



***TRANSPORTADORA
DE GAS DEL NORTE S.A.***

**Financial statements as of December 31, 2015 presented in thousands of pesos
and in a comparative format**

Transportadora de Gas del Norte S.A.

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Additional information to the notes to the financial statements required by Section 68 of the Buenos Aires Stock Exchange Listing Rules and by Title IV, Chapter III, Section 12 of the National Securities Commission regulations.

Additional information to the notes to the financial statements required by Title IV, Chapter III, Section 1st of the National Securities Commission regulations.

Report of Independent Accountants
Report of the Statutory Audit Committee

Transportadora de Gas del Norte S.A.

Legal address: Don Bosco 3672 - 3rd floor - Autonomous City of Buenos Aires.

FINANCIAL STATEMENTS for the fiscal year ended on December 31, 2015, presented in a comparative format.

Main activity of the Company: provision of the natural gas carriage utility service.

Date of registration with the Public Registry: December 1st, 1992.

Registration number with the Superintendency of Corporations: 11,667 - Book 112 - Tome A of Corporations.

Amendments to by-laws registered with the Public Registry: March 7, 1994; June 9, 1994; July 5, 1994; February 14, 1995; August 9, 1995; June 27, 1996; December 23, 1996; September 20, 2000; July 7, 2004; August 24, 2005 and August 18, 2006.

Date of expiry of Company's by-laws: December 1st, 2091

Controlling shareholder: Gasinvest S.A.

Legal address: Roque Sáenz Peña Av., 938 - 3rd floor - Autonomous City of Buenos Aires.

Main activity: investments in securities, real estate and financial activities.

Percentage of shares held by the controlling shareholder: 56.354%.

Percentage of votes held by the controlling shareholder: 56.354%.

Capital status (Note 14)

Type of shares	Subscribed and paid in	
	12.31.15	12.31.14
	Thousands of \$	
Ordinary, book-entry class A shares, of \$ 1 par value each and entitled to one vote per share	179,264	179,264
Ordinary, book-entry class B shares, of \$ 1 par value each and entitled to one vote per share	172,235	172,235
Ordinary, book-entry class C shares, of \$ 1 par value each and entitled to one vote per share	87,875	87,875
Total	439,374	439,374

TRANSPORTADORA DE GAS DEL NORTE S.A.

To the Shareholders of Transportadora de Gas del Norte S.A.

In compliance with the legal and by-law provisions in force, the Board of Directors of Transportadora de Gas del Norte S.A., hereinafter called "TGN" or "the Company", submits for the shareholders' consideration the Annual report, the Report on the Code of Corporate Governance, Summary of Information, Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Statement of Cash Flow, Notes and the Additional information to the notes required by Section 68 of the Buenos Aires Stock Exchange Listing Rules, and by Title IV, Chapter III, Sections 1st and 12th of the National Securities Commission ("CNV") regulations corresponding to the twenty-fourth fiscal year beginning on January 1st, 2015 and ending on December 31, 2015, whose information must be read, analyzed and interpreted jointly so as to have a comprehensive vision of the relevant corporate issues for the fiscal year.

BOARD OF DIRECTORS AND STATUTORY AUDITORS' COMMITTEE

Regular directors:

Emilio Daneri Conte-Grand (President)
Néstor Raffaeli
Ricardo Markous
Héctor Page
Marcelo Brichetto
Pablo Lozada
Víctor Díaz Bobillo
Enrique Waterhouse
Hugo Vivot
Sergio Revilla Cornejo
Alberto Saggese

Alternate directors:

Bernardo Andrews
Martín Novillo
Ignacio Casares
Carlos Rabuffetti
Leonardo Fernández
Marco Quiroga Cortínez
Fernando Bonnet
-
Rufino Arce
Gustavo Palazzi
Bernardo Velar de Irigoyen

Regular statutory auditors' committee:

Juan José Valdez Follino
Juan Carlos Pitrelli
Oscar Piccinelli

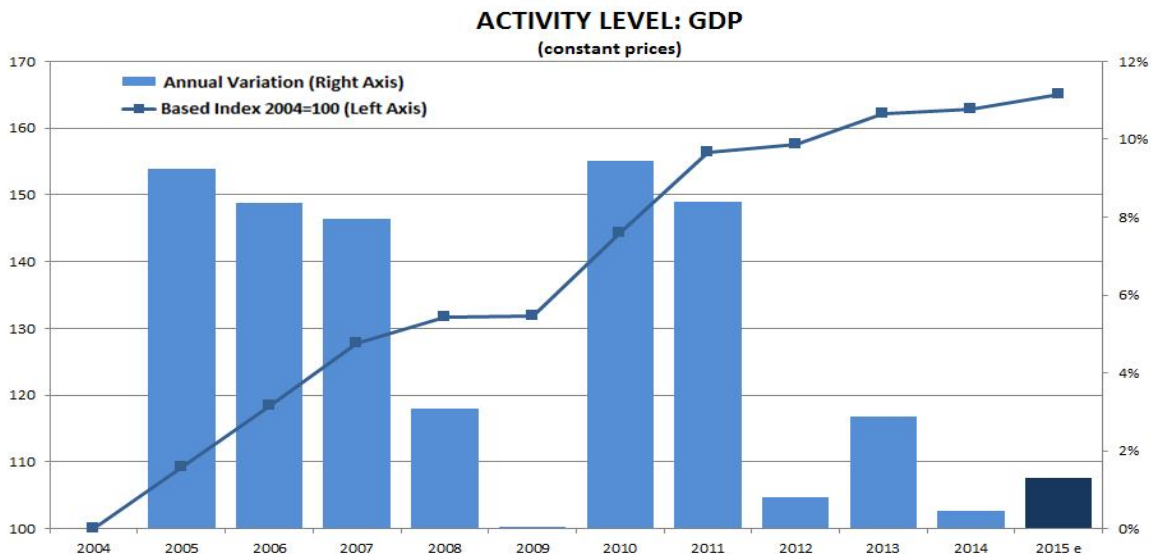
Alternate statutory auditors' committee:

Andrea Barbagelata
Marcelo Urdampilleta
Graciela Gazzola

ANNUAL REPORT OF TRANSPORTADORA DE GAS DEL NORTE S.A. CORRESPONDING TO THE TWENTY-FOURTH FISCAL YEAR BEGINNING ON JANUARY 1ST, 2015 AND ENDING ON DECEMBER 31, 2015.

1 - ECONOMIC CONTEXT

During 2015, international economy recorded a growth level of approximately 3.1%¹. High-income countries grew at an average of 1.9%, while emerging and developing countries reached an average growth of 4%¹. In this context, estimates for Argentine Republic for 2015 foresee a growth in the Gross Domestic Product (“GDP”) of 1.3%.



Source: Prepared by the Company, based on INDEC data.

As for the trade balance, data for the period January-December 2015 show a US\$ 3,035 million commercial deficit, which represents a 197% higher deficit in relation to 2014. Exports decrease reached 17%, together with an imports shortage of 8% for the same period². In this sense, the different controls on foreign trade established in recent years and the loss of competitiveness as a result of internal inflation generated distortions that affected the external balance results. In addition, the fall in commodity prices, such as soybeans, wheat and corn (16.7%, 23.9% and 13.5% respectively) had a negative impact on the commercial result. Despite having achieved a 29.4% increase in collections, accrued fiscal deficit continued to grow during 2015 and is estimated to be around \$ 400 billion³, which equals 7.2% of GDP.

As for price variation, the INDEC [National Bureau of Statistics and Censuses] reported an increase of 11% in the consumer price index and of 10% in the wholesale price index for the period from January to October 2015. In January 2016, by Decree 55/16, the National Executive Branch [PEN], as part of a process of internal reorganization, declared an administrative emergency of the National Statistics System and its governing body, the INDEC. As a result, the publication of relevant information has been discontinued as from November 2015. Such administrative emergency will be effective until December 31, 2016. In the absence of such information, the Ministry of Treasury and Finance has recommended using the consumer price index released by the Government of the Autonomous City of Buenos Aires. Such index reported a 26.9% increase in consumer prices for 2015⁴.

As for the exchange rate, during 2015 small monthly adjustments were recorded, which became more pronounced as from December 17, upon the lifting of the foreign exchange controls and the permission of free currency trading, with the exchange rate being 13.04 AR\$/US\$ as of December 31, 2015 (a 52% annual depreciation).

The newly elected president Mauricio Macri took office on December 10, 2015. The main measures implemented to date in economic matters include the unification of the exchange rate, eliminating the aforementioned foreign exchange controls and the elimination of export duty rates of for most agricultural products, except soybeans and

¹ World Economic Outlook (FMI).

² According to Instituto Nacional de Estadísticas y Censos (INDEC) data.

³ According to publications by the Argentine Association of Budget and Public Finance Administration (ASAP).

⁴ According to data from the Government of the Autonomous City of Buenos Aires.

others for which rates have been lowered. Moreover, mechanisms to import have been simplified and the “Comprehensive Import Monitoring System” has been created. Another announcement to highlight is the resumption of negotiations with “holdouts”, generating positive expectations in the various economic players that expect an improvement in foreign funding at reasonable rates and an increase of foreign investments in the country.

In the energy field, the Ministry of Energy and Mining was created, with Juan José Aranguren being in charge thereof. Among the first measures adopted by the minister the following stand out:

- Declaring the state of Emergency in the National Electricity Sector (Decree 134/15) until December 31, 2017.
- Extending the intervention by National Gas Regulatory Entity [ENARGAS] (Decree 164/16) for 180 days, appointing Mr. David José Tezanos González in charge thereof.
- Extending tax exemptions on biodiesel production and tax exemption on biodiesel used as liquid fuel in power generation (Decree 276/15) until April 30, 2016.
- Implementing new rate schedules for the electricity sector for EDENOR and EDESUR, the two distribution companies that serve customers in the metropolitan area, establishing savings incentive schemes and a social rate, through Regulation 1/16 of ENRE [National Regulatory Entity for Electricity],

2 - THE GAS INDUSTRY IN ARGENTINE REPUBLIC

In Argentina, natural gas, unlike it occurs in other countries in the region, is the main source of energy for consumers and it accounts for close to 50% of the power grid.

Primary energy supply by source (2014)

	Oil	Natural gas	Coal	Nuclear energy	Hydro-electricity	Renewable sources	TOTAL
USA	36.4%	30.2%	19.7%	8.3%	2.6%	2.8%	100.0%
Canada	31.0%	28.2%	6.4%	7.2%	25.8%	1.5%	100.0%
Mexico	44.5%	40.4%	7.5%	1.1%	4.5%	1.9%	100.0%
Total average North America	36.3%	30.7%	17.3%	7.7%	5.4%	2.6%	100.0%
Argentina	36.0%	49.5%	1.5%	1.5%	10.8%	0.8%	100.0%
Brazil	48.2%	12.1%	5.2%	1.2%	28.2%	5.2%	100.0%
Chile	47.6%	12.3%	19.3%	0.0%	15.4%	5.4%	100.0%
Colombia	37.2%	25.4%	10.9%	0.0%	26.1%	0.4%	100.0%
Ecuador	78.7%	3.7%	0.0%	0.0%	16.9%	0.7%	100.0%
Peru	45.1%	28.2%	4.3%	0.0%	21.3%	1.1%	100.0%
Trinidad & Tobago	7.6%	92.3%	0.0%	0.0%	0.0%	0.0%	100.0%
Venezuela	45.7%	31.8%	0.2%	0.0%	22.2%	0.0%	100.0%
Others South & Cent. America	63.8%	7.7%	3.1%	0.0%	22.3%	3.1%	100.0%
Total average South & Cent. America	47.1%	22.1%	4.6%	0.7%	22.4%	3.1%	100.0%

Source: BP Statistical Review of World Energy.

