METROGAS S.A.

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

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METROGAS S.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 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 June 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 06.30.17:

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 06.30.17		**569,171**

Marcelo Adrián Núñez
Chairperson

METROGAS S.A.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND DECEMBER 31, 2016
(stated in thousands of pesos)

	Notes	06.30.17	12.31.16
Assets			
Non current Assets			
Properties, plant and equipment	10	15,467,524	2,436,979
Intangible assets	12	159,912	125,295
Deferred tax assets and MPIT	28	-	157
Investment properties	11	2,303	2,333
Other receivables	14	117,060	7,299
Total Non current assets		15,746,799	2,572,063
Current assets			
Inventories		3,152	2,696
Trade receivables	13	3,614,549	2,731,286
Other receivables	14	248,090	943,824
Cash and cash equivalents	15	732,896	357,904
Total Current assets		4,598,687	4,035,710
Total assets		20,345,486	6,607,773
Shareholders' Equity			
Issued capital	16	569,171	569,171
Accumulated results (losses)		7,163,584	(1,943,940)
Equity attributable to the owners of the parent		7,732,755	(1,374,769)
Non-controlling interest		2,292	2,591
Total Shareholders' Equity	16	7,735,047	(1,372,178)
Liabilities			
Non current Liabilities			
Trade payable	21	-	57,631
Financial debt	18	2,949,459	2,740,933
Deferred tax liabilities	28	4,202,739	115,957
Reorganization liabilities	19	10,269	10,269
Other taxes payable	17	3,493	4,180
Provisions	20	331,703	260,998
Total Non current Liabilities		7,497,663	3,189,968
Current Liabilities			
Trade payable	21	4,223,585	4,120,568
Salaries and social securities	22	190,141	173,071
Other taxes payable	17	607,616	327,490
Financial debt	18	77,761	153,661
Deferred tax liabilities	28	757	-
Other accounts payable	23	12,916	15,193
Total Current Liabilities		5,112,776	4,789,983
Total Liabilities		12,610,439	7,979,951
Total Liabilities and Shareholders' Equity		20,345,486	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

METROGAS S.A.

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

FOR THE SIX-MONTHS PERIODS ENDED JUNE 30, 2017 AND 2016

(stated in thousands of pesos)

		For the six months period ended,		For the three months period ended,	
	Notes	**06.30.17**	**06.30.16**	**06.30.17**	**06.30.16**
Revenues	24	5,574,321	3,082,406	3,735,267	2,081,003
Operating costs	25	(4,032,204)	(2,516,264)	(2,746,267)	(1,553,156)
Gross profit		**1,542,117**	**566,142**	**989,000**	**527,847**
Administration expenses	25	(380,345)	(281,778)	(200,690)	(159,321)
Selling expenses	25	(510,355)	(308,610)	(306,034)	(201,228)
Other income and expenses	26	(68,158)	(26,418)	3,670	(4,206)
Operating income (loss)		**583,259**	**(50,664)**	**485,946**	**163,092**
Finance income	27	87,872	75,583	62,531	30,361
Finance cost	27	(428,540)	(702,670)	(376,892)	(291,752)
Net financial results		**(340,668)**	**(627,087)**	**(314,361)**	**(261,391)**
Result before income tax and MPIT		**242,591**	**(677,751)**	**171,585**	**(98,299)**
Income tax and MPIT	28	475,476	(3,905)	28,898	2,766
Net result for the period		**718,067**	**(681,656)**	**200,483**	**(95,533)**
Other comprehensive income (1)					
Essential assets revaluation		12,776,242	-	12,776,242	-
Income tax	28	(4,471,685)	-	(4,471,685)	-
Total other comprehensive income		**8,304,557**	**-**	**8,304,557**	**-**
Net and comprehensive result for the period		**9,022,624**	**(681,656)**	**8,505,040**	**(95,533)**
Net and comprehensive result for the period attributable to controlling interest		718,366	(676,753)	201,446	(90,174)
Net and comprehensive result for the period attributable to non-controlling interest		(299)	(4,903)	(963)	(5,359)
Net and comprehensive result for the period		**718,067**	**(681,656)**	**200,483**	**(95,533)**
Net result per share					
Basic and diluted	29	1.26	(1.19)	0.35	(0.16)

(1) Do not reversal to results.

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

Marcelo Adrián Núñez
Chairperson

METROGAS S.A.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

AS OF JUNE 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 six months period ended June 30, 2016	-	-	-	(676,753)	(676,753)	(676,753)	(4,903)	(681,656)
Balance as of June 30, 2016	569,171	569,171	-	(2,021,011)	(2,021,011)	(1,451,840)	2,414	(1,449,426)
Net and comprehensive result for the six months period ended December 31, 2016	-	-	-	77,071	77,071	77,071	177	77,248
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 sixe months period ended June 30, 2017	-	-	-	718,366	718,366	718,366	(299)	718,067
Properties, plant and equipement revaluation	-	-	8,389,158	-	8,389,158	8,389,158	-	8,389,158
Properties, plant and equipement revaluation reversals	-	-	(84,601)	84,601	-	-	-	-
Balance as of June 30, 2017	**569,171**	**569,171**	**8,304,557**	**(1,140,973)**	**7,163,584**	**7,732,755**	**2,292**	**7,735,047**

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

Marcelo Adrián Núñez
Chairperson

METROGAS S.A.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTHS PERIODS ENDED JUNE 30, 2017 AND 2016

(stated in thousands of pesos)

	06.30.17	06.30.16
Cash flows generated by operating activities		
Net result for the period	718,067	(681,656)
Adjustments to arrive to the net cash flow from operating activities		
Income tax and MPIT	(475,476)	3,905
Depreciation of properties, plant and equipment and investment properties and intangible assets	187,732	50,044
Net book value of disposals of properties, plant and equipment	4,042	9,185
Net charge on provisions	92,609	25,712
Net financial results	402,402	683,018
Changes in assets and liabilities		
Trade receivables	(914,415)	(493,832)
Other receivables	343,149	(30,044)
Inventories	(456)	-
Trade payable	269,712	505,686
Salaries and social securities	17,070	15,359
Other taxes payable	348,512	310,120
Provisions	(2,875)	(16,774)
Other accounts payable	(2,812)	1,920
Income tax and MPIT paid in the period	(3,515)	(24,445)
Net cash flows generated by operating activities	983,746	358,198
Cash flows used in investing activities		
Increase in properties, plant and equipment	(312,896)	(166,601)
Increase in intangible assets	(39,677)	(30,680)
Net cash flows used in investing activities	(352,573)	(197,281)
Cash flows used in financing activities		
YPF interest payment and loan payment	(90,132)	-
Financial debt interest payment	(139,395)	(148,105)
Commercial debt interest payment	(26,891)	(92,948)
Net cash flows used in financing activities	(256,418)	(241,053)
Net increase (decrease) in cash and cash equivalents	374,755	(80,136)
Cash and cash equivalents at the beginning of year	357,904	596,223
Exchange differences on cash and cash equivalents	237	184
Cash and cash equivalents at the end of the period (1)	732,896	516,271
Net increase (decrease) in cash and cash equivalents	**374,755**	**(80,136)**

(1) As of June 30, 2017 and 2016, funds collected and pending to be deposited for Trust Funds and Resolution I-2,621/2013 amount to 58,132 and 40,602, respectively.

