pending to be deposit for Trust Funds and Resolution I-2,621/2013 amount to 24,881 and 45,428, respectively.

16. SHAREHOLDERS' EQUITY AND ISSUED CAPITAL

As of September 30, 2017, 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 09.30.17	<u>569,171</u>

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Of the total corporate stock as at September 30, 2017, 70% belongs to YPF S.A. whom is involved in a merger agreement for the absorption of Gas Argentino and YPFIESA, approved by the Gas Argentino Ordinary and Extraordinary Shareholders Meetings held on April 29, 2016, which was agreed by CNV through Resolution 18,415 dated December 22, 2016. Furthermore, the execution of said resolution under the terms of section 83. Subsection 5 of the General Corporations Law in order to cancel the merger process and which would have a retroactive effect as at January 1, 2016.

As of December 31, 2016, the Company recorded accumulated losses for 1,943,940 and kept a negative Shareholders' equity attributable to the controlling interest of 1,374,769, 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 27, 2017, the shareholders of MetroGAS estimates that the Company's economic-financial situation will gradually improve through the implementation of the new tariff schedule and the non-automatic tariff adjustment mechanisms resulting from the signing of the Adequacy Act and Provisional Agreement 2017 (See Notes 2.1 and 2.2), which will make it possible to recompose the Company's economic and financial situation.

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

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

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

As of September 30, 2017, the Company registered a positive Shareholders' equity attributable to controlling interest of 8,045,459.

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17. OTHER TAXES PAYABLES

	<u>09.30.17</u>	<u>12.31.16</u>
Non current:		
Others taxes	3,142	4,180
Subtotal non current	<u>3,142</u>	<u>4,180</u>
Current:		
Value added tax	175,016	66,180
GCABA study, revision and inspection of works in public space levy	151,337	86,012
GNC Tax	8,581	43,149
Turnover tax	109,603	46,589
Provincial and municipal taxes	118,255	56,497
Hydric infraestructure rate	3,862	10,630
Withholding to third parties	14,483	16,258
Others taxes	<u>2,361</u>	<u>2,175</u>
Subtotal current	<u>583,498</u>	<u>327,490</u>
Total	<u>586,640</u>	<u>331,670</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>09.30.17</u>	<u>12.31.16</u>
-Without due	<u>217,136</u>	<u>130,600</u>
-Becoming due		
under 3 months	361,424	195,897
from 3 to 6 months	341	326
from 6 to 9 months	4,246	331
from 9 to 12 months	351	336
from 1 to 2 years	563	748
more than 2 years	<u>2,579</u>	<u>3,432</u>
Subtotal	<u>369,504</u>	<u>201,070</u>
Total	<u>586,640</u>	<u>331,670</u>

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18. FINANCIAL DEBT

	<u>09.30.17</u>	<u>12.31.16</u>
Non current:		
Negotiable Obligations ("Notes")	3,042,318	2,678,537
Related parties ("Notes") - (Note 30)	70,870	62,396
Subtotal Non current	<u>3,113,188</u>	<u>2,740,933</u>
Current:		
Interest to be paid ("Notes")	75,160	2,284
Related parties (Line of credit) - (Note 30)	-	151,377
Related parties (Interest "Notes") - (Note 30)	1,700	-
Subtotal Current	<u>76,860</u>	<u>153,661</u>
Total	<u>3,190,048</u>	<u>2,894,594</u>

As of September 30, 2017, financial debt denominated in U.S. dollars amounted to 3,190,048. As of December 31, 2016, financial debt denominated in U.S. dollars amounted to 2,743,217 thousand and financial debt denominated in pesos amounted to 151,377.

The table below shows the changes occurred in the balance of financial debt as of September 30, 2017 and December 31, 2016:

	<u>09.30.17</u>	<u>12.31.16</u>
Balance at beginning of year	2,894,594	2,280,807
Accrued interest at effective interest rate - Notes (1)	329,535	381,634
Accrued interest on YPF line of credit	15,921	35,568
Exchange difference	258,243	481,520
YPF loan payment	(126,043)	-
YPF interest payment	(41,255)	-
Interest payment	(140,947)	(284,935)
Balance at end of period	<u>3,190,048</u>	<u>2,894,594</u>

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

The aging analysis of financial debt is as follows:

	<u>09.30.17</u>	<u>12.31.16</u>
-Becoming due		
under 3 months	76,860	86,239
from 3 to 6 months	-	67,422
from 1 to 2 years	3,113,188	2,740,933
Subtotal	3,190,048	2,894,594
Total	<u>3,190,048</u>	<u>2,894,594</u>

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18.1 Negotiable Obligations

Information related with negotiable obligations is detailed in Note 18 to the consolidated financial statements as of December 31, 2016.

No event of default has occurred as of September 30, 2017. During the present period the Company has complied with the terms and covenants established under the Offering Circular.

18.2 Related parties

On December 12, 2013, the Board of Directors of MetroGAS unanimously approved a contract with YPF where YPF granted MetroGAS a “Non-Committed” credit facility for up to 180,000 for a period of 180 days as from the date of the proposal. This credit facility has a BADLAR cost plus an annual 6% spread and MetroGAS was entitled to request any drawdown as it deemed necessary up to the maximum amount of the credit facility and for the above mentioned period, and to make partial or total advance payments without penalty. Finally, an annual 10% default interest will be applied in the event of default. On February 26, 2015 an extension was granted for 365 days counted from its corresponding due dates in the same conditions, limiting the amount to 140,000. Dated February 25, 2016 and April 18, 2016, new extensions were granted being the new due dates of February 27, 2017, for the first drawdown request, and April 21, 2017 for the second. During the period ended on September 30, 2017 the Company has canceled the capital and interest on these loans.