In late 2014 (latest published data) the proven natural gas reserves amounted approximately to 332 thousand MMm3 and, as of that date, the reserve horizon was 7.7 years, considering the production for 2015.

NATURAL GAS – Reserves as of December 2014 and production as of December 2015 [MMm3]

Basin	Proved reserves	Probable reserves	Proved +50% Probable	Production (*)
Austral	109,497	72,165	145,580	9,654
San Jorge Gulf	47,987	18,346	57,160	5,715
Neuquén and Cuyo	148,679	57,489	177,423	24,752
Northwest	26,055	1,562	26,836	2,852
TOTAL ARGENTINA	332,217	149,562	406,998	42,973

Source: former National Secretariat of Energy

(*) Accumulated production as of December 31, 2015.

Since the privatization of the natural gas utility in late 1992 and until 2015, an accumulated growth of approximately 112% in the domestic consumption of the fluid was recorded, with a relevant 305% growth in the demand for compressed natural gas (“CNG”) and 71% growth in industrial consumption. The electric generation segment also recorded an important growth of 145%, due to the intensification of electric energy consumption and to the growth of the thermoelectric park.

Domestic gas consumption (1) – [MMm3/day]

	1993 to 1997 (5)	1998 to 2002 (5)	2003 to 2007 (5)	2008 to 2012 (5)	2013	2014	2015 (6)
Residential (2)	16.4	18.9	22.0	27.2	31.6	30.4	31.0
Commercial	2.5	2.8	3.1	3.5	3.9	3.6	3.7
Industrial (3)	20.9	23.0	27.7	29.4	30.0	30.1	30.7
Electric generators	19.8	25.6	29.2	35.6	39.6	39.8	40.8
CNG	2.8	4.7	8.1	7.4	7.6	7.8	8.1
Official entities	0.9	0.9	1.1	1.2	1.2	1.2	1.2
RTP + Patagonian gas pipelines (4)	8.5	10.7	18.9	18.1	15.7	17.2	16.2
Subtotal for commercial use	71.8	86.6	110.1	122.4	129.6	130.1	131.7
Consumption at field and withheld at gas pipeline	8.4	13.3	15.7	17.7	17.1	17.3	18.3
Total consumption	80.2	99.9	125.8	140.1	146.7	147.4	149.9

(1) Includes: Off System, commercial by-pass and physical by-pass.

(2) Includes Sub-distributors.

(3) Does not include Cerri Plant included in In-plant Thermal Reduction (“RTP”).

(4) Considers consumption of RTP (Mega, Refinor, Cerri, Tierra del Fuego, etc.) and Patagonian gas pipelines.

(5) Five-year average.

(6) Year 2015, considering provisional data for October and November.

Sources: ENARGAS and former National Secretariat of Energy.

Residential and commercial consumption of natural gas increased at a yearly average of 2.54% during the last five years. The industrial sector continued the positive trend of the last three years, rising by 2% from 2014. As for CNG, consumption has been growing in an average 1.3% a year since 2011. Gas consumption for the generation of power recorded variations until 2012 and minimal increases of around 1.3%, 0.5% and 2.5% in 2013, 2014 and 2015, respectively.

The National Government entered into agreements for importing natural gas from the Plurinational State of Bolivia, which represented 10.7% of the total volume consumed in 2013, 11.2% for 2014 and 10.96% for 2015. In addition, in 2008 a regasification ship for liquefied natural gas (“LNG”) was connected at the Bahía Blanca node (Province of Buenos Aires) and its supply of gas injections during all these years contributed to cover for the decrease in domestic supply. In order to reinforce the supply to the winter peak demand in the areas of Greater Buenos Aires and Autonomous City of Buenos Aires, a second regasification ship was installed in the district of Escobar (Province of Buenos Aires) in 2011, which injects gas into premises operated by YPF S.A., which in turn connected to Argentine Republic’s main gas pipeline system. Both regasification operations in Escobar and Bahía Blanca

represented 11.1% and 10.2% of the total volume of gas consumed in the Argentine Republic in 2014 and 2015, respectively.

Gas supply by origin

Origin		Annual volume (MMm3)		
		2013	2014	2015
Argentinan basins production ⁽¹⁾	AUSTRAL	10,514	10,015	9,654
	SAN JORGE GULF	5,234	5,302	5,715
	NEUQUEN and CUYO	22,700	23,274	24,752
	NORTHWEST	3,260	2,893	2,852
Importation from Bolivia ⁽²⁾		5,719	6,013	5,977
LNG Inyection ⁽³⁾	BAHIA BLANCA	3,296	3,261	3,095
	ESCOBAR	2,706	2,653	2,473

Sources:

⁽¹⁾ Gross production. Energy and mining Ministry.

⁽²⁾ and ⁽³⁾ – Daily reports - ENARGAS

3 - REGULATORY ASPECTS

The Public Emergency Law

As provider of an essential utility, TGN is subject to state regulation based on Law No. 24,076 ("Natural Gas Act"), which is enforced by ENARGAS. In January 2002, the Public Emergency and Exchange Regime Reform Law N° 25,561 ("LEP") unilaterally modified the rate regime established in the license agreements executed in 1992 between the National Government and the licensees providing natural gas carriage services and distribution within the framework of the Natural Gas Act, by establishing the rates in pesos and ceasing the twice-yearly adjustment by the Producer Price Index. The LEP authorized the PEN to renegotiate public utility contracts, taking into account the following criteria: 1) the impact of the rates on the economy's competitiveness and on the distribution of income; 2) the quality of the services and the investment plans, when contractually established; 3) the interest of the users and the accessibility of the services; 4) the safety of the systems included, and 5) company profitability. The LEP also established that utility companies could not suspend or alter the fulfillment of their obligations. The National Congress postponed putting LEP into effect until December 2017.

Renegotiation of the License

In 2002, the PEN created an ad-hoc Committee and started the renegotiation process, for which it set a work schedule that was to be completed in June 2002 with the execution of renegotiation agreements. Although TGN submitted all the information that was requested, the committee failed to meet its objectives, and was replaced by the Unit for the Renegotiation and Analysis of Public Utility Contracts, ("UNIREN"), in July 2003. In February 2016, the UNIREN was dissolved and the renegotiation of the natural gas carriage and distribution licenses was transferred to Energy and Mining and Finance Ministries.

Since 2002 and up to the end of fiscal year 2015, no significant progress has been registered in this process. The rate increase of 20% agreed upon by TGN with the national authorities in October 2008 and ratified by presidential Decree in April 2010 started to apply in gradual steps in April 2014 reaching the 20% in August of that year. During June 2015 the ENARGAS ruled new rate schedules that result in a 69.1% increase as from May 1st of that year. From the whereas clauses of the resolution that approves this increase, it can be inferred that it provides the recovery of the increase that should had been in force as from September 1st, 2008. Although these rises (the first ones since July 1999) are favorable, they are far from complying with the rate standards of current legislation, it does not revert the continuous operating losses recorded by the Company for the last five consecutive years and it is discriminatory when compared with the rises allowed for other gas licensees. In contrast, since 2001 the average costs have increased by more than 1,230% for TGN. While TGN was able to keep up providing the public utility service, this was at the expense of its decapitalization. As of December 31, 2015, the Company's accumulated losses amounted to \$ 517,663 thousands, which exceeded more than 50% of the common stock and the inflation adjustment of common stock, and consequently the Company fell within the scope of section 206 of the Argentine

Corporations Law. The present condition is not sustainable; it urges that the National Executive Branch restores the economic and financial equation for the License.

In this sense and on the basis of what has been discussed with the current energetic area officials, and based on statements made by these officials and rates increases granted to electric utility companies, TGN has a reasonable expectation of being able to celebrate a new agreement in the short term, which would contemplate a temporary adjustment of carriage rates sufficient to face its operational costs, maintenance investments and financial liabilities' services, until the celebration of a comprehensive carriage rates revision that enables a comprehensive License renegotiation agreement under the Natural Gas Act general guidelines.

The celebration of a comprehensive License renegotiation agreement will imply, among others, the challenge of dealing with the National State's requirement on adding an indemnity clause in its favor, which would transfer to TGN the effects of judgments or arbitration awards which, with regard to its License, shall condemn Argentine Republic to pay indemnifications to the Company's shareholders based on the effects of LEP.

Compensation for damages

In 2011, TGN filed an administrative claim with the national authorities for damages it considers to have suffered as a consequence of the pesification of rates established by LEP and the subsequent freezing of rates that persists since the enactment of this law. The claim filed was aimed at protecting TGN's rights, which may otherwise be affected during the period of limitation. Given the silence of the national authorities and the termination of the claim due to time elapsed, in October 2012 TGN filed a suit against the National Government seeking compensation for damages suffered by it from January 1, 2006 through December 31, 2011 (reserving its right to extend the period) as a consequence of the pesification of rates established by LEP and the subsequent freezing of rates (see Note 18.1.7 to the financial statements as of December 31, 2015). However, TGN intends to continue to participate in the License renegotiation process, in accordance with the procedure established by Decree 367/16 and complementary regulations.

Intervention ordered by ENARGAS

The intervention in TGN established by ENARGAS in December 2008 (limited to an oversight through a provisional relief issued in March 2009) as a consequence of the Board of Directors' decision to postpone payment of the principal and interest installments of the Company's financial loans that came due in December 2008 and the subsequent maturity dates, ended on December 15, 2015. During the almost seven years the aforementioned oversight was effective, TGN continued to provide the public utility service for which it is responsible in a fully normal manner and without affecting its customers.

4 - FINANCIAL SITUATION

An unanimous Five-Year Negotiable Obligations' holders meeting was held on March 26, 2015, which modified the terms and conditions of these bonds. The main modifications are described below:

- postponing principal installment due December 2015 to December 2017;
- extending the option to capitalize interest for 2016; and
- increasing interest rate from 7% to 9% annually.

Taking into account the rate situation, TGN's financial liabilities were rated as "CCC (arg)" because they imply a high credit risk as compared with other issuers or corporate bonds issued in Argentine Republic. Information regarding its financial liabilities is presented in Note 15 to the Company's financial statements.

5 - TGN'S ACTIVITY

With a 6,801-km gas pipeline network, TGN provides the service of natural gas carriage via high-pressure gas pipelines in the northern and central-western regions of Argentine Republic.

Through its two main gas pipelines, the *Northern* and *Central West*, TGN supplies eight of the nine gas distributors and many electricity generators and industries across fifteen Argentine provinces. The TGN system connects to the "GasAndes" and "NorAndino" gas pipelines, opportunely built in order to carry gas to the center and north of the Chilean Republic, respectively; to the Entre Ríos Gas Pipeline, which carries gas to the Province of Entre Ríos and the Uruguayan coastal zone, to the gas pipeline of Transportadora de Gas del Mercosur S.A and to the "North-east Argentinian Pipeline".