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

Marcelo Adrián Núñez
Chairperson

METROGAS S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 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 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 June 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 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 six months period ended June 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.

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 Gazzette ("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.

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 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.

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.

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 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.

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 six months periods ended June 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 August 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 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 propectively 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 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:

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

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**

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

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

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

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

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 June 30, 2017
Medium and low pressure mains	1,542,693
High pressure mains	167,493
Pressure regulating stations	28,747
Consumption measurement installations	165,070
Distribution network extensions constructed by third parties	53,936
Total	**1,957,939**

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.

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

	Estimated useful life
• 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.

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.

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

6. FINANCIAL RISK MANAGEMENT

The business of the Company exposes it to various financial risks: market risk, credit risk and liquidity risk. No significant changes have occurred during the six month period ended on June 30, 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.

7. FINANCIAL INSTRUMENTS

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

8. INTERESTS IN SUBSIDIARIES

The table below shows the Company's controlling interest:

Directly controlled company	Percentage of capital stock and voting rights held	
	06.30.2017	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 June 30, 2017. The equity of MetroENERGÍA at June 30, 2017 amounts to 45,847 and a positive result amounts to 45,536.

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.

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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2017 AND COMPARATIVE INFORMATION
(amounts in thousands of pesos, except where expressly stated otherwise)

	06.30.17			
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	Total
Revenues	4,043,457	1,564,827	(33,963)	5,574,321
Operating income	558,452	70,642	(45,835)	583,259
Results of interest in subsidiaries	45,835	-	(45,835)	-
Finance income	65,442	22,430	-	87,872
Finance cost	(405,058)	(23,482)	-	(428,540)
Result before income tax	218,836	69,590	(45,835)	242,591
Income tax and MPIT	499,530	(24,054)	-	475,476
Total net and comprehensive result for the period	718,366	45,536	(45,835)	718,067
Total assets	19,754,725	872,237	(281,476)	20,345,486
Total liabilities	12,021,970	826,390	(237,921)	12,610,439
Depreciation of properties, plant and equipment, Investment properties and Intangible assets	(187,490)	(242)	-	(187,732)
Increase in properties, plant and equipment	312,896	-	-	312,896
Increase in Intangible Assets	39,294	383	-	39,677
Investments in subsidiaries	43,555	-	(43,555)	-

	06.30.16			
	MetroGAS Distribution	MetroENERGÍA Trading	Eliminations	Total
Revenues	1,687,221	1,414,441	(19,256)	3,082,406
Operating (loss) income	(68,855)	71,060	(52,869)	(50,664)
Results on investments in subsidiaries	52,869	-	(52,869)	-
Finance income	56,598	18,985	-	75,583
Finance cost	(686,419)	(16,251)	-	(702,670)
Result before income tax	(698,676)	73,794	(52,869)	(677,751)
Income tax and MPIT	21,923	(25,828)	-	(3,905)
Total net and comprehensive result for the period	(676,753)	47,966	(52,869)	(681,656)
Total assets	4,157,517	634,405	(210,507)	4,581,415
Total liabilities	5,609,357	586,128	(164,644)	6,030,841
Depreciation of properties, plant and equipment and Investment properties	(50,044)	-	-	(50,044)
Increase in properties, plant and equipment	166,601	-	-	166,601
Increase in Intangible Assets	29,442	1,238	-	30,680
Investments in subsidiaries	45,863	-	(45,863)	-

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2017 AND COMPARATIVE INFORMATION
(amounts in thousands of pesos, except where expressly stated otherwise)

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 JUNE 30, 2017	RETIREMENTS FROM APRIL 1, 2017 TO JUNE 30, 2017	AT END OF PERIOD
Essential Assets									
High pressure mains	387,642	-	-	3,023,473	(218,542)	-	-	-	3,192,573
Medium and low pressure mains	2,255,694	48,509	-	8,351,105	(790,197)	-	41,809	-	9,906,920
Pressure regulating stations	82,394	-	-	675,671	(52,966)	-	-	-	705,099
Consumption measurement installations	382,280	6,025	(7)	485,446	(228,274)	-	8,969	-	654,439
Distribution network extensions constructed by third parties	75,869	339	-	370,701	(22,301)	-	414	-	425,022
Subtotal Essential Assets	**3,183,879**	**54,873**	**(7)**	**12,906,396**	**(1,312,280)**	**-**	**51,192**	**-**	**14,884,053**
No Essential Assets									
Land	15,654	-	-	-	-	-	-	-	15,654
Building and civil constructions	72,000	-	-	-	-	-	1,653	-	73,653
Other technical installations	61,854	-	-	-	-	-	-	-	61,854
Machinery, equipment and tools	39,106	-	-	-	-	-	4,566	-	43,672
Computer and telecommunications equipment	250,601	-	-	-	-	-	14,066	(13)	264,654
Vehicles	35,180	-	-	-	-	-	311	(283)	35,208
Furniture and fixtures	6,475	-	-	-	-	-	316	-	6,791
Materials	74,308	-	-	-	-	65,598	(33,916)	(8,337)	97,653
Gas in pipelines	214	-	-	-	-	-	-	-	214
Work in progress	339,294	(54,873)	-	-	-	247,298	(38,188)	-	493,531
Subtotal No Essential Assets	**894,686**	**(54,873)**	**-**	**-**	**-**	**312,896**	**(51,192)**	**(8,633)**	**1,092,884**
Subtotal	**4,078,565**	**-**	**(7)**	**12,906,396**	**(1,312,280)**	**312,896**	**-**	**(8,633)**	**15,976,937**
Allowance for obsolescence of materials	(6,441)	-	-	-	-	(801)	-	4,246	(2,996)
Allowance for disposal of properties, plant and equipment	(5,463)	-	-	-	-	(1,264)	-	82	(6,645)
Total as of June 30, 2017	**4,066,661**	**-**	**(7)**	**12,906,396**	**(1,312,280)**	**310,831**	**-**	**(4,305)**	**15,967,296**
Total as of December 31, 2016	**3,641,732**	**-**	**-**	**-**	**-**	**477,855**	**-**	**(52,926)**	**4,066,661**

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2017 AND COMPARATIVE INFORMATION
(amounts in thousands of pesos, except where expressly stated otherwise)