19. REORGANIZATION LIABILITIES

	<u>09.30.17</u>	<u>12.31.16</u>
Non current:		
Taxes payable	8,413	9,910
Trade payables	23	23
Salaries and social security	336	336
Total Non current	<u>8,772</u>	<u>10,269</u>

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

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20. PROVISIONS

Provisions	Civil, labor and other claims	Tax claims and other fines	Regulatory claims and interpretation disagreements	Claims against The Government	Total
Balance at 12.31.16	113,283	4,257	19,700	123,758	260,998
Net increases of the period (*)	(1,269)	2,884	(3,794)	76,627	74,448
Reclassification to other accounts payable	-	(1,188)	1,038	-	(150)
Uses of the period	(3,135)	(2,378)	-	-	(5,513)
Balance at 09.30.17	108,879	3,575	16,944	200,385	329,783

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

21. TRADE PAYABLES

	<u>09.30.17</u>	<u>12.31.16</u>
Non current:		
Gas creditors	-	23,057
Related parties (Note 30)	-	34,574
Total Non current	<u>-</u>	<u>57,631</u>
Current:		
Gas and transportation creditors	2,059,413	2,055,147
Other purchases and services creditors	232,736	250,523
Trust Funds	24,759	45,428
Related parties (Note 30)	2,012,082	1,769,470
Total current	<u>4,328,990</u>	<u>4,120,568</u>
Total	<u>4,328,990</u>	<u>4,178,199</u>

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

	<u>09.30.17</u>	<u>12.31.16</u>
Pesos	3,824,160	3,876,778
US Dollars	504,789	300,448
Euros	41	973
Total	<u>4,328,990</u>	<u>4,178,199</u>

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The aging analysis of the trade payables is as follows:

	<u>09.30.17</u>	<u>12.31.16</u>
-Past due		
under 3 months	524,485	983,560
from 3 to 6 months	32,315	823,930
from 6 to 9 months	111,874	201
from 9 to 12 months	355,143	33,193
from 1 to 2 years	521,615	145,600
more than 2 years	13,241	167
Subtotal	<u>1,558,673</u>	<u>1,986,651</u>
-Becoming due		
under 3 months	2,712,577	1,980,699
from 3 to 6 months	57,740	47,989
from 6 to 9 months	-	51,010
from 9 to 12 months	-	54,219
from 1 to 2 years	-	57,631
Subtotal	<u>2,770,317</u>	<u>2,191,548</u>
Total	<u>4,328,990</u>	<u>4,178,199</u>

22. SALARIES AND SOCIAL SECURITY

	<u>09.30.17</u>	<u>12.31.16</u>
Salaries	6,796	19,993
Social securities	27,954	33,626
Related parties (Note 30)	11,490	13,624
Thirteenth month salary provision	20,763	-
Vacation provision	87,402	69,863
Bonus provision	67,310	35,753
Others	2,408	212
Total	<u>224,123</u>	<u>173,071</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>09.30.17</u>	<u>12.31.16</u>
-Becoming due		
under 3 months	105,318	131,979
from 3 to 6 months	92,079	13,698
from 6 to 9 months	13,363	13,697
from 9 to 12 months	13,363	13,697
Subtotal	<u>224,123</u>	<u>173,071</u>
Total	<u>224,123</u>	<u>173,071</u>

23. OTHER ACCOUNTS PAYABLE

	<u>09.30.17</u>	<u>12.31.16</u>
Payables for works on behalf of third parties	14,872	10,686
ENARGAS' Fines	2,336	2,346
GCBA' Fines	84	1,406
Miscellaneous	503	755
Total	<u>17,795</u>	<u>15,193</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>09.30.17</u>	<u>12.31.16</u>
-Without due	2,336	2,346
-Becoming due		
under 3 months	15,459	4,265
from 3 to 6 months	-	8,442
from 6 to 9 months	-	140
Subtotal	<u>15,459</u>	<u>12,847</u>
Total	<u>17,795</u>	<u>15,193</u>

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24. REVENUES

	For the nine-month periods ended,		For the three-months period ended,	
	09.30.17	09.30.16	09.30.17	09.30.16
Gas sales	6,044,461	3,381,186	2,433,073	1,846,568
MetroENERGÍA's gas sales and transportation	2,876,200	2,277,706	1,299,266	872,835
Transportation and distribution services	599,189	227,272	253,790	126,657
Other sales	90,099	64,035	37,392	32,797
Natural gas liquids processing	-	1,494	-	-
MetroENERGÍA's other revenues	3,570	8,822	2,727	(12)
Total	9,613,519	5,960,515	4,026,248	2,878,845

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25. EXPENSES BY NATURE

	For the nine-month period ended,				09.30.16
	09.30.17			TOTAL	
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	TOTAL
Payroll and other employees benefits	267,345	277,498	158,854	703,697	511,804
Social security contributions	59,872	37,066	35,109	132,047	99,117
Cost of natural gas	5,027,842	-	-	5,027,842	4,198,379
Transportation of natural gas and natural gas liquids processing	1,012,374	-	-	1,012,374	360,765
Directors and Supervisory committee fees	-	2,540	-	2,540	1,958
Fees for professional services	2,035	12,831	4,748	19,614	10,204
Sundry materials	16,936	-	-	16,936	18,882
Fees for sundry services	75,740	19,983	96,685	192,408	123,643
Post and telephone	1,987	7,115	67,646	76,748	44,911
Rent and leases	-	-	3,742	3,742	3,356
Transportation and freight charges	-	11,863	-	11,863	7,267
Office materials	1,266	2,038	1,977	5,281	3,744
Travelling expenses	1,613	855	644	3,112	1,893
Insurance premium	-	16,663	3	16,666	13,076
Properties, plant and equipment maintenance and repair	130,386	74,376	94	204,856	136,614
Properties, plant and equipment, Investment properties and Intangible assets depreciation	325,098	22,758	-	347,856	75,515
Taxes, rates and contributions	56,277	85,061	338,129	479,467	343,363
Publicity	-	-	14,834	14,834	9,664
Doubtful accounts	-	-	20,435	20,435	53,531
Bank expenses and commissions	-	932	74,664	75,596	15,676
Others expenses	11,940	802	4,264	17,006	4,834
Total as of September 30, 2017	6,990,711	572,381	821,828	8,384,920	
Total as of September 30, 2016	5,055,100	440,034	543,062		6,038,196