Since the beginning of its operations in 1992, TGN has expanded its carrying capacity, with own and third-party contributions, from the gas pipeline intake from 22.6 MMm³/d to 59 MMm³/d, which is an increase of 161%. These expansions, as well as numerous system maintenance and reliability works, required investments by TGN of approximately US\$ 1,258 million.

In physical terms, the expansions by TGN required the installation of 1,323 km of new gas pipelines, the construction of five new compressor plants, and the installation of fourteen turbo-compressor units, which added an installed power of 150,000 HP.

Resolution N° 185/04 of the former Ministry of Federal Planning, Public Investment and Services (“MPFIPyS”), issued under Decree N° 180/04, established a Gas Trust Program organized by the former National Secretariat of Energy for the purpose of financing infrastructure works for the carriage and distribution of natural gas. Under this program, TGN currently and solely acts as Technical Manager of the project for works defined by the former National Energy Secretariat and ENARGAS. Up to December 31, 2015, works were placed in service under this program, attaining a total incremental capacity displacement in the Northern gas pipeline from the gas pipeline intake at Campo Durán for 7.0 MM³/d to the designed points of delivery. At present, certain works have been approved by ENARGAS for some milestones, which will enable to add 4.5 MMm³/d above the previous amount to the Northern gas pipeline on the same transport route.

During 2015, the works approved on the Central West gas pipeline (70 km of 30” gas pipeline) were placed into service, which allowed an increase of 2.337 MMm³/d in the carrying capacity from La Mora compressor plant to Beazley compressor plant and of 2.000 MMm³/d in the carrying capacity from the Beazley compressor plant to La Dormida measurement station. These works complement those timely placed into service during 2008 (28.4 km of 24” gas pipeline), that allowed to increase the carriage volume in 1.404 MMm³/d between Beazley compressor Plant and La Dormida measurement station, thus totaling a carrying capacity increase of 3.404 MMm³/d on this route.

At fiscal year-end, the Company's firm carriage contracts from the gas pipeline intakes totaled 48.19 MMm³/d, 23.23 MMm³/d of which corresponded to the Northern gas pipeline and 24.96 MMm³/d to the Central West gas pipeline. Due to the demanding operating conditions that have characterized the last years, it is worth mentioning the Company's role in the modernization and enhancement of its assets, which contributed to the quality and reliability of the natural gas carriage service for large sectors of the economy.

6 - MAIN OPERATIONAL ISSUES

Gas carriage

The annual volume received by TGN in the Northern and Central West gas pipelines was slightly higher than 2014, reaching an approximate value of 15,200 MMm³ during fiscal year 2015. Average injection in the Neuquén basin was 19.8 MMm³/d and in the Northern basin injection was 21.8 MMm³/d, with peak values of 24.2 and 25.1 MMm³/d, respectively. In the case of the Northern gas pipeline, injection by local producers increased from 6.0 MMm³/d in 2014 to approximately 6.23 MMm³/d in 2015, while the gas injection from the Plurinational State of Bolivia reached an average of 16.03 MMm³/d with a daily peak of 18.55 MMm³/d, being this record slightly lower than 2014. LNG injection at the town of Escobar (Province of Buenos Aires) reached an annual average of 6.8 MMm³/d during 2015. In 2015 the volume carried for export through the “Gas Andes”, “Gas Pacífico” and “Colón-Paysandú” gas pipelines was 6.89 MMm³, while as for the “Norandino” gas pipeline, there was no transport for export. Between February and May, 2015, carriage towards Transportadora de Gas del Mercosur S.A.’s gas pipeline intake (located in Aldea Brasileira, Province of Entre Ríos) was again approved and totaled a delivery of 169.4 MMm³ during that period.

As occurred since 2007, the main feature of gas dispatch operations has been the active presence and participation of the ENARGAS’ officers in making decisions. During 2015 the “Procedure for Gas Requests, Confirmations and Control” issued by the ENARGAS through Resolution I 1410 – 2010 continued.

Integrity of installations

The most relevant aspects related to the integrity of installations carried out in 2015 were as follows:

- The annual cathodic protection indicator required by ENARGAS was met, with positive results in two audits conducted in 2015.

- The programs for in-line inspection of gas pipelines were complied with and consisted in the passage of specific tools along 756 km of gas pipeline. Within the *Stress Corrosion Cracking* (“SCC”) detection program, the Company continued using a new technology for in-line inspection called EMAT (Electromagnetic Acoustic Transducer), developed to detect this phenomenon inside gas lines, and used in other gas carriage companies around the world. This tool for in-line inspection allows for determining the existence of cracks due to stress corrosion and also other in-plane defects (delaminations, lack of fusion in welds, etc.) and the features and adherence of the gas pipeline coating in all places.
- Implementation of the Damage Prevention Program based on the API 1,162 standard continued, with emphasis on public diffusion by means of informative meetings for different audiences, and also strengthening the mutual relationship with other companies in this sector.

Projects and works on gas pipelines, measurement and regulation stations and compressor plants

During 2015, TGN carried out a program of planned projects and works to expand and maintain its carriage system. The main activities performed are described below:

- In the Expansion Project established by a Gas Trust Program organized by the former National Secretariat of Energy previously mentioned, the following activities were performed, among others:
 - Construction of the work for the installation of the second discharge manifold of the Pichanal Compressor Plant.
 - Detail engineering reviews were performed of works to be implemented for the power increase of the Pichanal Compressor Plant and the installation of the second collector in the Beazley Compressor Plant.
 - Assessment and basic engineering was conducted for the expansion to 7.2 MMm³/d of the sections covered by the aforementioned project.
- Change of Control Panels was implemented in the Ruston Turbocompressors of the Beazley Compressor Plant.
- Recoating was performed in 5 km of the Northern main gas pipeline - Section 9, and cathodic protection works to maintain and improve corrosion protection of gas pipelines were implemented.
- Three new special gas pipeline junctions were performed in provincial routes in the province of Cordoba for regulatory adaptation thereof, in Section 10 of the Northern main gas pipeline.
- The receiver *scraper* trap in Section 2 was moved to reach internal inspection of the San Lorenzo river, province of Jujuy.
- Works for the renovation of the microwave communications link in the Southern section (Central west gas pipeline) were completed.
- Research and engineering for third parties (YPF S.A., Gasoducto Gasandes Argentina S.A., Gasoducto Norandino Argentina S.A., Gasoducto Norandino S.A. (Chile) and Gasoducto del Pacifico Argentina S.A.) was conducted on a number of issues associated with their gas carriage and collection systems.
- Activities of the “Damage Prevention of Third Parties Program” forecast for the year were implemented.

Operation and maintenance

The most relevant aspects related to the operation and maintenance carried out in 2015 were as follows:

- An “*overhaul*” program of major equipment (turbo- and motor-compressors) was carried out.
- A scheduled maintenance program for the gas pipeline installations, measurement and compression of the whole gas carriage system, including the required minor works program was implemented.
- The required *Factory Assets Control* (“FTAC”) (hardware y software) infrastructure to facilitate remote guards was implemented, thus complying with the defined information security scheme.

- The materials and spare parts “Safety Stock” concept was reviewed considering the requirements evidenced in the last periods.

7 – COMPROMISE AND SETTLEMENT AGREEMENTS WITH CUSTOMERS – PENDING CONTROVERSIES WITH EXPORT CUSTOMERS

In 2004 and considering the increase in domestic demand for gas and the simultaneous drop in production and reserves, the National Government adopted measures that are still in force to ensure that the natural gas supply is first allocated to meet local demand. This involved restrictions on gas exports, which significantly affected the sales of gas carriage services for foreign destinations and caused a continuing fall in the utilization of the related firm gas carriage.

Although TGN was able to enter into agreements with some foreign customers for the early termination of carriage contracts in exchange for economic compensation (which nevertheless have an ultimate negative effect on its expected cash flows), two legal actions against YPF S.A. and the Chilean gas distributor Metrogas S.A., which are described in Note 18 to the Company's financial statements as of December 31, 2015, remain unsettled.

8 - QUALITY, SAFETY AND ENVIRONMENT

The most remarkable events of the year 2015 regarding quality, safety, health and environment are detailed below:

- TGN obtained recertification of its “Comprehensive Management System” for three years, thus ratifying its commitment to improving process quality and its performance in safety, health and environmental protection.
- The Company was awarded the “Annual Award for Safety in the Carriage category” granted by the Argentine Institute of Oil and Gas, as a result of its performance in the period July 2013 – June 2014 regarding job safety.
- As to environmental matters, there was compliance with environmental protection indicators, including measurement of gas and noise emissions at compressor plants and metering and regulating stations.
- A new “Vehicle Satellite Tracking” system was implemented, facilitating road safety performance of the entire operating TGN vehicle fleet.

9 - HUMAN RESOURCES

Salary increases

In June 2015, the Company granted a scaled salary increase of 30.5% to its personnel covered by the Collective Bargaining Agreement, and an extraordinary fixed amount, of \$ 11,880 for each employee, paid in January 2015. The employees not covered by the Collective Bargaining Agreement received an equivalent wage increase, except management positions, which received a lower adjustment.

Development activities

The Company continued with its activities aimed at promoting personnel integration, improving their quality of life and contributing to their personal and professional development. The most relevant points of fiscal year 2015 are presented below:

- Throughout the year the Company worked on the results provided by the “2014 Climate Survey”, by a decentralization process of climate management. Consequently, each department set the priorities and objectives on which to work with a view to achieving more efficient management and greater involvement of the management line.
- As in previous years, “Meetings of Exchange and Integration” were held in the months of February and October, led by General Management and the Operations Department. The agenda included the analysis of the various organizational and contextual aspects, and participants shared experiences and challenges.
- An annual training coverage rate of 87% of staff was recorded, with a total of 15,177 hours. Within this framework, the “Knowledge Transfer Center” managed programs and training carried out by in-house instructors that applied several methodologies and promoted a learning network within the Company.

Evaluation activities

The process of performance assessment was conducted, with a scope that reached the whole Company. Its methodology included developing assessment committees by areas, where the evaluators integrated their diverse perceptions. This process ended with feedback interviews, where boss and employer are open to dialogue and can plan the objectives for next fiscal year. Additionally, the process of personnel potential evaluation was implemented.

Internal communication

To continue with the “*Spaces for Integration*” guideline, informative meetings were held about health, well-being and matters of general interest. We also continued with recreational activities such as “*La visita del año*”, performances of the “*De Norte a Sur*” choir, etc.

Development of in-house publication “*Al pasar*” continued, as well as the “*Intranet*”, with the purpose of including new subject matters to achieve more dynamism and reach the different audiences within TGN.

Welfare activities

We continued with our campaigns to promote the “Blood Donation” to Hospital Fernández and “*Christmas Eve for Everybody*” to gather food baskets for poverty-stricken families.