10. PROPERTIES, PLANT AND EQUIPMENT (Cont.)

MAIN ACCOUNT	DEPRECIATION							NET BOOK VALUE 06.30.17	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 JUNE 30, 2017	INCREASES (1)	ACCUMULATED AT END OF PERIOD		
Essential Assets									
High pressure mains	216,934	1,607	-	(218,543)	-	30,349	30,347	3,162,226	170,708
Medium and low pressure mains	777,289	12,908	-	(790,197)	-	84,663	84,663	9,822,257	1,478,405
Pressure regulating stations	52,287	679	-	(52,969)	-	16,284	16,281	688,818	30,107
Consumption measurement installations	224,491	3,787	(4)	(228,274)	-	15,488	15,488	638,951	157,789
Distribution network extensions constructed by third parties	21,921	380	-	(22,299)	-	3,089	3,091	421,931	53,948
Subtotal Essential Assets	**1,292,922**	**19,361**	**(4)**	**(1,312,282)**	**-**	**149,873**	**149,870**	**14,734,183**	**1,890,957**
No Essential Assets									
Land	-	-	-	-	-	-	-	15,654	15,654
Building and civil constructions	30,663	-	-	-	-	776	31,439	42,214	41,337
Other technical installations	51,030	-	-	-	-	504	51,534	10,320	10,824
Machinery, equipment and tools	30,441	-	-	-	-	721	31,162	12,510	8,665
Computer and telecommunications equipment	206,007	-	-	-	(13)	8,806	214,800	49,854	44,594
Vehicles	13,032	-	-	-	(253)	2,546	15,325	19,883	22,148
Furniture and fixtures	5,587	-	-	-	-	55	5,642	1,149	888
Materials	-	-	-	-	-	-	-	97,653	74,308
Gas in pipelines	-	-	-	-	-	-	-	214	214
Work in progress	-	-	-	-	-	-	-	493,531	339,294
Subtotal No Essential Assets	**336,760**	**-**	**-**	**-**	**(266)**	**13,408**	**349,902**	**742,982**	**557,926**
Subtotal	**1,629,682**	**19,361**	**(4)**	**(1,312,282)**	**(266)**	**163,281**	**499,772**	**15,477,165**	**2,448,883**
Allowance for obsolescence of materials	-	-	-	-	-	-	-	(2,996)	(6,441)
Allowance for disposal of properties, plant and equipment	-	-	-	-	-	-	-	(6,645)	(5,463)
Total as of June 30, 2017	**1,629,682**	**19,361**	**(4)**	**(1,312,282)**	**(266)**	**163,281**	**499,772**	**15,467,524**	**-**
Total as of December 31, 2016	**1,565,060**	**-**	**-**	**(32,645)**	**-**	**-**	**97,267**		**2,436,979**

(1) Corresponds to the amortization of the essential assets from the period from April 1, 2017 to June 30, 2017 and amortization of the other non-essential assets for the period from January 1, 2017 to June 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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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED AS OF JUNE 30, 2017 AND COMPARATIVE INFORMATION
(amounts in thousands of pesos, except where expressly stated otherwise)

11. INVESTMENT PROPERTIES

MAIN ACCOUNT	ORIGINAL VALUE		DEPRECIATION				NET BOOK VALUE 06.30.17	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%	30	1,475	1,574	1,604
Total as of June 30, 2017	**3,778**	**3,778**	**1,445**		**30**	**1,475**	**2,303**	
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						
	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	NET BOOK VALUE 06.30.17	NET BOOK VALUE 12.31.16
Software development in progress	103,412	39,677	(28,782)	-	114,307	-		-	-	-	114,307	103,412
Software	25,960	-	28,782	-	54,742	4,077	20%	5,060	-	9,137	45,605	21,883
Total as of June 30, 2017	**129,372**	**39,677**	**-**	**-**	**169,049**	**4,077**		**5,060**	**-**	**9,137**	**159,912**	
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

	06.30.17	12.31.16
Current		
Trade receivables	1,714,547	1,040,771
Unbilled revenues	1,956,868	1,701,937
Related parties	33,210	79,891
Tax on banking transactions to be recovered	42,491	22,317
Allowance for doubtful accounts	(132,567)	(113,630)
Total Current	**3,614,549**	**2,731,286**

The aging analysis of the trade receivables is as follows:

	06.30.17	12.31.16
-Past due		
under 3 months	307,593	60,157
from 3 to 6 months	93,732	21,169
from 6 to 9 months	27,105	14,269
from 9 to 12 months	10,926	14,019
from 1 to 2 years	55,734	61,966
more than 2 years	63,281	42,542
Subtotal	**558,371**	**214,122**
-Becoming due		
under 3 months	3,156,436	2,613,010
from 3 to 6 months	10,946	6,473
from 6 to 9 months	10,740	5,732
from 9 to 12 months	10,623	5,579
Subtotal	**3,188,745**	**2,630,794**
Allowance for doubtful accounts	(132,567)	(113,630)
Total	**3,614,549**	**2,731,286**

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

	06.30.17	12.31.16
Pesos	3,245,335	2,371,242
US Dollars	369,214	360,044
Total	**3,614,549**	**2,731,286**

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

	06.30.17	12.31.16
Balance at beginning of year	115,814	68,466
Revaluation of foreign currency	2,960	(9,748)
Increases (*)	20,125	68,493
Decreases	(3,695)	(3,708)
Uses	-	(7,689)
Balance at end of period	**135,204**	**115,814**

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

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14. OTHER RECEIVABLES

	06.30.17	12.31.16
Non current:		
Social security and tax credits	7,458	7,271
Advances to employees	948	-
MPIT credit	69,073	-
Expenses paid in advance	39,581	28
Total non current	**117,060**	**7,299**
Current:		
Advances to employees	3,447	791
Insurance paid in advance	673	47
Expenses paid in advance	15,353	4,012
Trust Fund Resolution No. 2,407	1,314	1,351
Social security and tax credits	60,946	85,344
Recoverable expenses	15,161	14,188
Related parties	4,943	3,058
Advances to suppliers	63,481	26,773
Temporary Economic Assistance - Related parties	-	759,200
Advances and anticipated purchases of gas	19,943	9,622
Management service for third parties constructions	1,131	9,382
Miscellaneous	64,335	32,240
Allowance for doubtful accounts	(2,637)	(2,184)
Total current	**248,090**	**943,824**
Total	**365,150**	**951,123**

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The aging analysis of the other receivables is as follows:

	06.30.17	**12.31.16**
-Past due		
under 3 months	18,583	14,585
from 3 to 6 months	9,740	2,830
from 6 to 9 months	14,062	736
from 9 to 12 months	354	287
from 1 to 2 years	1,592	1,249
more than 2 years	1,140	935
Subtotal	**45,471**	**20,622**
-Without due	31,837	785,973
-Becoming due		
under 3 months	143,067	94,783
from 3 to 6 months	4,897	35,894
from 6 to 9 months	421	4,777
from 9 to 12 months	25,034	3,959
from 1 to 2 years	40,327	20
more than 2 years	76,733	7,279
Subtotal	**290,479**	**146,712**
Allowance for doubtful accounts	(2,637)	(2,184)
Total	**365,150**	**951,123**

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

	06.30.17	**12.31.16**
Pesos	359,282	946,548
US Dollars	5,868	3,095
Euros	-	1,480
Total	**365,150**	**951,123**

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

15. CASH AND CASH EQUIVALENTS

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

	06.30.17	**12.31.16**
Cash and banks	193,577	154,385
Mutual funds	539,319	203,519
Total	**732,896**	**357,904**

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

	06.30.17	**12.31.16**
Pesos	727,986	353,988
US Dollars	4,910	3,916
Total	**732,896**	**357,904**

As of June 30, 2017 and December 31, 2016, funds collected and pending to be deposit for Trust Funds and Resolution I-2,621/2013 amount to 58,132 and 45,428, respectively.

16. SHAREHOLDERS' EQUITY AND ISSUED CAPITAL

As of June 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 06.30.17	**569,171**

Of the total corporate stock as at June 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 June 30, 2017, the Company registered a positive Shareholders' equity attributable to controlling interest of 7,732,755.