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	For the three-months period ended,				09.30.16
	09.30.17			TOTAL	
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	TOTAL
Payroll and other employees benefits	96,073	96,193	55,862	248,128	180,234
Social security contributions	21,749	13,105	12,495	47,349	35,309
Cost of natural gas	2,193,663	-	-	2,193,663	2,186,929
Transportation of natural gas and natural gas liquids processing	387,741	-	-	387,741	172,357
Directors and Supervisory committee fees	-	937	-	937	756
Fees for professional services	1,586	6,492	1,866	9,944	5,352
Sundry materials	8,403	-	-	8,403	6,438
Fees for sundry services	27,047	6,330	36,138	69,515	45,104
Post and telephone	694	2,725	26,234	29,653	11,842
Leases	(302)	(43)	1,174	829	1,210
Transportation and freight charges	-	6,431	-	6,431	1,343
Office materials	546	687	844	2,077	1,435
Travelling expenses	746	313	174	1,233	705
Insurance premium	-	6,109	1	6,110	4,658
Properties, plant and equipment maintenance and repair	54,641	26,407	4	81,052	49,249
Properties, plant and equipment and Investment properties depreciation	152,085	8,039	-	160,124	25,471
Taxes, rates and contributions	2,876	17,886	135,061	155,823	161,041
Publicity	-	-	6,489	6,489	5,253
Doubtful accounts	-	-	310	310	28,242
Bank expenses and commissions	-	235	27,436	27,671	3,044
Others expenses	10,959	190	2,164	13,314	1,096
Total as of September 30, 2017	2,958,507	192,036	306,252	3,456,795	
Total as of September 30, 2016	2,538,836	158,256	229,976		2,927,068

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 33,226 at September 30, 2017 and for 25,182 at September 30, 2016.

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26. OTHER INCOME AND EXPENSES

	For the nine-month periods ended,		For the three-months period ended,	
	09.30.17	09.30.16	09.30.17	09.30.16
GCBA' Fines	(463)	(13,387)	(237)	(62)
Publicity	307	163	-	-
Contractors penalties	6,409	2,109	4,213	893
Management service for third parties constructions	3,349	613	547	517
Other income	7,727	3,000	2,853	(483)
Revenues from rendering services to Controlling Company (Note 30)	-	1,330	-	-
Increases in provisions for claims and contingencies and others	(74,448)	(30,631)	(334)	(14,189)
Total	(57,119)	(36,803)	7,042	(13,324)

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27. NET FINANCIAL RESULTS

Finance income

	For the nine-month periods ended,		For the three-months period ended,	
	09.30.17	09.30.16	09.30.17	09.30.16
Financial assets at fair value	80,520	104,799	32,836	45,703
Interest income	46,570	25,956	18,506	10,134
Exchange difference on cash and cash equivalents	538	216	301	32
Other financial expenses	847	2,674	686	(80)
	128,475	133,645	52,329	55,789

Finance costs

	For the nine-month periods ended,		For the three-months period ended,	
	09.30.17	09.30.16	09.30.17	09.30.16
Exchange difference on financial debt	258,243	378,890	119,908	46,780
Accrued interest on financial debt	329,535	277,048	118,827	97,566
Accrued interest on YPF line of credit (Note 30)	15,921	28,877	2,811	7,430
Accrued interest on commercial debt	151,658	207,797	111,172	57,634
Other financial expenses	26,316	29,041	415	9,573
	781,673	921,653	353,133	218,983

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28. INCOME TAX AND MINIMUM PRESUMED INCOME TAX

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

MetroGAS

Deferred income tax assets

	Tax losses	Trade receivables and Other receivables	Provisions	Total deferred tax assets
Balances at 12.31.16	-	131,868	71,257	203,125
Movements of the period	407,102	(78,529)	27,480	356,053
Balances at 09.30.17	407,102	53,339	98,737	559,178

Deferred income tax liabilities

	Properties, plant and equipment revaluation	Properties, plant and equipment	Financial debt	Cash and cash equivalents	Others	Total deferred tax liabilities	Total net deferred tax liabilities
Balances at 12.31.16	-	(196,179)	(121,558)	(1,265)	(80)	(319,082)	(115,957)
Movements of the period	(4,422,711)	6,749	33,697	(2,198)	80	(4,384,383)	(4,028,330)
Balances at 09.30.17	(4,422,711)	(189,430)	(87,861)	(3,463)	-	(4,703,465)	(4,144,287)

MetroENERGÍA

Deferred income tax assets (liabilities)

	Others	Total
Balances at 12.31.16	157	157
Movements of the period	(1,359)	(1,359)
Balances at 09.30.17	(1,202)	(1,202)

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

	For the nine-month periods ended,		For the three-months period ended,	
	09.30.17	09.30.16	09.30.17	09.30.16
Income tax expense on result before income tax	(181,399)	315,872	(96,492)	78,659
<u>Tax effect due to:</u>				
Net non deductible expenses and non taxable income	2,539	(2,582)	4,132	(1,431)
Tax loss carry forwards recognized / (not recognized)	624,109	(297,507)	131,205	(57,540)
Total income tax credit / (charged) to results	445,249	15,783	38,846	19,688

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

	For the nine-month periods ended,		For the three-months period ended,	
	09.30.17	09.30.16	09.30.17	09.30.16
Income tax determined for fiscal purposes MetroGAS	(217,007)	290,592	(131,206)	57,541
Current income tax MetroENERGÍA	(42,301)	(36,936)	(19,161)	(7,149)
Temporary differences	80,448	52,718	58,007	26,836
Tax loss carry forward adjustment (before years)	-	6,916	-	-
Tax loss carry forwards recognized / (not recognized)	624,109	(297,507)	131,206	(57,540)
Total income tax credit to results	445,249	15,783	38,846	19,688

According to notes 2.1 and 2.2 of these financial statements, the Company considers it will produce tax profits in fiscal year 2017 and following. Therefore, the Company has acknowledged a credit for tax losses arising from previous years of 624,109 (Include 407,102 which will be offset against fiscal gains from future fiscal years and 217,007 which was offset against fiscal gains for the first nine months of 2017) and a 51,321 credit for MPIT. Credits arising from remaining tax losses estimated as at September 30, 2017, amounting to 84,955, which were not acknowledged in the financial statements at the end of the period, are deemed to be compensated and recognized as tax profits in the next periods of this fiscal year by the effective rate method following the guidelines of NIC 34.