10 - CORPORATE SOCIAL RESPONSIBILITY

By analyzing the major internal processes, the Company seeks to provide a response to challenges that, in terms of sustainable development, are raised at any given time. The approach of the “Social License to Operate” provides a theoretical framework for action and consistency of social responsibility practices. Social responsibility practices are built based on a model that seeks to integrate programs and activities with central processes inherent to the gas carriage public utility. Thus, members of the Company are motivated to find solutions consistent with the diverse and complex regional operating environments. Corporate volunteering activities integrated in the *RONDA, wills in movement* program (“*RONDA*”), dialogue processes with neighboring communities, local governments and indigenous or unemployed community organizations aim to create scenarios that will help shape a common imaginary that is summarized in the provision of the gas carriage public utility. With the participation of volunteers – TGN employees – involved in the *RONDA* program, activities were implemented in neighboring communities of the Northern and Central west gas pipelines. Programs and activities are designed based on four strategic areas: education, citizenship construction, environmental protection and local development in the value chain.

Among the most important activities carried out during fiscal year 2015, the following can be mentioned:

- “Rational use of energy” program, held in various schools of the provinces of Santiago del Estero, San Luis and Mendoza.
- Participation in the international volunteer week “*Give & Gain Day 2015*”, an international initiative promoted by such agencies as “*Business in the Community*”, “*Forética*” and “*Fundación Compromiso*”.
- “Science club” programs in schools in the province of Salta intended to promote learning through play and experimentation. These programs were sponsored by the *Organización de Estados Iberoamericanos* and various departments of the provincial government.
- Together with *Fundación Leer*, the “Family of Readers” project was implemented in Juan XXIII school in Virgen de la Peña, province of Salta. The initiative aimed to promote literacy development and encourage children to read, raising awareness in families of the importance of early literacy for children’s stimulation and language development.
- TGN participated in the “*Compliance DEPE*” – [From Companies to Companies] – (“*DEPE*”) program, which seeks to support small and medium companies so that they can develop processes to prevent corruption. DEPE training is a training program that is part of the *Alianza para la Integridad en América Latina* [Partnership for Integrity in Latin America], the Argentine-German Chamber of Industry and Commerce and the Global Compact Argentine Network.
- Participation in the workshop “Prior consultation and due diligence in the framework Guiding Principles on Business and Human Rights”, organized by the Global Compact Argentine Network and the Regional Center

for the Support of the Global Compact in Latin America and the Caribbean, with the support of the Spanish Agency for International Cooperation for Development. People from indigenous communities and organizations, public institutions and private sector organizations also attended this workshop.

11 - REMUNERATIONS POLICY

The remuneration of the Board of Directors is set up by the Shareholders' Meeting for each fiscal year. The salary chart of the management level of the Company establishes a basic, fixed monthly remuneration, and an additional amount, annually payable, consisting of a fixed and a variable part. While the fixed parts are established in accordance with the responsibility level inherent to the position and market values, the variable part consists of an additional amount associated to performance and achievement of yearly objectives. The Company's policy does not establish options or other plans for staff.

12 - DECISION-MAKING POLICY

The Company Bylaws establish that the Board of Directors of the Company shall consist of 14 regular directors and the same number of alternates, and shall be in charge of the direction and administration of TGN. The directors' term of office is of one year, since from their appointment by the Shareholders' Meeting. Of the 14 directors: (i) nine regular directors and their respective alternates are elected by the Class A shares in a Class Meeting of said class; (ii) four regular directors and their respective alternates are elected by the Class B shares in a Class Meeting of said class, and (iii) one regular director and the respective alternate are elected by the Class C shares in a Class Meeting of said class. Of these, at least one Class A director and one Class B director shall be independent, as per Law N° 26,831 and applicable provisions of the CNV. The director appointed by Class C shall not possess this feature.

The controlling company of TGN, Gasinvest S.A. ("Gasinvest") has the right to appoint the majority of the regular and alternate directors. The shareholders of Gasinvest have executed a Shareholders' Agreement ("the Agreement") to regulate certain aspects related to their indirect equity in TGN, such as the number of directors that each shareholder may appoint, and the decisions and actions that must be unanimously agreed upon.

The Agreement establishes that the following actions and decisions must be unanimously agreed upon by Compañía General de Combustibles S.A., Techint Compañía Técnica Internacional S.A.C.I. and Total Gas y Electricidad Argentina S.A.:

- i. amendments to TGN's Bylaws or other equivalent documents,
- ii. any consolidation or merger of TGN with another company,
- iii. the adoption of annual activity plans, investment plans and financial plans,
- iv. budgets and any amendment to the same,
- v. increase or decrease in number of members of the TGN's Board of Directors and/or any other Company committee,
- vi. the issuance or redemption of TGN shares,
- vii. dissolution, liquidation or bankruptcy proceedings of TGN,
- viii. a declaration or payment of dividends or another distribution by TGN which is not consistent with the dividends policy established in the activity plan,
- ix. any investment by TGN in another company,
- x. the execution of any agreement to which TGN is a party and which involves total payments or the purchase or sale by TGN of assets which, valued at their book value, exceeding US\$ 3 million in one or more operations within a six-month period,
- xi. any material change in TGN's direction, and
- xii. the selection of TGN's independent auditor.

Additionally, a complementary shareholders' agreement establishes that all contracting for the supply of assets and/or services must be done in accordance with mechanisms which guarantee the necessary participation of several technically and economically able bidders, to ensure that contracting is done on arm's-length terms, following TGN's organization and management provisions and policies.

It is also established that contracts for the acquisition of assets and/or services with a company and/or its controlling and/or controlled companies, which as a whole exceeds the amount of US\$ 4 million, must be approved by the Board of Directors.

The Company's internal surveillance is in charge of the Statutory Auditors' Committee consisting of three regular

and three alternate statutory auditors, of which: (i) two regular members and their alternates are appointed at a Class Meeting of class A and B shares acting jointly, of which at least one regular member must be independent; and (ii) an regular member and his or her alternate are appointed at a Class meeting of class C shares. The Statutory Auditors' Committee holds its meetings with an absolute majority of members in attendance, and decisions are adopted by a majority of present votes, without affecting the rights of the dissenting statutory auditor. The members of the Statutory Auditors' Committee have the duty and the right to attend Board and Shareholders' Meetings, call them, demand the inclusion of items on the agenda and, in general, supervise all the Company's issues and the Company's compliance with the law and the Bylaws.

13 - AUDIT COMMITTEE

As per the provisions of the Public Offering Transparency Regime envisaged in Capital Market Law No. 26,831 and its regulation, companies who publicly offer their shares must set up an Audit Committee, which will act as a body, with no less than three members of the Board of Directors, whose majority must be independent, as per the terms of CNV regulations.

During fiscal year 2015, TGN's Audit Committee performed the duties assigned to it under the law and its internal regulations, in line with an Annual Plan reported to the Board of Directors and the Statutory Auditors' Committee, and whose results are included in the report issued upon presenting and publishing the annual financial statements of the Company.

14 - INTERNAL CONTROL OF THE COMPANY

The Internal Audit Management, as the Board of Director's consulting body, is responsible for the regular evaluation of the internal control systems to optimize the quality of the processes carried out, their documentation and reporting. Internal control is a process performed by the Management and the rest of the personnel and designed to provide reasonable assurance that the objectives of the organization will be accomplished, considering the effectiveness and efficiency of the operations, as well as the reliability of the financial information and the compliance with applicable laws and regulations.

In this regard, the Internal Audit Management carries out procedures to comply with the "Annual Internal Audit Plan", which is oriented to monitoring critical and relevant operating, equity, legal, regulatory and IT-related risks. TGN'S Audit Committee is assisted by the Internal Audit Management to raise awareness of the identified control weaknesses, as well as of corrective measures to be adopted.

15 - DISCLOSURE OF THE COMPANY'S BALANCES AND TRANSACTIONS WITH ITS CONTROLLING SHAREHOLDER, FOREIGN RELATED PARTIES, OTHER RELATED PARTIES AND KEY MANAGEMENT PERSONNEL.

Balances and transactions between the Company and its controlling shareholder, foreign related parties, other related parties and key management personnel are presented in Note 25 to the Company's financial statements as of December 31, 2015. The persons and companies encompassed in Section 72 of Law No. 26,831 have been included as related parties.

16 – FUTURE PERSPECTIVES

As explained in section 3), ENARGAS implemented increases in the carriage rates, which although not modifying the continuous series of operating losses recorded by the Company for the last five years, TGN trusts that this will be a first step towards the normalization of its rates, which were frozen since 1999.

The Natural Gas Act states that rates must be sufficient to cover reasonable operating costs, taxes and depreciation and also to obtain a reasonable profit margin. This idea, in turn, is reinforced in the LEP, which mentions the "company profitability" as an element to be considered, among others, to renegotiate rates. As mentioned in the above paragraph, current TGN income is not sufficient to cover its operating costs, to the point that fiscal year 2015 has shown a negative gross result of \$93.2 million. This situation, coupled with operating losses accumulated by the Company in the last five years, has caused losses accumulated by the Company as of December 31, 2015 to exceed capital and reserves by over 50%. Therefore, TGN falls under the provisions of Section 206 of the General Law of Companies.

Should the current rate policy and the price and salaries levels mentioned in section 1) persist, in the next fiscal year TGN would be exposed to a more difficult situation of economic and financial imbalance, accumulating further gross and operating losses.

Nevertheless, and as mentioned in Section 3) of this Annual Report, on the basis of what has been discussed with the new public administration and statements made by energetic area officials and considering rates increases granted to electric utility companies in order to gradually recompose their economic-financial equations, the Company has a reasonable expectation of being able to celebrate a new agreement in the short term, which would contemplate a temporary adjustment of carriage rates sufficient to face its operational costs, maintenance investments and financial liabilities' services, until the celebration of a comprehensive carriage rates revision that enables a comprehensive License renegotiation agreement.

17 - PROPOSAL FOR THE ALLOCATION OF RESULTS

In fiscal year 2015, a loss of \$ 517,663 thousand was reported. This loss exceeds Common Stock and Inflation adjustment of common stock by over 50%, which caused the Company to be in the situation set forth in Section 206 of the Argentine Corporations Law. Consequently, the Company's Board of Directors submits the following proposal to the Shareholders' Meeting, in order to absorb the previously mentioned result:

- a. The amount of \$ 390,185 thousand against the account "Inflation adjustment of common stock" which, considering the balance at December 31, 2015 and after this absorption, will be left with a zero balance.
- b. The remaining \$ 127,478 thousand is to be kept in "Retained earnings" for the reasons mentioned in Section 16 of this Annual Report.

Likewise, considering the reasonable expectation to recover the economic-financial balance, and in line with the criteria adopted by the PEN in Decrees 1269/2002 and 1293/2003 in order to "strengthen the general principle of companies preservation and survival" and prevent unwanted effects for users, as well as for the Company and its shareholders, the Board of Directors submits to the consideration of the Shareholders Meeting monitoring the evolution of the Company's economic and financial position during the fiscal year that will end on December 31, 2016 and postponing consideration of the matter related to the possible application of Section 206 of the Argentine Corporations Law until holding the meeting that will deal with the financial statements of the above mentioned fiscal year.

Additionally, the Board of Directors proposes to the Company Shareholders' Meeting the payment of \$ 3,777 thousand in technical-administrative service fees to certain members of the Board of Directors and \$ 2,052 thousand in fees to the members of the Statutory Auditors' Committee.