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

17. OTHER TAXES PAYABLES

	06.30.17	12.31.16
Non current:		
Others taxes	3,493	4,180
Subtotal non current	3,493	4,180
Current:		
Value added tax	224,698	66,180
GCABA study, revision and inspection of works in public space levy	129,325	86,012
GNC Tax	13,825	43,149
Turnover tax	108,936	46,589
Provincial and municipal taxes	109,942	56,497
Hydric infraestructure rate	3,433	10,630
Withholding to third parties	15,660	16,258
Others taxes	1,797	2,175
Subtotal current	607,616	327,490
Total	**611,109**	**331,670**

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

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The aging analysis of other taxes payables is as follows:

	06.30.17	12.31.16
-Without due	195,140	130,600
-Becoming due		
under 3 months	408,747	195,897
from 3 to 6 months	336	326
from 6 to 9 months	341	331
from 9 to 12 months	3,052	336
from 1 to 2 years	625	748
more than 2 years	2,868	3,432
Subtotal	415,969	201,070
Total	**611,109**	**331,670**

18. FINANCIAL DEBT

	06.30.17	12.31.16
Non current:		
Negotiable Obligations ("Notes")	2,882,316	2,678,537
Related parties ("Notes")	67,143	62,396
Subtotal Non current	**2,949,459**	**2,740,933**
Current:		
Interest to be paid ("Notes")	2,785	2,284
Related parties (Line of credit)	74,976	151,377
Subtotal Current	**77,761**	**153,661**
Total	**3,027,220**	**2,894,594**

As of June 30, 2017, financial debt denominated in U.S. dollars amounted to 2,952,244 and financial debt denominated in pesos amounted to 74,976. 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.

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

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

	06.30.17	**12.31.16**
Balance at beginning of year	2,894,594	2,280,807
Accrued interest at effective interest rate - Notes (1)	210,708	381,634
Accrued interest on YPF line of credit	13,110	35,568
Exchange difference	138,335	481,520
YPF loan payment	(57,134)	-
YPF interest payment	(32,998)	-
Interest payment	(139,395)	(284,935)
Balance at end of period	**3,027,220**	**2,894,594**

The aging analysis of financial debt is as follows:

	06.30.17	**12.31.16**
-Becoming due		
under 3 months	74,976	86,239
from 3 to 6 months	2,785	67,422
from 1 to 2 years	2,949,459	2,740,933
Subtotal	3,027,220	2,894,594
Total	**3,027,220**	**2,894,594**

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 June 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. On February 27, 2017, interest on the first tranche of 32,998 of the financial debt was canceled and an extension for 180 days was established. On April 21, 2017, the Company paid the capital of the second stage of the loan for 57,134.

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

19. REORGANIZATION LIABILITIES

	06.30.17	12.31.16
Non current:		
Taxes payable	9,910	9,910
Trade payables	23	23
Salaries and social security	336	336
Total Non current	**10,269**	**10,269**

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

20. PROVISIONS

Provisions	Civil, labor and other claims	Tax claims and other fines	Regulatory claims and interpretation disagreements	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 (*)	(6,951)	2,586	6,453	72,026	74,114
Reclassification to other accounts payable	-	(1,187)	653	-	(534)
Uses of the period	(2,875)	-	-	-	(2,875)
Balance at 06.30.17	**103,457**	**5,656**	**26,806**	**195,784**	**331,703**

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

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

21. TRADE PAYABLES

	06.30.17	12.31.16
Non current:		
Gas creditors	-	23,057
Related parties	-	34,574
Total Non current	-	57,631
Current:		
Gas and transportation creditors	2,236,753	2,055,147
Other purchases and services creditors	276,790	250,523
Trust Funds	58,132	45,428
Related parties	1,651,910	1,769,470
Total current	4,223,585	4,120,568
Total	**4,223,585**	**4,178,199**

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

	06.30.17	12.31.16
Pesos	3,675,120	3,876,778
US Dollars	548,446	300,448
Euros	19	973
Total	**4,223,585**	**4,178,199**

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

The aging analysis of the trade payables is as follows:

	06.30.17	12.31.16
-Past due		
under 3 months	70,680	983,560
from 3 to 6 months	112,621	823,930
from 6 to 9 months	355,284	201
from 9 to 12 months	423,887	33,193
from 1 to 2 years	36,886	145,600
more than 2 years	81,927	167
Subtotal	1,081,285	1,986,651
-Becoming due		
under 3 months	2,819,000	1,980,699
from 3 to 6 months	265,670	47,989
from 6 to 9 months	57,630	51,010
from 9 to 12 months	-	54,219
from 1 to 2 years	-	57,631
Subtotal	3,142,300	2,191,548
Total	**4,223,585**	**4,178,199**

22. SALARIES AND SOCIAL SECURITY

	06.30.17	12.31.16
Salaries	8,764	19,993
Social securities	39,761	33,626
Related parties	9,609	13,624
Vacation provision	85,823	69,863
Bonus provision	41,675	35,753
Others	4,509	212
Total	**190,141**	**173,071**

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

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

	06.30.17	12.31.16
-Becoming due		
under 3 months	112,383	131,979
from 3 to 6 months	12,576	13,698
from 6 to 9 months	56,235	13,697
from 9 to 12 months	8,947	13,697
Subtotal	**190,141**	**173,071**
Total	**190,141**	**173,071**

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

23. OTHER ACCOUNTS PAYABLE

	06.30.17	12.31.16
Payables for works on behalf of third parties	9,850	10,686
ENARGAS' Fines	2,346	2,346
GCBA' Fines	239	1,406
Miscellaneous	481	755
Total	**12,916**	**15,193**

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:

	06.30.17	12.31.16
-Without due	2,346	2,346
-Becoming due		
under 3 months	10,497	4,265
from 3 to 6 months	73	8,442
from 6 to 9 months	-	140
Subtotal	10,570	12,847
Total	**12,916**	**15,193**

24. REVENUES

	For the six-month periods ended,		For the three-months period ended,	
	06.30.17	06.30.16	06.30.17	06.30.16
Gas sales	3,611,388	1,534,553	2,519,224	1,252,071
MetroENERGÍA's gas sales and transportation	1,563,984	1,405,607	1,014,367	754,680
Transportation and distribution services	345,399	100,615	167,979	44,705
Other sales	52,707	31,303	32,854	23,834
Natural gas liquids processing	-	1,494	-	363
MetroENERGÍA's other revenues	843	8,834	843	5,350
Total	**5,574,321**	**3,082,406**	**3,735,267**	**2,081,003**