The table below sets forth the years in which the credits for tax losses as of September 30, 2017 expire:

Expiration year	Deferred tax losses assets	Recognized credit	Not Recognized credit
2017	67,290	-	67,290
2019	239,100	221,435	17,665
2020	254,695	254,695	-
2021	147,979	147,979	-
TOTAL	709,064	624,109	84,955

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

	For the nine-month periods ended,
	09.30.17
Deferred tax liabilities at beginning of year	(115,800)
Deferred tax effect in ORAI	(4,517,239)
Income tax charged MetroENERGÍA	(1,359)
Income tax charged MetroGAS	488,909
Deferred tax liabilities at end of period	(4,145,489)

The charge for income tax and minimum presumed income tax for the nine-month period ended September 30, 2017 and 2016 is as follows:

	For the nine-month periods ended,	
	09.30.17	09.30.16
Income tax deferred MetroGAS	488,909	43,249
MetroENERGÍA income tax	(43,660)	(27,466)
Minimum presumed income tax recognized in the period (before years)	69,073	-
Total income tax and MPIT charged	514,322	15,783

The table below shows the years in which credits for MPIT expire as of September 30, 2017:

Expiration year	MPIT recognized in the period	Credit at end of period
2018	10,399	10,399
2019	-	3,791
2020	14,211	14,211
2021	14,442	3,559
2022	14,842	4,182
2023	15,179	15,179
TOTAL	69,073 (1)	51,321

(1) Includes 17,752 which offset by other taxes.

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29. NET RESULT PER SHARE

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

	For the nine-month periods ended,		For the three-months period ended,	
	09.30.17	09.30.16	09.30.17	09.30.16
Net and comprehensive result for the period attributable to controlling interest	1,031,071	(881,958)	312,705	(205,205)
Average of common shares outstanding	569,171	569,171	569,171	569,171
Net basic and diluted result per share	1.81	(1.55)	0.55	(0.36)

30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

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

The information described in the following charts shows the balances with related companies as of September 30, 2017 and December 31, 2016, as well as operations with these companies for the nine months periods ended on September 30, 2017 and 2016.

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The transactions shown below have been made with related parties:

	For the nine-month period ended,								
	09.30.17								
	Gas & transportation sales	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs on loans	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
Controlling company:									
YPF (1)	2,591	826,617	3,023	4,489	-	15,921	49,110	-	-
Other related parties:									
Central Dock Sud S.A.	64,603	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	17,841	-	-	-	-	-	-	-	-
A-Evangelista S.A.	1,676	-	-	-	-	-	-	-	-
ENARSA	-	165,169	-	-	-	-	116,834	-	-
Profertil S.A.	144,992	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	25,985	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	5,800	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	795	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	4,290	-	-	-	-	-	-	-	-
Others (2)	1,719	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	36,713
	237,712	1,017,771	3,023	4,489	5,800	15,921	165,944	795	36,713

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

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTHS PERIOD ENDED AS OF SEPTEMBER 30, 2017 AND COMPARATIVE INFORMATION

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

	For the nine-month period ended,									
	09.30.16									
	Gas & transportation sales	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Other income and expenses	Insurance premium	Finance costs on loans	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
Controlling company:										
YPF	84	809,716	1,171	2,879	1,330	-	28,877	79,816	-	-
Other related parties:										
YSUR Energía Argentina S.R.L. (2)	-	132,642	-	-	-	-	-	3,453	-	-
Central Dock Sud S.A.	37,336	-	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	28,587	-	-	-	-	-	-	-	-	-
A-Evangelista S.A.	1,453	-	-	-	-	-	-	-	-	-
ENARSA	-	388,411	-	-	-	-	-	34,114	-	-
Profertil S.A.	483,843	-	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A.	-	94,956	-	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	4,772	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	-	779	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	4,789	-	-	-	-	-	-	-	-	-
Others (1)	1,109	-	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	-	29,980
	557,201	1,425,725	1,171	2,879	1,330	4,772	28,877	117,383	779	29,980

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

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTHS PERIOD ENDED AS OF SEPTEMBER 30, 2017 AND COMPARATIVE INFORMATION

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

	For the three-months period ended,								
	09.30.17								
	Gas & transportation sales	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs on loans	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
Controlling company:									
YPF (1)	18	316,635	996	1,054	-	2,811	38,661	-	-
Other related parties:									
Central Dock Sud S.A.	24,664	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	1,406	-	-	-	-	-	-	-	-
A-Evangelista S.A.	844	-	-	-	-	-	-	-	-
ENARSA	-	99,183	-	-	-	-	97,236	-	-
Profertil S.A.	47,259	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	(297)	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	2,321	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	358	-
Compañía Administradora del Mercado Mayor	84	-	-	-	-	-	-	-	-
Others (2)	1,080	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	12,114
	75,355	415,521	996	1,054	2,321	2,811	135,897	358	12,114

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

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTHS PERIOD ENDED AS OF SEPTEMBER 30, 2017 AND COMPARATIVE INFORMATION

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

	For the three-months period ended,								
	09.30.16								
	Gas & transportation sales	Gas purchases	Fee for sundry services and supplies	Sundry material - Operating cost	Insurance premium	Finance costs on loans	Finance costs on commercial debt	Post and telephone expenses	Salaries and others employee benefits
Controlling company:									
YPF	51	325,062	529	1,041	-	7,430	27,889	-	-
Other related parties:									
YSUR Energía Argentina S.R.L. (2)	-	122,418	-	-	-	-	1,179	-	-
Central Dock Sud S.A.	17,735	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	16,895	-	-	-	-	-	-	-	-
A-Evangelista S.A.	856	-	-	-	-	-	-	-	-
ENARSA	-	258,204	-	-	-	-	11,210	-	-
Profertil S.A.	163,276	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A.	-	30,756	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	1,654	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	167	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	679	-	-	-	-	-	-	-	-
Otros (1)	602	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	9,844
	200,094	736,440	529	1,041	1,654	7,430	40,278	167	9,844

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

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTHS PERIOD ENDED AS OF SEPTEMBER 30, 2017 AND COMPARATIVE INFORMATION

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

The balances shown below are outstanding with related parties:

	09.30.17					
	Trade receivables	Other receivables	Trade payable	Financial debt		Salaries and social securities
	Current	Current	Current	Current	Non current	Current
Controlling company:						
YPF (1)	50	4,163	1,150,536	1,700	70,870	-
Other related parties:						
Central Dock Sud S.A.	27,531	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	-	-	-	-	-	-
A-Evangelista S.A.	31	-	-	-	-	-
ENARSA	-	-	861,105	-	-	-
Profertil S.A.	13,209	-	-	-	-	-
YPF Energía Eléctrica S.A	-	-	-	-	-	-
Nación Seguros S.A.	-	126	383	-	-	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	487	-	-	-	-	-
Correo Argentino	-	-	58	-	-	-
Others (2)	27	-	-	-	-	-
Key directors and management:	-	-	-	-	-	11,490
	41,335	4,289	2,012,082	1,700	70,870	11,490

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

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTHS PERIOD ENDED AS OF SEPTEMBER 30, 2017 AND COMPARATIVE INFORMATION

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

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

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

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

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

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METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTHS PERIOD ENDED AS OF SEPTEMBER 30, 2017 AND COMPARATIVE INFORMATION

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

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

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

Also, as mentioned in Note 2.4.1 to the consolidated financial statements as of December 31, 2016 and pursuant to Resolution No. I-2,621/13 of ENARGAS, MetroGAS was invoicing 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, 2016, MetroGAS must invoice, collect and settle three specific charges, with different appropriations, which is done for the order and account of Nación Fideicomisos S.A. Balances of this operation are stated in Note 21.