The Board of Directors is thankful for the support and consideration given by customers, suppliers, third parties in general and personnel of the Company during the fiscal year.

Autonomous City of Buenos Aires, March 8, 2016

Juan José Valdez Follino
Syndic

Emilio Daneri Conte-Grand
President

REPORT ON THE CODE OF CORPORATE GOVERNANCE

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
PRINCIPLE I. MAKE CLEAR THE RELATIONSHIP BETWEEN THE ISSUER, THE ECONOMIC GROUP THAT THE ISSUER HEADS AND/OR IS PART OF AND ITS RELATED PARTIES				
Recommendation I.1: Ensure the disclosure by the Board of Directors of the policies applicable to the relationship between the Issuer and the Economic Group that the Issuer heads and/or is part of and its related parties.				
Answer whether: the Issuer has an internal regulation or policy to authorize transactions between related parties pursuant to section 73 of the Capital Markets Act, transactions with shareholders and members of the Board of Directors, senior managers and statutory auditors and/or members of the surveillance committee, within the economic group that the issuer heads and/or is part of. Make the main guidelines of the regulation or internal policy explicit.	X			TGN transactions with related parties are in accordance with current legal provisions, including their review by the Audit Committee. Transactions carried out with Company's administrators are subject to and comply with section 271 of the Argentine Corporations Law. Internal procedures include compliance with regulations.
Recommendation I.2: Ensure the existence of mechanisms preventing conflicts of interest.				
Answer whether: the Issuer, notwithstanding current regulations, has clear policies and specific procedures to identify, manage and solve conflicts of interest that might occur among the members of the Board of Directors, senior managers and statutory auditors and/or members of the surveillance committee in their relationship with the Issuer or with related parties. Describe their relevant aspects.	X			Notwithstanding section 271 of the Argentine Corporations Law, to which TGN is subject, the Company's Code of Ethics has specific provisions intended to prevent, manage and resolve any conflict of interest that might occur between the members of the Board of Directors, senior managers and statutory auditors in their relation with TGN and other related parties of TGN.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
Recommendation I.3: Prevent the improper use of proprietary information.				
Answer whether: the Issuer, notwithstanding current regulations, has reasonable policies and mechanisms to prevent the improper use of proprietary information by the members of the Board of Directors, senior managers, statutory auditors and/or members of the surveillance committee, controlling shareholders or shareholders exerting significant influence, attending professionals and other persons listed in Section 72 of the Capital Markets Act. Describe their main aspects.	X			In accordance with TGN's Code of Ethics, those who, according to their position in the Company, possess information regarding facts not disclosed to the public and that, considering its importance, might affect the trading of the Company's securities, should maintain strict confidentiality, refraining from sharing it with others as well as from trading until such information is disclosed to the public.
<u>PRINCIPLE II. PROVIDE THE BASIS FOR A SOLID ADMINISTRATION AND SUPERVISION OF THE ISSUER</u>				
Recommendation II. 1: Ensure that the Board of Directors takes over the administration and supervision of the Issuer and its strategic orientation.				
Answer whether: II.1.1 the Board of Directors approves:				
II.1.1.1 the strategic or business plan, as well as the management objectives and annual budget,	X			As the body responsible for the Company's administration, the Board of Directors approves (within the annual budget) and supervises the compliance with TGN policies and strategies, subject to the management control exerted by the Shareholders meeting. For this purpose, through the annual budget, the Board of Directors approves the business plan of TGN and the management objectives for each fiscal year.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
II.1.1.2 the investment policy (in financial assets and capital expenditure) and financing policy,	X			TGN has an investment policy approved by the Board of Directors, the execution of which is in charge of a Financial Committee (including an external independent expert) and whose compliance is monitored by the Board of Directors and the Internal Audit Management.
II.1.1.3 corporate governance policy (compliance with the Corporate Governance Code),	X			As the body responsible for the Company's administration, the Board of Directors approves the company's policies relating to corporate governance.
II.1.1.4 the recruitment, evaluation and remuneration policy for senior managers,		X		Policies relating to the selection, evaluation and training of senior managers are developed by the General Management together with the Human Resources Management. The Board of Directors conformity is required when hiring first-line managers. Remunerations for these positions are approved by the Board of Directors within the annual budget and compensations are reviewed by the Audit Committee afterwards.
II.1.1.5 the policy for the assignment of responsibilities to senior management,			X	Policies relating to the assignment of responsibilities to senior managers are developed by the General Management together with the Human Resources Management, and reported to the President of the Board of Directors.
II.1.1.6: the supervision of the replacement planning of top management,		X		The President of the Board of Directors, the General Manager and the Human Resources Manager are in charge of the replacement of top managers and they are also obliged to report to the Board of Directors. The Board of Directors approves the appointment of the CEO, CFO, COO as well as first-line managers.
I.1.1.7 the policy for corporate social responsibility,			X	The Corporate Social Responsibility policy is designed by the General Management.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
II.1.1.8 the policies for the integral risk management and internal control, and fraud prevention,			X	The Company has procedures to fully manage business risks, the compliance of which is controlled by the Internal Audit Management. The risk control system (including frauds) has the purpose of planning ahead for the events typical of a gas carriage transaction and acting in a proactive way, establishing the operational risk profile, decreasing the occurrence of events and fulfilling regulatory requirements. As for the internal control management, the Company has established as framework for the evaluation of the internal control environment the methodology issued by the Committee of Sponsoring of the Treadway Commission ("COSO").
II.1.1.9 the policy for ongoing training for the members of the Board of Directors and senior management. If available, please describe the main aspects of such policy.		X		<p>Most of the members of the Board of Directors of TGN have broad professional and academic backgrounds and a proven track record in executive positions in local and international companies of the energy sector.</p> <p>Based on the above, the Board of Directors does not consider it necessary to implement a training and development plan for its members.</p> <p>Senior management training is developed in the framework of the general training policy of TGN designed by the Human Resources Management and monitored by the General Management.</p>
II.1.2 If relevant, add other policies followed by the Board of Directors which have not been mentioned and describe their main aspects.	X			The Board of Directors approved a procedure for ensuring the complete and timely publication of relevant information.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
II.1.3 The Issuer has a policy aimed at ensuring the availability of relevant information for the decision making process of the Board of Directors and for direct consultation at management level, which is even for all members (executives, external and independent) and with enough anticipation allowing for an appropriate analysis of its contents. Specify.	X			Directors, managers and statutory auditors are informed on an ongoing basis about all relevant business issues, the knowledge of which is necessary to carry out their duties. The Company issues a monthly management control report, apart from the reports sent to the Board of Directors as a result of the publication of the financial statements. Further, reports are also released on specific issues as a result of the initiative of Management or at the request of the Board of Directors.
II.1.4. Issues subject to the consideration of the Board of Directors are accompanied by a risk analysis associated to the decisions that may be adopted, taking into account the corporate risk level defined as acceptable by the Issuer. Specify.	X			When making any decision, the Board of Directors firstly identifies associated risks, assesses their probability of occurrence and potential impact.
Recommendation II.2: Ensure an effective Control over the Issuer administration.				
Answer whether the Board of Directors verifies:				
II.2.1 compliance with annual budget and business plan,	X			The Company's Board of Directors verifies compliance with the annual budget and business plan, based on Management control reports issued every month and other reports issued at the time of considering the quarterly and annual financial statements.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
II.2.2 the performance of senior managers and the compliance with the objectives set for them (level of profit foreseen versus profit made, financial rating, quality of accounting report, market share, etc.). Describe the main aspects of the Management Control policy of the Issuer by detailing the techniques used and frequency of monitoring by the Board of Directors.		X		The Board of Directors controls the performance of Management when controlling Company's administration. The internal control is a process aimed at providing reasonable assurance as to whether the organization objectives are met, considering the efficiency and effectiveness of transactions, reliability of financial information and compliance with standards and applicable laws.
Recommendation II.3: Disclose the evaluation process of the performance of the Board of Directors and its impact.				
Answer whether: II.3.1 Each member of the Board of Directors complies with the By-laws and, if applicable, with the Operation Regulations of the Board of Directors. Detail the main provisions of the Regulations. State the degree of compliance with By-laws and Regulations.	X			Each member of the Board of Directors complies with the provisions of the By-laws of TGN and legal standards that govern the operation of that body. The Board of Directors has no internal regulations.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
<p>II.3.2 The Board of Directors discloses the results of its administration considering the objectives set at the beginning of the period, so that the shareholders may evaluate the degree of compliance with those objectives, containing both financial and non-financial aspects. Additionally, the Board of Directors assesses the degree of compliance with policies mentioned in Recommendation II, items II.1.1 and II.1.2. Detail the main aspects of the assessment of the General Shareholders' Meeting of the degree of compliance by the Board of Directors with the objectives set and the policies mentioned in Recommendation II, items II.1.1 and II.1.2, stating the date of the Meeting when the assessment was submitted.</p>	X			<p>Every year, the Board of Directors submits to the Ordinary Shareholders' Meeting the annual report and financial statements that reflect the results of their administration. The Board of Directors' administration has been approved by the General Shareholders' Meeting on a constant basis.</p>
<p>Recommendation II.4: That the number of external and independent members be significant in the Board of Directors of the Issuer.</p>				

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
Answer whether: II.4.1 the proportion of executive, external and independent members (as defined by the regulations of this Committee) of the Board of Directors is related to the capital structure of the Issuer. Explain.	X			The Company Bylaws establish that the Board of Directors of the Company shall consist of 14 regular directors and the same number of alternates. Of the 14 directors: (i) nine regular directors and their respective alternates are elected by the Class A shares in a Class Meeting of said class (at least one shall be independent); (ii) four regular directors and their respective alternates are elected by the Class B shares in a Class Meeting of said class (at least one shall be independent), and (iii) one regular director and the respective alternate are elected by the Class C shares in a Class Meeting of said class. Currently, TGN has 3 independent directors and, therefore, complies with Recommendation II.4.2 (at least 20% of the members are independent). All of them are appointed for one year.
II.4.2 In the current year, the shareholders have agreed in the General Meeting on a policy to maintain a proportion of at least 20% of independent members on the total number of members of the Board of Directors. Please describe the relevant aspects of such policy and any agreement of shareholders that clarifies the way members of the Board of Directors are appointed and their term. State whether the independence of the members of the Board of Directors has been questioned during the year or if any abstentions or conflicts of interest have occurred.		X		See response to II.4.1. The independence of directors has never been challenged. Directors who were subject to a conflict of interest acted in accordance with Section 272 of the Argentine Corporations Law.
Recommendation II.5: Require the existence of regulations and procedures intended to select and propose members of the Board of Directors and senior management of the Issuer.				