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25. EXPENSES BY NATURE

	For the six-month period ended,				
	06.30.17				06.30.16
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	TOTAL
Payroll and other employees benefits	171,272	181,305	102,992	455,569	331,570
Social security contributions	38,123	23,961	22,614	84,698	63,808
Cost of natural gas	2,834,179	-	-	2,834,179	2,011,450
Transportation of natural gas and natural gas liquids processing	624,633	-	-	624,633	188,408
Directors and Supervisory committee fees	-	1,603	-	1,603	1,202
Fees for professional services	449	6,339	2,882	9,670	4,852
Sundry materials	8,533	-	-	8,533	12,444
Fees for sundry services	48,693	13,653	60,547	122,893	78,539
Post and telephone	1,293	4,390	41,412	47,095	33,069
Rent and leases	302	43	2,568	2,913	2,146
Transportation and freight charges	-	5,432	-	5,432	5,924
Office materials	720	1,351	1,133	3,204	2,309
Travelling expenses	867	542	470	1,879	1,188
Insurance premium	-	10,554	2	10,556	8,418
Properties, plant and equipement maintenance and repair	75,745	47,969	90	123,804	87,365
Properties, plant and equipement, Investment properties and Intangible assets depreciation	173,013	14,719	-	187,732	50,044
Taxes, rates and contributions	53,401	67,175	197,847	318,423	177,846
Publicity	-	-	8,345	8,345	4,411
Doubtful accounts	-	-	20,125	20,125	25,289
Bank expenses and commissions	-	697	47,228	47,925	12,632
Others expenses	981	612	2,100	3,693	3,738
Total as of June 30, 2017	**4,032,204**	**380,345**	**510,355**	**4,922,904**	
Total as of June 30, 2016	**2,516,264**	**281,778**	**308,610**		**3,106,652**

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	For the three-months period ended,				
	06.30.17				06.30.16
	OPERATING COSTS	ADMINISTRATION EXPENSES	SELLING EXPENSES	TOTAL	TOTAL
Payroll and other employees benefits	97,512	102,463	58,232	258,207	179,403
Social security contributions	21,777	14,019	12,960	48,756	47,426
Cost of natural gas	1,986,594	-	-	1,986,594	1,286,524
Transportation of natural gas and natural gas liquids processing	388,489	-	-	388,489	96,593
Directors and Supervisory committee fees	-	847	-	847	749
Fees for professional services	(23)	3,221	1,792	4,990	2,775
Sundry materials	6,853	-	-	6,853	6,858
Fees for sundry services	25,797	8,994	31,567	66,358	41,570
Post and telephone	726	2,308	21,655	24,689	18,200
Leases	166	40	1,056	1,262	826
Transportation and freight charges	-	2,656	-	2,656	3,364
Office materials	413	741	638	1,792	1,285
Travelling expenses	480	363	334	1,177	704
Insurance premium	-	5,343	-	5,343	4,202
Properties, plant and equipement maintenance and repair	51,112	24,410	50	75,572	44,143
Properties, plant and equipement and Investment properties depreciation	151,784	8,307	-	160,091	25,262
Taxes, rates and contributions	13,808	26,166	134,794	174,768	116,318
Publicity	-	-	5,881	5,881	3,743
Doubtful accounts	-	-	7,940	7,940	24,583
Bank expenses and commissions	-	370	27,490	27,860	7,653
Others expenses	779	442	1,645	2,866	1,524
Total as of June 30, 2017	**2,746,267**	**200,690**	**306,034**	**3,252,991**	
Total as of June 30, 2016	**1,553,156**	**159,321**	**201,228**		**1,913,705**

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 20,607 at June 30, 2017 and for 16,545 at June 30, 2016.

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

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26. OTHER INCOME AND EXPENSES

	For the six-month periods ended,		For the three-months period ended,	
	06.30.17	06.30.16	06.30.17	06.30.16
GCBA’ Fines	(226)	(13,325)	(153)	(13,325)
Publicity	307	163	307	(81)
Contractors penalties	2,196	1,216	1,501	924
Management service for third parties constructions	2,802	96	1,392	91
Other income	877	544	469	1,739
Revenues from rendering services to Controlling Company	-	1,330	-	230
Increases in provisions for claims and contingencies and others	(74,114)	(16,442)	154	6,216
Total	**(68,158)**	**(26,418)**	**3,670**	**(4,206)**

27. NET FINANCIAL RESULTS

Finance income

	For the six-month periods ended,		For the three-months period ended,	
	06.30.17	06.30.16	06.30.17	06.30.16
Financial assets at fair value	61,416	59,096	44,986	22,865
Interest income	26,058	13,549	16,539	7,457
Exchange difference on cash and cash equivalents	237	184	344	(18)
Other financial expenses	161	2,754	662	57
	87,872	**75,583**	**62,531**	**30,361**

Finance costs

	For the six-month periods ended,		For the three-months period ended,	
	06.30.17	06.30.16	06.30.17	06.30.16
Exchange difference on financial debt	138,335	332,110	225,923	60,933
Accrued interest on financial debt	210,708	179,482	107,455	86,319
Accrued interest on YPF line of credit	13,110	21,447	5,406	10,116
Accrued interest on commercial debt	40,486	150,163	19,081	126,419
Other financial expenses	25,901	19,468	19,027	7,965
	428,540	**702,670**	**376,892**	**291,752**

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

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	(67,650)	21,893	361,345
Balances at 06.30.17	**407,102**	**64,218**	**93,150**	**564,470**

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	(4,471,685)	4,140	22,647	(3,309)	80	(4,448,127)	(4,086,782)
Balances at 06.30.17	**(4,471,685)**	**(192,039)**	**(98,911)**	**(4,574)**	**-**	**(4,767,209)**	**(4,202,739)**

MetroENERGÍA

Deferred income tax assets (liabilities)

	Others	Total
Balances at 12.31.16	157	157
Movements of the period	(914)	(914)
Balances at 06.30.17	**(757)**	**(757)**

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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 six-month periods ended,		For the three-months period ended,	
	06.30.17	06.30.16	06.30.17	06.30.16
Income tax expense on result before income tax	(84,907)	237,213	(60,055)	34,405
Tax effect due to:				
Net non deductible expenses and non taxable income	(1,593)	(1,150)	(1,048)	(1,222)
Tax loss carry forwards recognized (not recognized)	492,903	(239,968)	90,001	(30,417)
Total income tax credit / (charged) to results	**406,403**	**(3,905)**	**28,898**	**2,766**

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

	For the six-month periods ended,		For the three-months period ended,	
	06.30.17	06.30.16	06.30.17	06.30.16
Income tax determined for fiscal purposes MetroGAS	(85,801)	233,052	(10,528)	30,440
Current income tax MetroENERGÍA	(23,140)	(29,787)	(16,171)	(22,151)
Temporary differences	22,441	25,882	(34,404)	24,917
Tax loss carry forward adjustment (before years)	-	6,916	-	(23)
Tax loss carry forwards recognized (not recognized)	492,903	(239,968)	90,001	(30,417)
Total income tax credit / (charged) to results	**406,403**	**(3,905)**	**28,898**	**2,766**

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 492,903 (Include 407,102 which will be offset against fiscal gains from future fiscal years and 85,801 which will be offset against fiscal gains for the first half of 2017) and a 69.073 credit for MPIT. Credits arising from remaining tax losses estimated as at June 30, 2017, amounting to 216,161, 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 June 30, 2017 expire:

Expiration year	Deferred tax losses assets	Recognized credit	Not Recognized credit
2017	67,290	-	67,290
2019	239,100	90,229	148,871
2020	254,695	254,695	-
2021	147,979	147,979	-
TOTAL	**709,064**	**492,903**	**216,161**