31. CONTRACTUAL COMMITMENTS

31.1 Mandatory Investments Plan

According to what is stipulated in the Provisional Agreement 2016 described in Note 2.2.2.4 to the separate financial statements as of December 31, 2016, dated January 29, 2016 MetroGAS submitted to the ENARGAS the Investments Plan designed for 2016, which included a fund outlay of \$ 715 million.

The said Plan involves infrastructure works, connection works, re-potentiating, expansion and/or technological modification of the systems of gas distribution through networks, safety, reliability of the service and integrity of the network, as well as maintenance and any other related expense that may be necessary to provide the gas distribution public service.

The Plan covers the period between April 2016 and March 2017. On April 27, 2017, the Company sent ENARGAS a note with the reformulation of the Mandatory Investments Plan that ended on December 31, 2017. The amount of investments made as of September 30, 2017 based on the Mandatory Investments Plan amounts to \$ 689.2 million. There are \$ 26.1 million pending to be invested.

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METROGAS S.A.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTHS PERIOD ENDED AS OF SEPTEMBER 30, 2017 AND
COMPARATIVE INFORMATION**

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

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

The mandatory investments amount to \$ 7,784 of millions to be disbursed as follows: \$ 773 of millions in the first year (which as of September 30, 2017 228.7 million were realized), \$ 1,724 of millions in the second year, \$ 1,666 of millions in the third year, \$ 1,825 of millions in the fourth year and \$ 1,796 of millions in the fifth year.

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, 2016, include a detailed description of the economic and regulatory context, the impact of Emergency Law and regulations thereunder on MetroGAS S.A. (“MetroGAS” or the “Company”).

Significant developments during the nine-month period ended on September 30, 2017 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, 2016), on April 20, 2005 the Board of Directors of MetroGAS resolved to create MetroENERGÍA S.A. (“MetroENERGÍA”), a corporation whose equity is owned 95% by MetroGAS and whose corporate purpose is to engage, on its own account and on behalf of or in association with third parties, in the sale and purchase and/or transportation of natural gas.

Under the terms of the Provisional Agreement, on April 4, 2016, the ENARGAS Resolution No. 3,726/2016 was published in the Official Gazette to approve, as from April 1, 2016, transition tariffs of application to users of MetroGAS (See Note 2.2.2.4 of the consolidated financial statements as of December 31, 2016).

The MINEM Resolution No. 129/2016 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 General Service P (“SGP”) customers for gas full service 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.

On October 7, 2016, the ENARGAS Resolution No. 4,044/2016 was published in the Official Gazette detailing tariff schedules for MetroGAS users.

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

Under the Provisional Agreement 2017, on March 31, 2017 ENARGAS Resolution No. 4,356/2017 was published in the Official Gazette, approving, as from April 1, 2017, the tariff schedules resulting from the MetroGAS Integral Tariff Review and transition tariff schedules to be applied to MetroGAS customers. Through differentiated tariffs, ENARGAS Resolution No. 4,356/2017 determined tariff schedules for the residential customers with savings in consumption of or above 15% with respect to the same period of 2015, as well as those that would be applied to beneficiaries of the “Social Tariff” (MINEM Resolution No. 28/2016 and ENARGAS Resolutions No. I-2,905/2014 and No. 3,784/2016) and Welfare Institutions (Law 27,218). The tariff schedules for beneficiaries of the “Social Tariff” were corrected by Resolution ENARGAS No. 4,369/2017. The invoicing resulting from the application of the new temporary tariff schedules shall respect the limits established in Article 10 of MINEM Resolution No. 212/2016, so the criteria of ENARGAS Resolution No. I-4,044/2016 applies.

On March 30, 2017, MINEM instructed ENARGAS, through Resolution No. 74 - E/2017, to enforce the tariff schedules resulting from the Integral Tariff Review process in article 1 of MINEM Resolution No. 31 dated March 29, 2016, and carried on according to the provisions of the Memorandum of Agreement of the Integral Contract Renegotiation signed with Licensees within the framework of Law 25,561, its amendments and complementary.

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

On March 30, 2017, the Company signed with MINEM and the Ministry of Economy a Memorandum of Agreement of Adequacy of the Natural Gas Distribution License Contract. The contract terms establish a number of guidelines that shall consider the Integral Tariff Review process (non-automatic mechanisms of the six-monthly adjustment of the distribution tariff between the five-year tariff reviews, criteria for determining the Capital Base and the Rate of Profitability to be applied, rates and charges, investment plan, etc.) and, subject to the effective validity of the Memorandum of Agreement, it provides for the suspension and dismissal of all the claims, remedies and actions filed, in progress, or to be executed, both via administrative, arbitration or court proceedings, in Argentina or abroad, founded on or connected to the facts or measures in dispute, with respect to the License Agreement, as from the Emergency Law and/or the annulment of the US PPI Index.

Analysis of transactions for the nine months periods ended September 30, 2017 and 2016

The sales of the Company for the nine months period ended on September 30, 2017 increased by 61.3%, and operating costs rose by 38.3% as compared with the same period in previous fiscal year, as a result of which gross profit increased by 1,717,393, amounted to 2,622,808 during the nine-month period ended on September 30, 2017, as compared with 905,415 shown for the same period in the preceding fiscal year.

Administrative expenses increased by 30.1%, from 440,034 during the nine-month period ended on September 30, 2016, as compared with 572,381 shown for the same period of the present fiscal year, and selling expenses increased by 51.3%, from 543,062, during the nine months period ended September 30, 2016, to 821,828 shown for the same period of the present fiscal year.

Other income and expenses went from a loss 36,803 in the period of nine months ended on September 30, 2016 to a loss of 57,119 in the same period of the present fiscal year.