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
Answer whether:				
II.5.1. the Issuer has a Committee for Appointments:			X	There is no such committee.
II.5.1.1 formed by at least three members of the Board of Directors, most of them independent,				n/a
II.5.1.2 chaired by an independent member of the Board of Directors,				n/a
II.5.1.3: with proficient members and with experience in human capital issues,				n/a
II.5.1.4 meets at least twice a year.				n/a
II.5.1.5 its decisions are not necessarily binding for the Shareholder's Meeting but they are considered as consultations for the selection of members of the Board of Directors.				n/a
II.5.2 In case there is a Committee for Appointments, it shall:				n/a
II.5.2.1 verify the annual review and evaluation of its regulations and propose modifications to the Board of Directors modifications for its approval,				n/a
II.5.2.2 propose the development of criteria (qualifications, experience, professional and ethical reputation, among others) for the selection of new members of the Board of Directors and the senior management,				n/a
II.5.2.3: identify the candidates for the Board of Directors to be proposed by the Committee to the General Shareholders' Meeting,				n/a

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
II. 5.2.4 suggest those members of the Board of Directors that will be part of several Committees of the Board of Directors, according to their professional background,				n/a
II. 5.2.5 recommend that the President of the Board of Directors is not the General Manager of the Issuer as well,				n/a (However, the President of TGN's Board of Directors is not the General Manager).
II. 5.2.6 ensure the availability of the curriculum vitae of the members of the Board of Directors and senior management in the website of the Issuer, with their terms of office explicitly stated in the first case,				n/a (However, this information is disclosed in the CNV's web site, within the prospectus for the placement of securities).
II.5.2.7 verify the existence of a replacement plan for the Board of Directors and the senior management.				n/a
II.5.3 If relevant, add any policies implemented by the Issuer's Appointments Committee not mentioned in the previous section.				n/a

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
Recommendation II.6: Evaluate the convenience that the members of the Board of Directors and/or statutory auditors and/or members of the surveillance committee perform functions at several Issuers.				
Answer whether: The Issuer sets a limit for the members of the Board of Directors and/or statutory auditors and/or members of the surveillance committee to perform functions in other entities not belonging to the economic group that the Issuer heads or is part of. Specify this limit and state if any infringement to the restriction was verified in the course of the year.			X	Based on the experience gathered in previous years, the Board of Directors considers that the fact that its members and/or statutory auditors perform such functions in several entities does not affect the Company; notwithstanding what is established by Section 272 of the Argentine Corporations Law. Additionally, any limitations in this regard should be made by the Shareholders' Meeting.
Recommendation II.7: Ensure training and career development for the members of the Board of Directors and the senior management of the Issuer.				
Answer whether:				
II.7.1 The Issuer has continuous training programs related to the necessities existing at the Issuer for the members of the Board of Directors and senior management, including contents about their role and responsibilities, integral corporate risk management, specific knowledge of the business and its regulations, the dynamics of corporate governance, and corporate social responsibility matters. In the case of the members of the Audit Committee, international accounting, audit and internal control standards, and specific regulations for the capital market. Describe the programs developed in the course of the year and their degree of compliance.		X		See answer to II.1.1.9. Additionally, the members of the Audit Committee took part in training activities on subjects concerning the functions of that Committee and especially on topics related to Argentina's new National Civil and Commercial Code.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
II.7.2 The Issuer, through other means than those mentioned in II.7.1, encourages the members of the Board of Directors and senior management to maintain a continuous training that supplements their educational level in such way that adds value to the Issuer. Describe the ways in which this is done.		X		See answer to II.1.1.9.
PRINCIPLE III. ENDORSE AN EFFECTIVE POLICY FOR IDENTIFYING, MEASURING, MANAGING AND COMMUNICATING CORPORATE RISK				
<p>Recommendation III: The Board of Directors must have a policy on integral corporate risk management and monitor its correct implementation.</p> <p>Answer whether:</p>				
III.1 The Issuer has policies on integral corporate risk management (fulfillment of strategic, operational, financial, reporting, accounting, law and regulations goals and others). Describe the most relevant aspects of those policies.		X		The Company has internal rules implementing risk controls with the purpose of (i) anticipate the events that are typical of gas carriage operations by acting in a proactive way, (ii) establishing the operational risk profile, (iii) decreasing the occurrence of events and (iv) considering regulatory requirements. Internal audit verifies the application of those rules. Also, the Company has external certifications for the standards ISO 9001 (quality management for operations), ISO 14001 (environmental management) and OHSAS 18001 (occupational health and safety). Additionally, the Company has a Risk Matrix.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
<p>III.2 There is a Risk Management Committee within the Board of Directors or the General Management. Report on the existence of procedures manuals and detail the main risk factors specific to the Issuer or its activity and the actions implemented for mitigation. If there is no such Committee, then describe the supervision role performed by the Audit Committee in connection with risk management. Also, specify the degree of interaction between the Board of Directors or its Committees and the Issuer's General Management regarding integral corporate risk management.</p>	X			<p>There is a Risk Management Committee within the Direction Committee. This committee monthly assesses the Integral Risk Matrix evolution. Main risk factors are related to: i) failures, breakages or incidents in installations; and ii) arrears in the regulated gas carriage rates. As for the first case, mitigation measures are framed in a work program which tends to guarantee a safe service provision, within the frame of industry's best practices.</p> <p>Additionally, the Audit Committee defines its annual plan considering the nature of the Company's main activity and the environment in which the business takes place (including the inherent risks to the Company's activity and those related to the operations).</p>
<p>III.3 Within the Issuer's General Management there is an independent function in charge of implementing the policies for integral risk management (the function of the Risk Management Officer or equivalent). Specify.</p>		X		<p>TGN does not have the position of "risk officer", but it has a Risk Management Committee and an Internal Audit Department.</p> <p>The Risk Management Committee monthly assesses the Company's Integral Risk Matrix evolution.</p> <p>The Internal Audit Department reports hierarchically to the General Manager and functionally to the Board of Directors, and directly reports to the President of the Board of Directors and to the Audit Committee.</p>
<p>III.4 The policies for integral risk management are constantly updated, in accordance with recommendations and well-known methodologies. Mention which ones (Enterprise Risk Management, according to the conceptual framework of COSO – Committee of sponsoring organizations of the Treadway Commission –, ISO 31000, standard IRAM 17551, section 404 of Sarbanes-Oxley Act, other).</p>		X		<p>Each Department performs a review of its procedures according to the changes in regulations and internal operations and updates them, if applicable. See II.1.1.8</p>

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
III.5 The Board of Directors informs on the results of the risk management oversight performed jointly with the General Management in the financial statements and the annual report. Specify the main points of the statements made.		X		The financial statements and the annual report include references to both the risks inherent to the business segment in which TGN operates as well as their effect on the results of its operations.
PRINCIPLE IV. SAFEGUARD THE INTEGRITY OF FINANCIAL INFORMATION THROUGH INDEPENDENT AUDITS				
<p>Recommendation IV: Guarantee independence and transparency in the functions entrusted to the Audit Committee and the External Auditor.</p> <p>Answer whether:</p>				
IV.1. The Board of Directors, at the time of selecting the members of the Audit Committee and taking into account that the majority of them must be independent, assesses whether it is convenient that the Committee is chaired by an independent member.	X			The Audit Committee is formed by three full directors and three alternate directors, and the majority of them are independent. The Board of Directors considers it convenient that the Audit Committee is chaired by an independent director, and this is the criterion applied.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
<p>IV.2 There is an internal audit function that reports to the Audit Committee or to the President of the Board of Directors and that is responsible for evaluating the internal control system. State if the Audit Committee or the Board of Directors performs a yearly evaluation of the performance of the internal audit area and the degree of independence of their professional work, meaning that the professionals responsible for that function are independent on the other operating areas and that they also fulfill the independence requirements with respect to the controlling shareholders or the related entities that exercise significant influence on the Issuer. Also, specify if the internal audit function performs its work in accordance with the international standards for the professional practice of internal audit, issued by the <i>Institute of Internal Auditors (IIA)</i>.</p>	X			<p>TGN has an Internal Audit Management, independent of the other operating areas and of the shareholders or related entities, that reports hierarchically to the General Manager and functionally to the Board of Directors and is directly reports to the President of the Board of Directors and to the Audit Committee, which evaluate its performance. This Department applies the IIA standards and, in accordance with three-year plans, supervises the compliance with the procedures related to internal control. This manager is independent as stated in Recommendation IV.2.</p>
<p>IV.3 The members of the Audit Committee perform a yearly evaluation of the competence, independence and performance of the External Auditors appointed by the Shareholders' Meeting. Describe the relevant aspects of the procedures applied to perform the evaluation.</p>	X			<p>The Audit Committee, on a yearly basis, evaluates the fulfillment of the conditions of independence required to the External Auditors by the National Securities Commission, and also their competence, based on the performance of duties and report on the independence condition required to the External Auditors by the CNV each year.</p>

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
IV.4 The Issuer has a policy on the rotation of the members of the Statutory Audit Committee and/or the External Auditor; and in connection with the latter, if the rotation includes the external audit firms or only the individuals.		X		<p>Pursuant to the Corporate By-laws, the statutory auditors that make up the Statutory Audit Committee are appointed by the Shareholders, so it is understood that establishing the rotation policies of the members of the Statutory Audit Committee exceeds the competence of this Board of Directors. Nevertheless, the Statutory Audit Committee of TGN has historically changed its composition and chairmanship with a reasonable frequency, in full compliance with the usual rules and practices.</p> <p>As far as the appointment and rotation of External Auditors are concerned, the same consideration applies, with the exception that the firm exercising the Company's external accounting audit follows procedures to ensure the competence, independence and performance of its members (including the mandatory rotation of the engagement partner in pre-established periods), which is in turn controlled by the Audit Committee of TGN. The Company, in turn, controls the compliance with the regulations issued by the National Securities Commission.</p> <p>TGN statutory auditors do not carry out external audit activities for the Company; neither do they participate in nor are they associated with the firm that provides the external audit service. They participate in the Board of Directors, Audit Committee's and Shareholders' meetings, as prescribed by law and the Company's by-laws.</p>

PRINCIPLE V OBSERVE THE RIGHTS OF SHAREHOLDERS

Recommendation V.1: Ensure that the shareholders have access to the Issuer information.