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

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

	For the six-month periods ended,
	06.30.17
Deferred tax liabilities at beginning of year	(115,800)
Deferred tax effect in ORAI	(4,517,239)
Income tax determined for fiscal purposes MKTR (*)	23,140
Income tax charged	406,403
Deferred tax liabilities at end of period	**(4,203,496)**

(*) Charged to Other current credits

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

	For the six-month periods ended,	
	06.30.17	**06.30.16**
Income tax deferred	430,457	21,923
MKTR income tax	(24,054)	(25,828)
Minimum presumed income tax	69,073	-
Total income tax and MPIT charged	**475,476**	**(3,905)**

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

Expiration year	MPIT credit	Recognized credit	Not Recognized credit
2017	9,687	-	9,687
2018	10,399	10,399	-
2020	14,211	14,211	-
2021	14,442	14,442	-
2022	14,842	14,842	-
2023	15,179	15,179	-
TOTAL	**78,760**	**69,073**	**9,687**

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

29. NET RESULT PER SHARE

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

	For the six-month periods ended,		For the three-months period ended,	
	06.30.17	06.30.16	06.30.17	06.30.16
Net and comprehensive result for the period attributable to controlling interest	718,366	(676,753)	201,446	(90,174)
Average of common shares outstanding	569,171	569,171	569,171	569,171
Net basic and diluted result per share	**1.26**	**(1.19)**	**0.35**	**(0.16)**

30. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

MetroGAS carries out operations and transactions with related parties according to general market conditions, wich 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 June 30, 2017 and December 31, 2016, as well as operations with these companies for the six months periods ended on June 30, 2017 and 2016.

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The transactions shown below have been made with related parties:

	For the six-month period ended, 06.30.17								
	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)	2,573	509,982	2,027	3,435	-	13,110	10,449	-	-
Other related parties:									
Central Dock Sud S.A.	39,939	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	16,435	-	-	-	-	-	-	-	-
A-Evangelista S.A.	832	-	-	-	-	-	-	-	-
ENARSA	-	65,986	-	-	-	-	19,598	-	-
Profertil S.A.	97,733	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	26,282	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	3,479	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	437	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	4,206	-	-	-	-	-	-	-	-
Others (2)	639	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	24,599
	162,357	**602,250**	**2,027**	**3,435**	**3,479**	**13,110**	**30,047**	**437**	**24,599**

(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. and the Ministerio del Interior y Transporte.

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	For the six-month period ended, 06.30.16									
	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	33	484,654	642	1,838	1,330	-	21,447	51,927	-	-
Other related parties:										
YSUR Energía Argentina S.R.L.	-	10,224	-	-	-	-	-	2,274	-	-
Central Dock Sud S.A.	19,601	-	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	11,692	-	-	-	-	-	-	-	-	-
A-Evangelista S.A.	597	-	-	-	-	-	-	-	-	-
ENARSA	-	130,207	-	-	-	-	-	22,904	-	-
Profertil S.A.	320,567	-	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	64,200	-	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	3,118	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	-	612	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	4,110	-	-	-	-	-	-	-	-	-
Others (1)	507	-	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	-	20,136
	357,107	**689,285**	**642**	**1,838**	**1,330**	**3,118**	**21,447**	**77,105**	**612**	**20,136**

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

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

	For the three-months period ended, 06.30.17								
	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)	1,001	332,467	906	3,085	-	5,406	4,618	-	-
Other related parties:									
Central Dock Sud S.A.	15,387	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	7,346	-	-	-	-	-	-	-	-
A-Evangelista S.A.	660	-	-	-	-	-	-	-	-
ENARSA	-	48,662	-	-	-	-	9,583	-	-
Profertil S.A.	31,774	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	5,188	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	1,864	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	307	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	1,043	-	-	-	-	-	-	-	-
Others (2)	409	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	12,135
	57,620	**386,317**	**906**	**3,085**	**1,864**	**5,406**	**14,201**	**307**	**12,135**

(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. and the Ministerio del Interior y Transporte.

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

	For the three-months period ended, 06.30.16									
	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	31	338,778	250	721	230	-	10,116	42,271	-	-
Other related parties:										
YSUR Energía Argentina S.R.L.	-	8,324	-	-	-	-	-	1,924	-	-
Central Dock Sud S.A.	10,497	-	-	-	-	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	9,583	-	-	-	-	-	-	-	-	-
A-Evangelista S.A.	556	-	-	-	-	-	-	-	-	-
ENARSA	-	130,207	-	-	-	-	-	18,561	-	-
Profertil S.A.	126,965	-	-	-	-	-	-	-	-	-
YPF Energía Eléctrica S.A	-	30,692	-	-	-	-	-	-	-	-
Nación Seguros S.A.	-	-	-	-	-	1,593	-	-	-	-
Correo Argentino S.A.	-	-	-	-	-	-	-	-	356	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	933	-	-	-	-	-	-	-	-	-
Others (1)	335	-	-	-	-	-	-	-	-	-
Key directors and management:	-	-	-	-	-	-	-	-	-	10,742
	148,900	**508,001**	**250**	**721**	**230**	**1,593**	**10,116**	**62,756**	**356**	**10,742**

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

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The balances shown below are outstanding with related parties:

	06.30.17					
	Trade receivables	Other receivables	Trade payable	Financial debt		Salaries and social securities
	Current	Current	Current	Current	Non current	Current
Controlling company:						
YPF (1)	294	3,058	984,495	74,976	67,143	-
Other related parties:						
Central Dock Sud S.A.	9,792	-	-	-	-	-
Operadora de Estaciones de Servicio S.A.	871	-	-	-	-	-
A-Evangelista S.A.	14	-	-	-	-	-
ENARSA	5	-	666,554	-	-	-
Profertil S.A.	15,825	-	-	-	-	-
YPF Energía Eléctrica S.A	-	-	644	-	-	-
Nación Seguros S.A.	-	1,885	92	-	-	-
Compañía Administradora del Mercado Mayorista Eléctrico S.A.	6,397	-	-	-	-	-
Correo Argentino	-	-	125	-	-	-
Others (2)	12	-	-	-	-	-
Key directors and management:	-	-	-	-	-	9,609
	33,211	**4,943**	**1,651,911**	**74,976**	**67,143**	**9,609**

(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. and the Ministerio del Interior y Transporte.

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	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.	-	-	52,165	843	-	2,478	-
YSUR Petrolera Argentina S.A.	-	-	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".

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 Plan covers the period between April 2016 and March 2017.

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 amount of investments made as of June 30, 2017 based on the Mandatory Investments Plan amounts to $ 614.3 million. There are $ 101.0 million pending to be invested.

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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 2017, $ 1,724 of millions in 2018, $ 1,666 of millions in 2019, $ 1,825 of millions in 2020 and $ 1,796 of millions in 2021.

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 six-month period ended on June 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.

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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 Gazzette, 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.

<u>Analysis of transactions for the six months periods ended June 30, 2017 and 2016</u>

The sales of the Company for the six months period ended on June 30, 2017 increased by 80.8%, and operating costs rose by 60.2% as compared with the same period in previous fiscal year, as a result of which gross profit increased by 975,975, amounted to 1,542,117 during the six-month period ended on June 30, 2017, as compared with 566,142 shown for the same period in the preceding fiscal year.