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

Consequently, during the nine-month period ended on September 30, 2017 an operating income of 1,171,480 was recorded, as compared to an operating loss of 114,484 for the same period in previous fiscal year.

During the nine-month period ended on September 30, 2017 net financial results was a loss of 653,198, as compared with a loss of 788,008 in the same period in previous fiscal year.

During the nine months period ended on September 30 2017 a profit was recorded in the income tax for 514,322, because the Company has acknowledged a credit for tax losses and a credit for minimum presumed income tax arising from previous years, as the Company estimates that it will generate taxable profits as a result of what is described in Note 2.1 and 2.2.

Consequently, the Company's net income for the nine months period ended on September 30, 2017 amounted to 1,032,604, as compared to a net loss of 886,709 for the same period in previous fiscal year.

The Company's Board approved on June 30, 2017, the valuation of the Essential assets through the revaluation method effective April 1, 2017, which produced a total of other comprehensive income of 8,213,606 as of September 30, 2017.

Results of operations and financial condition**Sales**

Total consolidated sales increased by 61.3% during the nine months period ended on September 30, 2017, amounted to 9,613,519, as compared with 5,960,515 shown for the same period in previous fiscal year.

The increase in sales for the nine months period ended on September 30, 2017, was mainly due to increase in MetroGAS sales to residential customers, industrial, commercial and governmental entities and power plants and a highest MetroENERGÍA's sales.

MetroGAS gas sales to residential customers increased by 145.9%, from 2,013,857 during the nine months period ended on September 30, 2016 to 4,952,108 for the nine months period ended on September 30, 2017, mainly due to the increase in tariffs for the Resolution No. 4,044/2016 effective as of October 7, 2016, and the Resolution No. 4,356/2017, effective as of April 1, 2017, partially offset by a decrease of the volumes delivered to this customer category by 23.2%.

MetroGAS gas sales to industrial and commercial customers and governmental entities increased by 8.1%, from 587,960 during the nine months period ended on September 30, 2016 to 635,353 during the same of the present fiscal year, mainly on account of an increases to the tariff according to Resolution No. 4,044/2016 effective as of October 7, 2016 and the Resolution No. 4,356/2017 effective as of April 1, 2017, offset by a decrease of the volumes delivered to this customer category by 12.8%.

Gas sales and transportation to CNG stations decreased by 28% from 793,441 for the nine months period ended on September 30, 2017, as compared of 571,551 in the same period of the present fiscal year, mainly due to the decrease in volumes delivered by 10.7%.

Sales of transportation and distribution services to power stations increased by 150.6%, from 121,887 during the nine months period ended on September 30, 2016 to 305,474 for the same period of the present fiscal year, due to an increase in average tariff and increase in volumes delivered to this customer category by 51.4%.

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

On the other hand, sales of transportation and distribution services to industrial and commercial customers and governmental entities increased by 96.2%, from 91,323 during the nine months period ended on September 30, 2016 to 179,164 for the same period in the present fiscal year, due to an increase in average tariff and decrease in volumes delivered to this customer category by 3.7%.

During the nine months period ended on September 30, 2016 sales were recorded in relation with the processing of natural gas amounted to 1,494, while no sales of this customer category during the nine months period ended on September 30, 2017.

MetroENERGÍA gas sales during the nine months period ended on September 30, 2017 amounted to 2,876,200 increasing by 26.3% as compared of the same period in previous fiscal year amounted to 2,277,706, mainly due to the increase in the average tariff and the increase in sales to CNG according to Resolution No. 4,407/2017 effective as of May 1, 2017 (the resolution allows the option to purchase directly from marketers), as well as, an increase in the volumes delivered to this customer category by 5.8%.

The table below shows the consolidated sales of the Company by type of service and customer categories for the nine months periods ended on September 30, 2017 and 2016, in thousands of pesos:

	Revenues			
	For the nine months periods ended September 30,			
	2017		2016	
	Thousands of Ps.	% of Total Sales	Thousands of Ps.	% of Total Sales
MetroGAS				
<i>Gas sales:</i>				
Residential	4,952,108	51.5%	2,013,857	33.8%
Industrial, Commercial and Governmental entities	635,353	6.6%	587,960	9.9%
Compressed Natural Gas	457,000	4.8%	779,369	13.1%
Subtotal	<u>6,044,461</u>	<u>62.9%</u>	<u>3,381,186</u>	<u>56.8%</u>
<i>Transportation and Distribution Services</i>				
Power Plants	305,474	3.1%	121,877	2.0%
Industrial, Commercial and Governmental entities	179,164	1.9%	91,323	1.5%
Compressed Natural Gas	114,551	1.2%	14,072	0.2%
Subtotal	<u>599,189</u>	<u>6.2%</u>	<u>227,272</u>	<u>3.7%</u>
Processed Natural Gas	-	-	1,494	-
MetroENERGÍA				
Gas and transport sales	2,876,200	29.9%	2,277,706	38.3%
Other income	3,570	-	8,822	0.1%
Other sales	90,099	1.0%	64,035	1.1%
Total of Sales	<u>9,613,519</u>	<u>100%</u>	<u>5,960,515</u>	<u>100%</u>

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

The table below presents the volumes of sales of natural gas and transportation and distribution services by MetroGAS by customer category for the nine months periods ended on September 30, 2017 and 2016, in millions of cubic meters:

	Volumes			
	For the nine months periods ended September 30,			
	2017		2016	
MMMC	% of Volumes of gas delivered	MMMC	% of Volumes of gas delivered	
MetroGAS				
<i>Gas sales:</i>				
Residential	1,367.1	24.3%	1,779.0	33.5%
Industrial, Commercial and Governmental entities	319.9	5.7%	367.0	6.9%
Compressed Natural Gas	153.8	2.7%	217.5	4.1%
Subtotal	<u>1,840.8</u>	<u>32.7%</u>	<u>2,363.5</u>	<u>44.5%</u>
<i>Transportation and Distribution Services:</i>				
Power Plants	2,671.9	47.4%	1,765.3	33.2%
Industrial, Commercial and Governmental entities	520.3	9.2%	540.2	10.2%
Compressed Natural Gas	194.1	3.4%	172.3	3.2%
Subtotal	<u>3,386.3</u>	<u>60.0%</u>	<u>2,477.8</u>	<u>46.6%</u>
Other Gas Sales and Transportation and Distribution Services	412.4	7.3%	471.5	8.9%
Total delivered volume by MetroGAS	<u>5,639.5</u>	<u>100.0%</u>	<u>5,312.8</u>	<u>100.0%</u>
Total gas volumes delivered and transported by MetroENERGÍA	<u>940.7</u>	<u>100.0%</u>	<u>889.3</u>	<u>100.0%</u>

Operating Costs

Operating costs increased by 38.3% amounting to 6,990,711 during the nine months period ended on September 30, 2017, respect to 5,055,100 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 depreciation of properties, plant and equipment, investment properties and intangible assets, in payroll and other employees' benefits.