Answer whether:

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
V.1.1 The Board of Directors promotes periodical informative meetings with the shareholders, in coincidence with the presentation of the interim financial statements. Explicitly state the number and frequency of meetings held during the course of the year.		X		The Board of Directors considers that the suitable means of ensuring that all the shareholders receive the same information in terms of quality, quantity and timing is the CNV's web site and the Bulletin of the Buenos Aires Stock Exchange. For the time being, the Board of Directors does not have it as a practice to hold periodical informative meetings with the shareholders, except for the Shareholders' Ordinary Annual Meeting.
V.1.2 The Issuer has mechanisms for providing information to investors and a specialized sector for handling their queries and consultations. Furthermore, it has a website that can be accessed by shareholders and other investors, a channel of access that enabled to contact among themselves. Give details.	X			In addition to what is mentioned in V.1.1., the Board of Directors considers that all the relevant information of the Company, which in accordance with the Regulations is to be provided to the market, is made public at the time of its disclosure. The Company has a website with free access which includes varied information about the Company and its activities, as well as to the information available to investors through the CNV's web site. This site has a link to the web page of the National Securities Commission and another link to the web page of the National Gas Regulatory Entity. The Company replies to queries from investors on specific matters through the Representative for Market Relations.
<p>Recommendation V.2: Promote active participation of all the shareholders.</p> <p>Answer whether:</p>				

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
V.2.1 The Board of Directors takes measures to promote the participation of all the shareholders in the General Shareholders' Meetings. Specify, distinguishing between the measures required by law and those offered by the Issuer to its shareholders voluntarily.	X			In order to promote the participation of the shareholders, TGN strictly observes all the regulatory requirements to publicize its Shareholders' Meetings.
V.2.2 The General Shareholders' Meeting has Regulations on its functioning to ensure that the information is available for the shareholders sufficiently in advance for decision-making. Describe the main guidelines of those regulations.			X	The General Shareholders' Meeting does not have specific regulations on its functioning. However, it functions in compliance with the provisions of Argentine Corporations Law and with regulations issued by the National Securities Commission and those established in the corporate By-laws.
V.2.3 The mechanisms implemented by the Issuer for minority shareholders to propose issues to be discussed in the General Shareholders' Meeting in line with the regulations in force apply. State the results.	X			The Board of Directors considers that the regulations in force ensure the right of minority shareholders to participate in meetings, if interested, and propose issues to be discussed, and complies with such regulations. The Board of Directors of TGN considers that the participation of minority shareholders in meetings is healthy. The Board of Directors believes that all shareholders attending Shareholders' Meetings have their right to participate in deliberations and to vote guaranteed. From 1992 to date, no decision adopted by a TGN Shareholders' Meeting has been objected to.
V.2.4 The Issuer has policies in place to encourage the participation of prominent shareholders, such as institutional investors. Specify.			X	The Board of Directors considers that the institutional investor is qualified enough to resolve <i>per se</i> the desired level of participation in the company business.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
V.2.5 In Shareholders' Meetings where the appointment of members of the Board of Directors is decided, prior to the voting, candidates must state: (i) their position regarding the adoption or non-adoption of a Corporate Governance Code; and (ii) the grounds for such position.			X	The candidates to become members of the Board of Directors are elected by the shareholders. To date, the shareholders have not issued their opinion on the Corporate Governance Code. The Board of Directors of TGN formalizes its position regarding the Corporate Governance Code through this Exhibit to the Annual Report.
Recommendation V.3: Ensure the principle of equality between shares and votes.				
Answer whether the Issuer has a policy to encourage the principle of equality between shares and votes. State how the composition of capital by class of shares has changed over the last three years.	X			The Board of Directors of TGN establishes the equality between shares and votes since all shares, irrespective of their class, carry the right to one vote. Over the last three years, there have been no changes in the percentage of participation of class A, B, and C shares in the capital.
Recommendation V.4: Establish mechanisms to protect all shareholders from takeovers.				
Answer whether the Issuer abides by the System of Public Offering for Mandatory Purchase. Otherwise, state if there are other mechanisms included in the by-laws, such as tag along rights or others.		X		The by-laws establish the requirements for exercising the tag along right in favor of Class C shares.
Recommendation V.5: Encourage the share dispersion of the Issuer.				
Answer whether the Issuer has a share dispersion of at least 20 per cent of its ordinary shares. Otherwise, whether the Issuer has a policy to increase its share dispersion in the market. State the percentage of share dispersion as a percentage of the Issuer's capital and the changes in that percentage over the last three years.	X			The by-laws break down capital into three classes of shares, with class C shares representing 20% of the capital and being traded in the Buenos Aires Stock Exchange.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
<p>Recommendation V.6: Ensure there is a clear dividend policy in place.</p> <p>Answer whether:</p>				
<p>V.6.1 The Issuer has a policy for distributing dividends set forth in the by-laws and approved by the Shareholders' Meeting, which establishes the conditions to distribute dividends in cash or in shares. If any, state the criteria and conditions for and frequency of the distribution of dividends.</p>			X	<p>Considering the context in which the company runs its business since the passing of Public Emergency Law No. 25,561, TGN does not envisage to pay dividends neither does it consider wise nor feasible to establish a policy for the distribution of dividends. Additionally, it should be noted that in accordance to what has been decided by the Ordinary Shareholders Meeting held on April 21, 2015, in relation to the loss for the fiscal year ended on December 31, 2014, the Legal Reserve does not register any balance. In conformity with section 70 of the Argentine Corporations Law, the Company cannot distribute any profits until that reserve is reimbursed.</p>
<p>V.6.2 The Issuer has documented processes for the preparation of a proposal to allocate the Issuer's accumulated losses/profits, which may lead to setting up legal, statutory or voluntary reserves, carrying them forward to the new fiscal year and/or paying dividends. Mention such processes and detail in which Minutes of Shareholders' Meeting the distribution or non-distribution of dividends (in cash or in shares) was approved, in case the by-laws do not state it.</p>		X		<p>Preparing the proposal to allocate retained earnings is part of the process of issuance of financial statements and annual report. The latest allocation of retained earnings, corresponding to fiscal year 2014, was approved by the Annual General Meeting held on April 21, 2015.</p>

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
PRINCIPLE VI. KEEP A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY				
<p>Recommendation VI: Provide information on the Issuer to the community as well as a direct communication channel between the community and the company.</p> <p>Answer whether:</p>				
<p>VI.1 The Issuer has an updated web site of public access, that not only contains relevant information about the company (by-laws, economic group, composition of the Board of Directors, financial statements, annual report, etc.) but also allows users to make inquiries.</p>	X			<p>TGN has an updated web site that shows relevant information on the company and allows users to make inquiries through the different forms created for such purpose. See information provided in point VIII.2.</p>
<p>VI.2 The Issuer presents a Social Responsibility and Environmental Report annually, audited by an independent external auditor. If any, state the scope or legal or geographical coverage and where it is available. Specify rules or initiatives adopted to carry out its corporate social responsibility policy (Global Reporting Initiative and/or United Nations Global Agreement, ISO 26.000, SA8000, Millennium Development Goals, SGE 21-Foretica, AA 1000, Ecuador Principles, among others).</p>		X		<p>TGN issues an Annual Report on Sustainability that follows the international standards of G3 Guide for GRI ("Global Reporting Initiative"). This report is published on an annual basis in the website of the United Nations and is supervised by an external consultant that makes improvement recommendations. The Sustainability Report is also available in the website of TGN and includes, among other topics, tasks performed in connection with greater transparency of social responsibility actions and summarizes the actions related to environmental protection, stating each of the actions carried out during the year.</p>

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
PRINCIPLE VII. FAIR AND RESPONSIBLE REMUNERATION				
<p>Recommendation VII: Establish clear remuneration policies for the members of the Board of Directors and senior managers of the Issuer, taking into account conventional or statutory limitations in terms of the existence or non-existence of profits.</p> <p>Answer whether:</p>				
VII.1. The Issuer has a Remuneration Committee:			X	TGN has no Remuneration Committee
VII.1.1 made up of at least three members of the Board of Directors, mostly independent,				n/a
VII.1.2 chaired by an independent member of the Board of Directors,				n/a
VII.1.3 with members who prove to be proficient and have experience in human resources policies,				n/a
VII.1.4 holding meetings at least twice a year,				n/a
VII.1.5 whose decisions are not necessarily mandatory for the General Shareholders' Meeting or Surveillance Committee, but consultative in connection with the remuneration of the Board of Directors.				n/a

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
VII. 2 There is a Remuneration Committee, It:				
VII.2.1 ensures there is a clear relationship between the performance of key employees and their fixed and variable remuneration, considering the risks involved and their administration,				n/a
VII.2.2 supervises that the variable part of the remuneration of the members of the Board of Directors and senior managers is connected with the Issuer's medium and/or long term performance,				n/a
VII.2.3 reviews the competitive position of the Issuer's policies and practices in connection with the remuneration and benefits of similar companies and recommends changes, if necessary,				n/a
VII.2.4 defines and communicates the policies on retention, promotion, dismissal and suspension of key employees,				n/a
VII.2.5 announces the guidelines to determine retirement plans of the members of the Issuer's Board of Directors and senior managers,				n/a
VII.2.6 regularly reports to the Board of Directors and the Shareholders' Meeting on the tasks performed and topics discussed in its meetings,				n/a

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
VII.2.7 ensures the presence of the President of the Remuneration Committee in the General Shareholders' Meeting approving remunerations to the Board of Directors so that he/she can explain the Issuer's remuneration policy of the members of the Board of Directors and senior managers.				n/a
VII. 3 If relevant, mention the policies applied by the Issuer's Remuneration Committee that have not been mentioned in the previous point.				n/a
VII. 4 If there is no Remuneration Committee, explain how the tasks mentioned in VII.2 are carried out within the Board of Directors.		X		Some of the tasks described in VII.2 are carried out by the General Manager, with the support of the Human Resources Manager, and reported to the President of the Board of Directors. The Audit Committee reviews the remuneration of managers.
<u>PRINCIPLE VIII. ENCOURAGE BUSINESS ETHICS</u>				
Recommendation VIII: Ensure ethical conduct by the Issuer.				
Answer whether:				
VIII.1 The Issuer has a Business Conduct Code. State main guidelines and if the Code is known to all. The Code is signed at least by the members of the Board of Directors and senior managers. State whether suppliers and customers are encouraged to apply it.	X			TGN has a Code of Ethics published in its website which includes Social Responsibility, Corporate Principles, Ethical Values and Behaviour Guidelines. The Code of Ethics contains the values that must be taken into account when making decisions and taking actions related to the Company and its employees. It is also a reference when assessing conducts within the Company. The Code of Ethics applies to the Board of Directors and the personnel of TGN and its subsidiaries. Furthermore, it applies to relations with contractors, subcontractors, suppliers, customers, public officers, shareholders and investors and third parties in general.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
VIII.2 The Issuer has mechanisms to receive complaints of any illicit or unethical conduct, either personally or electronically, ensuring that the information provided meets high standards of confidentiality and integrity and has been properly recorded. State if the reception and assessment of complaints are performed by the Issuer's employees or by external and independent professionals for greater protection of the complainant.	X			TGN has a communication channel by means of which the employees, suppliers, customers and third parties in general can report any potential irregularity or infringement of the Code of Ethics. The public may communicate by using the TRANSPARENT LINE available at the website of TGN or by dialing the toll free number 0800-122-8464. The complaints received are treated as strictly confidential as long as the applicable legislation allows it. The Committee of Conduct Evaluation of the Company will determine the course of action.
VIII.3 The Issuer has policies, processes and systems for the management and resolution of complaints mentioned in point VIII.2. Describe the most relevant aspects and state the level of participation of the Audit Committee in such resolutions, particularly those complaints related to internal control issues to report accounting matters and those related to the conduct of the Board of Directors and senior managers.	X			See VIII.2. The Audit Committee becomes immediately aware of any event made known to the Company through any of the channels detailed in VIII.2.