Administrative expenses increased by 35.0%, from 281,778 during the six-month period ended on June 30, 2016, as compared with 380,345 shown for the same period of the present fiscal year, and selling expenses increased by 65.4%, from 308,610, during the six months period ended June 30, 2016, to 510,355 shown for the same period of the present fiscal year.

Other income and expenses went from a loss 26,418 in the period of six months ended on June 30, 2016 to a loss of 68,158 in the same period of the present fiscal year.

Consequently, during the six-month period ended on June 30, 2017 an operating income of 583,259 was recorded, as compared to an operating loss of 50,664 for the same period in previous fiscal year.

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During the six-month period ended on June 30, 2017 net financial results was a loss of 340,668, as compared with a loss of 627,087 in the same period in previous fiscal year.

During the six months period ended on June 30 2017 a profit was recorded in the income tax for 396,003, 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 six months period ended on June 30, 2017 amounted to 638,594, as compared to a net loss of 681,656 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 8,304. 557 as of June 30, 2017.

Results of operations and financial condition

Sales

Total consolidated sales increased by 80.8% during the six months period ended on June 30, 2017, amounted to 5,574,321, as compared with 3,082,406 shown for the same period in previous fiscal year.

The increase in sales for the six months period ended on June 30, 2017, was mainly due to increase in MetroGAS sales to residential customers, industrial, commercial and governmental entities and compressed natural gas ("CNG") and power plants and a highest MetroENERGÍA's sales.

MetroGAS gas sales to residential customers increased by 141.1%, from 1,153,091 as compared with the same period in previous fiscal year to 2,779,543 for the six months period ended on June 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 30.9%.

MetroGAS gas sales to industrial and commercial customers and governmental entities increased by 378.6%, from 74,838 during the six months period ended on June 30, 2016 to 358,205 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, partially offset by a decrease of the volumes delivered to this customer category by 5.6%.

Gas sales to CNG stations amounted to 473,640 during the six months period ended on June 30, 2017, as compared of 306,689 in the same period in previous fiscal year. The increase is mainly due to increases in tariffs 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.

Sales of transportation and distribution services to CNG stations amounted to 32,400 during the six months period ended on June 30, 2017, while during the six months period ended on June 30, 2016 sales to this customer category amounted to 22,935.

Sales of transportation and distribution services to power stations increased by 319.8%, from 47,857 during the six months period ended on June 30, 2016 to 200,926 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 53.0%.

On the other hand, sales of transportation and distribution services to industrial and commercial customers and governmental entities increased by 275.8%, from 29,823 during the six months period ended on June 30, 2016 to 112,073 for the same period in the present fiscal year, due to a decrease in average tariff and increase in volumes delivered to this customer category by 7.6%.

During the six months period ended on June 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 six months period ended on June 30, 2017.

MetroENERGÍA gas sales during the six months period ended on June 30, 2017 amounted to 1,563,984 increasing by 11.3% as compared of the same period in previous fiscal year amounted to 1,405,607, 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), partially offset by a decrease in the volumes delivered to this customer category by 9.0%

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

	Revenues			
	For the six months periods ended June 30,			
	2017		2016	
	Thousands of Ps.	% of Total Sales	Thousands of Ps.	% of Total Sales
MetroGAS				
Gas sales:				
Residential	2,779,543	49.9 %	1,153,091	37.4 %
Industrial, Commercial and Governmental entities	358,205	6.4 %	74,838	2.4 %
Compressed Natural Gas	473,640	8.5 %	306,689	10.0 %
Subtotal	3,611,388	64.8 %	1,534,618	49.8 %
Transportation and Distribution Services				
Power Plants	200,926	3.6 %	47,857	1.6 %
Industrial, Commercial and Governmental entities	112,073	2.0 %	29,823	1.0 %
Compressed Natural Gas	32,400	0.6 %	22,935	0.7 %
Subtotal	345,399	6.2 %	100,615	3.3 %
Processed Natural Gas	-	-	1,494	-
MetroENERGÍA				
Gas and transport sales	1,563,984	28.1 %	1,405,607	45.6 %
Other income	843	-	8,834	0.3 %
Other sales	**52,707**	**0.9 %**	**31,238**	**1.0 %**
Total of Sales	**5,574,321**	**100.0 %**	**3,082,406**	**100.0 %**

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

	Volumes			
	For the six months periods ended June 30,			
	2017		2016	
	MMMC	% of Volumes of gas delivered	MMMC	% of Volumes of gas delivered
MetroGAS				
Gas sales:				
Residential	692.5	19.3 %	1,002.6	29.9 %
Industrial, Commercial and Governmental entities	185.0	5.2 %	196.0	5.8 %
Compressed Natural Gas	153.0	4.3 %	85.7	2.5 %
Subtotal	1.030.5	28.8 %	1,284.3	38.2 %
Transportation and Distribution Services:				
Power Plants	1,870.5	52.2 %	1,222.3	36.3 %
Industrial, Commercial and Governmental entities	330.8	9.2 %	357.9	10.6 %
Compressed Natural Gas	77.1	2.1 %	171.7	5.1 %
Subtotal	2,278.4	63.5 %	1,751.9	52.0 %
Other Gas Sales and Transportation and Distribution Services	277.5	7.7 %	329.4	9.8 %
Total delivered volume by MetroGAS	3,586.4	100.0 %	3,365.6	100.0 %
Total gas volumes delivered and transported by MetroENERGÍA	552.6	100.0 %	607.0	100.0 %

Operating Costs

Operating costs increased by 60.2% amounting to 4,032,204 during the six months period ended on June 30, 2017, respect to 2,516,264 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, in maintenance and repair, in fees for sundry services and in taxes, rates and contributions.

The costs of natural gas purchases increased by 40.9%, from 2,011,450 for the six months period ended on June 30, 2016 to 2,834,179 during the same period in present fiscal year, mainly due to the increase in average purchased price MetroGAS and MetroENERGÍA, partially offset by the decrease in volumes purchased by MetroGAS and MetroENERGÍA. During the six months period ended on June 30, 2017, 1,323 million cubic meters were purchased by MetroGAS, and 553 million cubic meters by MetroENERGÍA, which as a whole represent 10.15% decrease with respect to gas volumes purchased in the same period in previous fiscal year.

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Gas transportation costs increased by 231.5% during the six months period ended on June 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 six month periods ended on June 30, 2017 and 2016, in thousands of pesos:

	Operating costs For the six months periods ended June 30, 2017		2016	
	Thousands of Ps.	% of Total Operating Costs	Thousands of Ps.	% of Total Operating Costs
Cost of natural gas	2,834,179	70.3%	2,011,450	80.0%
Transportation of natural gas	624,633	15.5%	188,408	7.5%
Depreciation of properties, plant and equipment, investment properties and intangible assets	173,013	4.3%	38,523	1.5%
Payroll and other employees benefits	209,395	5.2%	144,478	5.7%
Maintenance and repair	75,745	1.9%	53,003	2.1%
Sundry materials	8,533	0.2%	12,444	0.5%
Fees for sundry services	48,693	1.2%	27,523	1.1%
Taxes, rates and contributions	53,401	1.3%	35,632	1.4%
Other operating expenses	4,612	0.1%	4,803	0.2%
Total	**4,032,204**	**100.0%**	**2,516,264**	**100.0%**

Administrative expenses

Administrative expenses increased by 35.0%, from 281,778 for the six months period ended on June 30, 2016 to 380,345 for the same period of the present fiscal year. This increase was mainly due to the increase in payroll and other employee's benefits, in taxes, rates and contributions, and in maintenance and repair of Properties, Plant & Equipment.