The costs of natural gas purchases increased by 19.8%, from 4,198,379 for the nine months period ended on September 30, 2016 to 5,027,842 during the same period in present fiscal year, mainly due to the increase in average purchased price MetroGAS and MetroENERGÍA. During the nine months period ended on September 30, 2017, 2,340 million cubic meters were purchased by MetroGAS, and 941 million cubic meters by MetroENERGÍA, which as a whole represent 9.9% decrease with respect to gas volumes purchased in the same period in previous fiscal year.

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Gas transportation costs increased by 180.6% during the nine months period ended on September 30, 2017 as compared with the same period in previous fiscal year mainly due to the increase in average prices of transportation of MetroGAS, as a consequence the application of Resolutions No. 4,053/2016 and No. 4,363/2017 for TGN and Resolutions No. 4,054/2016 and No. 4,362/2017 for TGS.

The table below shows the operating costs of the Company by type of expenses for the nine month periods ended on September 30, 2017 and 2016, in thousands of pesos:

	Operating costs				
	For the nine months periods ended September 30,				
	2017		2016		
Thousands of Ps.	% of Total Operating Costs	Thousands of Ps.	% of Total Operating Costs		
Cost of natural gas	5,027,842	71.9%	4,198,379	83.1%	
Transportation of natural gas	1,012,374	14.5%	360,765	7.1%	
Depreciation of properties, plant and equipment, investment properties and intangible assets	325,098	4.7%	58,259	1.2%	
Payroll and other employees benefits	327,217	4.7%	227,425	4.5%	
Maintenance and repair	130,386	1.9%	82,186	1.6%	
Sundry materials	16,936	0.2%	18,882	0.4%	
Fees for sundry services	75,740	1.1%	44,433	0.9%	
Taxes, rates and contributions	56,277	0.8%	57,965	1.1%	
Other operating expenses	18,841	0.2%	6,806	0.1%	
Total	6,990,711	100.0%	5,055,100	100.0%	

Administrative expenses

Administrative expenses increased by 30.1%, from 440,034 for the nine months period ended on September 30, 2016 to 572,381 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 maintenance and repair of Properties, Plant & Equipment and fees for professional services.

Selling expenses

Selling expenses increased by 51.3%, from 543,062 for the nine months period ended on September 30, 2016 to 821,828 for the same period in present fiscal year. This increase was mainly due to the increase in taxes, rates and contributions, in commissions in bank expenses, in payroll and other employee's benefits, in fees for sundry services and in post and telecommunication expenses, partially offset by a decrease in doubtful account charge.

Other income and expenses

Other income and expenses amounted to a loss of 36,803 for the nine months period ended September 30, 2016 and amounted a loss of 57,119 in the same period in present fiscal year, mainly due to the increase in the provision for contingencies during the nine months period ended on September 30, 2017.

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Net financial results

During the nine months period ended on September 30, 2017 net financial results was a loss of 653,198, as compared to a loss of 788,008 for the same period in previous fiscal year. The variation in financial results was mainly due to an increase in the income of the exchange difference on financial debt and the lower interest accrued by commercial debt during the nine months period ended on September 30, 2017, partially offset by increased in the interest of financial debt.

Income tax

During the nine months period ended on September 30, 2017 the Company accrued income of 514,322, as compared to a income of 15,783 shown for the same period in previous fiscal year. This variation was mainly due to the Company has acknowledged a credit for tax losses arising from previous years of 624,109 (217,007 of which have been compensated with the income tax provision of the present period) and a 51.321 credit for MPIT. Credits arising from remaining tax losses estimated as of September 30, 2017, amounting to 84,955, which were not acknowledged in the financial statements at the end of the period, are deemed to be compensated and recognized as tax profits in the next periods of this fiscal year.

Net cash flows generated by operating activities

Net cash flows generated by operating activities during the nine months period ended on September 30, 2017 amounted to 1,164,014, as compared with 642,703 generated in for the same period in the previous fiscal year. This variation was mainly due to higher cash funds generated by operating results, partially offset by lower funds generated from working capital.

Net cash flows used in investing activities

Net cash flows used in investment activities amounted to 597,074 for the nine months period ended on September 30, 2017 mainly due to increases in properties, plant and equipment and intangible assets, as compared with 347,384 applied in the same period in previous fiscal year.

Net cash flows used in financing activities

Net cash flows used in financing activities amounted to 344,143 for the nine months period ended on September 30, 2017, as compared with 306,765 cash flows used in the same period in previous fiscal year. This variation was mainly due to the YPF loan payment partially offset by lower commercial interest payment.

Liquidity and capital resources**Financing**

As of September 30, 2017, the financial debt accounted for by Company amounted to 3,190,048 (See Note 18 to these condensed interim consolidated statements as of September 30, 2017).

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Comparative structure of condensed interim consolidated statement of financial position ⁽¹⁾

Condensed Interim Consolidated Statement of Financial Positions as of September 30, 2017, 2016, 2015, 2014 and 2013.

	09.30.17	09.30.16	09.30.15	09.30.14	09.30.13
	Thousands of Ps.				
Non current Assets	15,788,418	2,422,318	2,092,070	1,924,301	1,833,577
Current assets	5,092,805	3,335,845	1,852,599	1,093,474	766,085
Total assets	20,881,223	5,758,163	3,944,669	3,017,775	2,599,662
Non current Liabilities	7,599,172	3,043,682	2,012,205	1,626,196	1,165,697
Current Liabilities	5,232,468	4,368,960	2,155,123	1,322,006	860,509
Total Liabilities	12,831,640	7,412,642	4,167,328	2,948,202	2,026,206
Non-controlling interest	4,124	2,566	4,734	2,650	1,968
Equity attributable to the owners of the parent	8,045,459	(1,657,045)	(227,393)	66,923	571,488
Total Liabilities and Shareholders' Equity	20,881,223	5,758,163	3,944,669	3,017,775	2,599,662

⁽¹⁾ Information covered by the Independent auditors' report.