Selling expenses

Selling expenses increased by 65.4%, from 308,610 for the six months period ended on June 30, 2016 to 510,355 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.

Other income and expenses

Other income and expenses amounted to a loss of 26,418 for the six months period ended June 30, 2016 and amounted a loss of 68,158 in the same period in present fiscal year, mainly due to the increase in the provision for contingencies during the six months period ended on June 30, 2017.

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Net financial results

During the six months period ended on June 30, 2017 net financial results was a loss of 340,668, as compared to a loss of 627,087 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 during the six months period ended on June 30, 2017, partially offset by increased in the interest of financial debt.

Income tax

During the six months period ended on June 30, 2017 the Company accrued income of 396,003, as compared to a loss of 3,905 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 406,788 (85,801 of which have been compensated with the income tax provision of the present period) and a 69.073 credit for MPIT. Credits arising from remaining tax losses estimated as of June 30, 2017, amounting to 302,276, 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 six months period ended on June 30, 2017 amounted to 983,746, as compared with 358,198 generated in for the same period in the previous fiscal year. This variation was mainly due to higher cash funds generated by operating results and by the higher funds generated from working capital.

Net cash flows used in investing activities

Net cash flows used in investment activities amounted to 352,574 for the six months period ended on June 30, 2017 mainly due to increases in properties, plant and equipment and intangible assets, as compared with 197,281 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 256,418 for the six months period ended on June 30, 2017, mainly due to the YPF loan payment partially offset by lower commercial interest payment, as compared with 241,053 cash flows used in the same period in previous fiscal year.

Liquidity and capital resources

Financing

As of June 30, 2017, the financial debt accounted for by Company amounted to 3,027,220 (See Note 18 to these condensed interim consolidated statements as of June 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 June 30, 2017, 2016, 2015, 2014 and 2013.

	06.30.17	06.30.16	06.30.15	06.30.14	06.30.13
			Thousands of Ps.		
Non current Assets	15,746,799	2,299,471	2,046,182	1,891,847	1,810,120
Current assets	4,598,687	2,281,944	1,543,601	937,692	637,720
Total assets	**20,345,486**	**4,581,415**	**3,589,783**	**2,829,539**	**2,447,840**
Non current Liabilities	7,497,663	3,027,725	1,749,254	1,562,563	1,144,746
Current Liabilities	5,112,776	3,003,116	2,141,809	1,176,893	738,160
Total Liabilities	12,610,439	6,030,841	3,891,063	2,739,456	1,882,906
Non-controlling interest	2,292	2,414	3,144	2,054	910
Equity attributable to the owners of the parent	7,732,755	(1,451,840)	(304,424)	88,029	564,024
Total Liabilities and Shareholders' Equity	**20,345,486**	**4,581,415**	**3,589,783**	**2,829,539**	**2,447,840**

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

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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 six months periods ended on June 30, 2017, 2016, 2015, 2014 and 2013.

	06.30.17	06.30.16	06.30.15	06.30.14	06.30.13
			Thousands of Ps.		
Revenues	5,574,321	3,082,406	1,902,855	1,368,551	849,575
Operating costs	(4,032,204)	(2,516,264)	(1,649,774)	(1,053,515)	(643,058)
Gross profit	**1,542,117**	**566,142**	**253,081**	**315,036**	**206,517**
Administration expenses	(380,345)	(281,778)	(210,368)	(148,456)	(98,821)
Selling expenses	(510,355)	(308,610)	(201,679)	(144,920)	(120,499)
Other income and expenses	(68,158)	(26,418)	357,244	(6)	(1,003)
Operating income (loss)	**583,259**	**(50,664)**	**198,278**	**21,654**	**(13,806)**
Finance income	87,872	75,583	21,571	11,529	6,200
Finance cost	(428,540)	(702,670)	(298,567)	(344,342)	(125,112)
Net financial results	**(340,668)**	**(627,087)**	**(276,996)**	**(332,813)**	**(118,912)**
Debt restructuring result	-	-	-	-	757,470
Result before income tax	**242,591**	**(677,751)**	**(78,718)**	**(311,159)**	**624,752**
Income tax and minimum presumed income tax	475,476	(3,905)	(15,500)	(22,875)	(227,105)
Net result for the period	**718,067**	**(681,656)**	**(94,218)**	**(334,034)**	**397,647**
Other comprehensive income (1)					
Essential assets revaluation	12,776,242	-	-	-	-
Income tax	(4,471,685)	-	-	-	-
Total other comprehensive income	**8,304,557**	**-**	**-**	**-**	**-**
Net and comprehensive result for the period	**9,022,624**	**(681,656)**	**(94,218)**	**(334,034)**	**397,647**

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

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Comparative statistical data

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

	06.30.17	06.30.16	06.30.15	06.30.14	06.30.13
	Volumes				
	In millions of cubic meters				
Gas purchased by MetroGAS	1,323	1,481	1,098	1,237	1,327
Gas contracted by third parties	2,630	2,277	2,722	2,570	2,859
	3,953	3,758	3,820	3,807	4,186
Volume of gas withheld:					
- Transportation	(235)	(225)	(231)	(231)	(258)
- Loss in distribution	(132)	(167)	(141)	(150)	(154)
- Transportation and processing of natural gas	-	-	-	-	(3)
Volume of gas delivered by MetroGAS	3,586	3,366	3,448	3,426	3,771
Volume of gas purchased and delivered by MetroENERGÍA	553	607	670	467	385

Comparative ratios [1]

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

	06.30.17	06.30.16	06.30.15	06.30.14	06.30.13
Liquidity	0.90	0.76	0.72	0.80	0.86
Solvency	0.61	(0.24)	(0.08)	0.03	0.30
Inmobilization	0.77	0.50	0.57	0.67	0.74

[1] Information covered by the Independent auditors' report.

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Additional information

Changes in MetroGAS shares and ADS prices:

		Share Price on the Buenos Aires Stock Exchange (1)
		$
June	2013	0.71
June	2014	3.74
June	2015	3.57
January	2016	8.45
February	2016	8.75
March	2016	9.00
April	2016	8.00
May	2016	7.00
June	2016	7.60
January	2017	14.50
February	2017	21.90
March	2017	24.40
April	2017	25.80
May	2017	25.65
June	2017	23.00

(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, August 7, 2017

Marcelo Adrián Núñez
Chairperson

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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 June 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 six-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 six-month period ended June 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 six-month period ended on June 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 measured by the revaluation model since April 1, 2017. The change in the valuation criteria of the essential assets from the cost model to the revaluation model is applied prospectively, therefore, comparative information corresponding to the previous year and periods prior to the three-month period ended June 30, 2017, 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 Financial Accounting Standard 34.

Buenos Aires City, Argentina
August 7, 2017

Deloitte & Co. S.A.

Ricardo C. Ruiz
Partner