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

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Comparative condensed interim consolidated structure of results ⁽¹⁾

Condensed Interim Consolidated Statements of Profit and Loss and Other Comprehensive Income for the nine months periods ended on September 30, 2017, 2016, 2015, 2014 and 2013.

	09.30.17	09.30.16	09.30.15	09.30.14	09.30.13
	Thousands of Ps.				
Revenues	9,613,519	5,960,515	3,377,468	2,564,851	1,449,370
Operating costs	(6,990,711)	(5,055,100)	(2,836,984)	(1,947,600)	(1,056,963)
Gross profit	2,622,808	905,415	540,484	617,251	392,407
Administration expenses	(572,381)	(440,034)	(311,263)	(241,256)	(159,537)
Selling expenses	(821,828)	(543,062)	(357,416)	(265,964)	(194,941)
Other income and expenses	(57,119)	(36,803)	(1,891)	(10,177)	52,776
Result before Temporary Economic Assistance	1,171,480	(114,484)	(130,086)	99,854	90,705
Temporary Economic Assistance	-	-	561,700	-	-
Operating income (loss)	1,171,480	(114,484)	431,614	99,854	90,705
Finance income	128,475	133,645	39,650	20,895	13,328
Finance cost	(781,673)	(921,653)	(463,336)	(449,971)	(217,423)
Net financial results	(653,198)	(788,008)	(423,686)	(429,076)	(204,095)
Debt restructuring result	-	-	-	-	757,470
Result before income tax	518,282	(902,492)	7,928	(329,222)	644,080
Income tax and minimum presumed income tax	514,322	15,783	(23,525)	(25,322)	(237,911)
Net result for the period	1,032,604	(886,709)	(15,597)	(354,544)	406,169
Other comprehensive income (1)					
Essential assets revaluation	12,636,317	-	-	-	-
Income tax	(4,422,711)	-	-	-	-
Total other comprehensive income	8,213,606	-	-	-	-
Net and comprehensive result for the period	9,246,210	(886,709)	(15,597)	(354,544)	406,169

(1) 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 nine months periods ended on September 30, 2017, 2016, 2015, 2014 and 2013.

	09.30.17	09.30.16	09.30.15	09.30.14	09.30.13
	Volumes				
	In millions of cubic meters				
Gas purchased by MetroGAS	2,340	2,754	2,350	2,579	2,670
Gas contracted by third parties	3,922	3,237	3,593	3,378	3,823
	6,262	5,991	5,943	5,957	6,493
Volume of gas withheld:					
- Transportation	(362)	(357)	(370)	(378)	(408)
- Loss in distribution	(260)	(321)	(292)	(298)	(339)
- Transportation and processing of natural gas	-	-	-	-	(4)
Volume of gas delivered by MetroGAS	5,640	5,313	5,281	5,281	5,742
Volume of gas purchased and delivered by MetroENERGÍA	941	889	1,035	706	584

Comparative ratios ⁽¹⁾

The information below makes reference to the nine months periods ended on September 30, 2017, 2016, 2015, 2014 and 2013.

	09.30.17	09.30.16	09.30.15	09.30.14	09.30.13
Liquidity	0.97	0.76	0.86	0.83	0.89
Solvency	0.63	(0.22)	(0.05)	0.02	0.28
Inmobilization	0.76	0.42	0.53	0.64	0.71

⁽¹⁾ 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)
		\$
September	2013	1.10
September	2014	4.85
September	2015	3.00
January	2016	8.45
February	2016	8.75
March	2016	9.00
April	2016	8.00
May	2016	7.00
June	2016	7.60
July	2016	8.15
August	2016	7.50
September	2016	9.02
January	2017	14.50
February	2017	21.90
March	2017	24.40
April	2017	25.80
May	2017	25.65
June	2017	23.00
July	2017	19.90
August	2017	26.50
September	2017	29.20

(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 Integral Tariff Review process as set forth in the Comprehensive Letter of Understanding of Contractual 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, November 7, 2017

Marcelo Adrián Núñez
Chairperson

INDEPENDENT AUDITORS' REVIEW REPORT
(of condensed interim consolidated financial statements)

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

Review report of the condensed interim consolidated financial statements

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 condensed interim consolidated statement of financial position as of September 30, 2017, the condensed interim consolidated statements of profit and loss and other comprehensive income, the related statements of changes in shareholders' equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information included in their notes 1 to 31.

The figures and other information corresponding to the year ended on December 31, 2016 and for the nine-month period ended September 30, 2016, are an integral part of the condensed interim consolidated financial statements above mentioned and are intended to be read only in relation to the amounts and other disclosures relating to those financial statements.

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 condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") adopted by the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE") as accounting professional standards, as they were approved by the International Accounting Standards Board ("IASB"), and incorporated by the Argentine Securities Commission ("CNV") to its regulations, and, therefore, is responsible for the preparation and presentation of these 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 that deems necessary to enable the preparation of financial statements that are free from material misstatements.

3. Auditors' responsibility

Our responsibility is to issue a conclusion on the accompanying condensed interim consolidated financial statements based on our review. We conducted our review in accordance with International Standards on Review Engagements ("ISRE") adopted by the FACPCE through its Technical Resolution No. 33, as they were approved by the International Auditing Accounting Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"). Those standards require that we comply with ethical requirements.

A review of condensed interim consolidated financial statements 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 nine-month period ended on September 30, 2017 are not presented, in all material respects, in accordance with International Accounting Standard 34.

5. Emphasis of Matter

Without modifying our previous conclusion, we emphasize that as mentioned in more detail in Note 4.1 of the accompanying condensed consolidated financial statements, the properties, plant and equipment corresponding to the essential assets to provide the public natural gas distribution service, have been measure by the revaluation model as of April 1, 2017. This change in valuation criteria of the essential assets from the cost model to the revaluation model is applied prospectively, therefore, comparative information corresponding to the previous year and periods, should be read considering this change in accounting policy.

English translation of statutory condensed interim consolidated financial statements

This report and the condensed interim consolidated financial statements referred to in section 1, have been translated into English for the convenience of English-speaking readers. 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.

Buenos Aires City, Argentina
November 7, 2017

Deloitte & Co. S.A.

Ricardo C. Ruiz
Partner