	Compliance		Non-compliance ⁽¹⁾	Report ⁽²⁾ or Explain ⁽³⁾
	Full ⁽¹⁾	Partial ⁽¹⁾		
<u>PRINCIPLE IX: ENHANCE THE SCOPE OF THE CODE</u>				
Recommendation IX: Encourage the incorporation of good governance practices in the by-laws.				
Answer whether the Board of Directors assesses if the provisions of the Corporate Governance Code must be shown, totally or partially, in the By-laws, including the general and specific responsibilities of the Board of Directors. State which provisions are actually included in the by-laws since the Code took effect up to date.			X	The Board of Directors of TGN shares the principles that inspire the Corporate Governance Code and considers that the performance of the Board of Directors meet the provisions of the Code, even when the manner in which such provisions are implemented may differ in some cases. We believe the by-laws are compatible with the Corporate Governance Code and do not conflict with any of the recommendations of the Code. As a result, the Board of Directors does not consider it appropriate to introduce changes in the by-laws at this moment. Additionally, Laws 19,550 and 26,831, jointly with the Code of Ethics, provide the legal framework for the performance of the Company's directors, statutory auditors, managers and employees.

⁽¹⁾ Mark with a cross where applicable.

⁽²⁾ In case of full compliance, inform how the Issuer complies with the principles and recommendations of the Corporate Governance Code.

⁽³⁾ In case of partial compliance or non-compliance justify why and state the actions foreseen by the Board of Directors of the Issuer, if any, to be adopted in the next fiscal year or following fiscal years.

Autonomous City of Buenos Aires, March 8, 2016

Juan José Valdez Follino
Syndic

Emilio Daneri Conte-Grand
President

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

In accordance with the terms of the National Securities Commission (“CNV”) regulations, an analysis of the results of Transportadora de Gas del Norte S.A. (“TGN” or “the Company”) is detailed below, as well as its financial situation, its business prospects and other economic-financial indicators, which should be read in conjunction with the attached financial statements, the additional information to the Notes required by Section 68 of the Buenos Aires Stock Exchange Listing Rules, by Title IV, Chapter III, Sections 1st and 12th of the CNV regulations and the press releases opportunely notified to the CNV.

D) ANALYSIS OF COMPREHENSIVE RESULT AND FINANCIAL SITUATION

- Comprehensive result for the fiscal year:

	(in million of pesos)					
	Fiscal year ended 12.31.					
	2015	2014	Variation	2013	2012	2011
Revenues						
Gas carriage service	668.5	586.5	82.0	476.7	439.1	415.2
Allowances for disputed amounts and others	(25.3)	(89.0)	63.7	(59.3)	(48.8)	(42.6)
Subtotal gas carriage service	643.2	497.5	145.7	417.4	390.3	372.6
Other services:						
Gas pipeline operation and maintenance services	80.6	55.9	24.7	48.0	31.4	28.7
Management fees – Gas Trust Program	27.0	18.6	8.4	18.5	70.0	5.7
Subtotal other services	107.6	74.5	33.1	66.5	101.4	34.4
Total revenues	750.8	572.0	178.8	483.9	491.7	407.0
Cost of services						
Operation and maintenance costs	(702.1)	(483.1)	(219.0)	(333.9)	(260.3)	(223.3)
Property, plant and equipment depreciation	(141.9)	(135.9)	(6.0)	(132.7)	(134.0)	(131.2)
Subtotal	(844.0)	(619.0)	(225.0)	(466.6)	(394.3)	(354.5)
Gross (loss) profit	(93.2)	(47.0)	(46.2)	17.3	97.4	52.5
Administrative and selling expenses	(236.0)	(201.0)	(35.0)	(163.4)	(155.0)	(115.3)
(Loss) income before other net income and expenses	(329.2)	(248.0)	(81.2)	(146.1)	(57.6)	(62.8)
Other net income and expenses	(22.6)	29.6	(52.2)	170.8	(12.4)	110.4
(Loss) income before financial results	(351.8)	(218.4)	(133.4)	24.7	(70.0)	47.6
Net financial results	(450.9)	(175.7)	(275.2)	(258.9)	(177.9)	(260.0)
Result from loans restructuring	-	-	-	280.7	575.2	-
Results from investments in affiliate companies	7.7	5.6	2.1	2.8	1.5	(0.4)
Result before income tax	(795.0)	(388.5)	(406.5)	49.3	328.8	(212.8)
Income tax	277.4	131.9	145.5	(20.4)	(114.1)	73.7
(Loss) income for the fiscal year	(517.6)	(256.6)	(261.0)	28.9	214.7	(139.1)
Other comprehensive results	-	-	-	-	-	-
Comprehensive (loss) income for the fiscal year	(517.6)	(256.6)	(261.0)	28.9	214.7	(139.1)
EBITDA ⁽¹⁾	(196.7)	(73.7)	(123.0)	161.3	70.8	183.5

(1) Result before income tax, financial results, result from loans restructuring, property, plant and equipment depreciation and charges for consumable assets not entailing cash outflows.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

D) ANALYSIS OF COMPREHENSIVE RESULT AND FINANCIAL SITUATION (Cont.)

	<i>(in million of pesos)</i>				
	<i>12.31.2015</i>	<i>12.31.2014</i>	<i>12.31.2013</i>	<i>12.31.2012</i>	<i>12.31.2011</i>
<i>Total assets</i>	3,875	3,259	3,138	2,836	3,246
<i>Total liabilities</i>	3,563	2,429	2,052	1,779	2,403
<i>Shareholders' equity</i>	312	830	1,086	1,057	843

The following paragraphs describe the reasons for the main variations in the comprehensive result and cash flows of the Company, and some economic-financial indicators are disclosed in connection with the Company's equity.

- *Revenues*

Revenues' variation of \$ 178.8 million between the fiscal years ended December 31, 2015 and 2014 is explained by the following causes:

- i.* higher billings for \$ 157.8 million, related to the 69.1% increase in the domestic carriage rates since as from May 1st, 2015 (see Note 1.3.3 to the Company's financial statements as of December 31, 2015);
- ii.* lower allowances for disputed amounts for \$ 63.7 million during the fiscal year ended December 31, 2015, compared to the previous year, due to the contract rescission mentioned in point vi;
- iii.* higher income for \$ 21.5 million in interruptible carriage services and exchange and displacement services for local and export destination;
- iv.* higher billings for \$ 21.0 million, related to the rise in the domestic carriage rates since April, 2014 (step-up increase with full impact of 20% as from August 2014), with specific assignment to an investment plan approved by the National Gas Regulatory Entity ("ENARGAS");
- v.* higher income for \$ 24.7 million in "Gas pipeline operation and maintenance services";
- vi.* decrease for \$ 121.3 million due to the rescission of the firm gas carriage contract for export with the customer Metrogas Chile S.A., in April 2015 (see Note 1.3.5 to the Company's financial statements as of December 31, 2015);
- vii.* increase of \$ 3.0 million in billings denominated in foreign currency principally as a result of the increase in the US dollar exchange rate; and
- viii.* higher income for \$ 8.4 million during the fiscal year ended December 31, 2015 corresponding to "Management fees – Gas Trust Program", compared to the previous year.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

D) ANALYSIS OF COMPREHENSIVE RESULT AND FINANCIAL SITUATION (Cont.)

- *Cost of services*

(in million of pesos)

Accounts	Fiscal year ended 12.31.									
	2015	%	2014	%	2013	%	2012	%	2011	%
<i>Fees for professional services</i>	12.7	1.5	9.2	1.5	6.5	1.4	4.5	1.1	1.9	0.5
<i>Salaries, wages and other personnel benefits and social security contributions</i>	266.3	31.7	192.2	31.1	149.7	32.1	111.9	28.4	90.1	25.4
<i>Technical assistance fee</i>	10.1	1.2	9.5	1.5	15.9	3.4	13.8	3.5	12.4	3.5
<i>Foreign staff residence</i>	-	-	-	-	-	-	-	-	1.2	0.3
<i>Consumption of materials and spare parts</i>	38.0	4.5	33.2	5.4	23.8	5.1	18.0	4.6	17.9	5.0
<i>Maintenance and repair of property, plant and equipment and third-party services and supplies</i>	289.2	34.3	187.7	30.3	101.8	21.8	76.0	19.3	65.1	18.4
<i>Post, telecommunications, transportation, freight, and travel expenses</i>	36.6	4.3	28.3	4.4	19.3	4.1	14.7	3.7	11.7	3.3
<i>Insurance</i>	13.9	1.6	9.4	1.5	6.6	1.4	6.1	1.5	5.2	1.5
<i>Rentals and office supplies</i>	6.2	0.7	4.9	0.8	3.7	0.8	3.0	0.8	2.8	0.8
<i>Easements</i>	23.5	2.8	4.8	0.8	5.5	1.2	10.1	2.6	11.9	3.4
<i>Taxes, rates and contributions</i>	1.2	0.1	1.0	0.2	0.7	0.2	0.7	0.2	0.6	0.2
<i>Property, plant and equipment depreciation</i>	141.9	16.8	135.9	22.0	132.7	28.4	134.0	34.0	131.2	37.0
<i>Slow-moving and obsolete materials and spare parts</i>	1.8	0.2	0.5	0.1	(1.8)	(0.4)	0.6	0.1	1.6	0.4
<i>Others</i>	2.6	0.3	2.4	0.4	2.2	0.5	0.9	0.2	0.9	0.3
Total	844.0	100.0	619.0	100.0	466.6	100.0	394.3	100.0	354.5	100.0
% of Costs of services on revenues	112.4		108.2		96.4		80.2		87.1	

Accounts recording the most relevant variations between both fiscal years are as follows:

- i. \$ 74.1 million increase in *Salaries, wages and other personnel benefits and social security contributions* principally as a result of pay increases corresponding to inflation adjustment (\$ 60.4 million); higher headcount (\$ 5.4 million); higher severance charges (\$ 1.6 million); and higher one-time benefits and other charges (\$ 6.7 million); and
- ii. \$ 101.5 million increase in *Maintenance and repair of property, plant and equipment and third-party services and supplies*, mainly due to the fact that during fiscal year 2015 higher expenses were made in cleaning and weeding of facilities (\$ 7.7 million), river and erosion remediations (\$ 25.8 million), repair of gas pipelines (\$ 1.7 million), internal inspection of gas pipelines and installations (\$ 27.0 million), anti-corrosive protection, projects by class tracking and integrity (\$ 23.3 million), pipelines and compression plants maintenance (\$ 6.5 million), security and inspections (\$ 6.0 million) and other works.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

D) ANALYSIS OF COMPREHENSIVE RESULT AND FINANCIAL SITUATION (Cont.)

- *Administrative and selling expenses*

(in million of pesos)

Accounts	Fiscal year ended 12.31.									
	2015	%	2014	%	2013	%	2012	%	2011	%
Salaries, wages and other personnel benefits and social security contributions	121.2	51.4	83.7	41.6	65.7	40.2	48.9	31.6	43.9	38.2
Property, plant and equipment depreciation	2.0	0.8	1.9	0.9	1.9	1.2	1.9	1.2	1.9	1.6
Fees for professional services	16.4	6.9	14.0	7.0	13.1	8.0	7.8	5.0	5.7	4.9
Taxes, rates and contributions	88.9	37.7	65.5	32.6	57.6	35.3	49.8	32.1	42.2	36.6
Post, telecommunications, transportation, freight, and travel expenses	5.2	2.2	5.3	2.6	3.0	1.8	2.4	1.5	1.9	1.6
Maintenance and repair of property, plant and equipment and third-party services and supplies	5.9	2.5	4.7	2.3	3.7	2.3	3.2	2.1	2.3	2.0
Rentals and office supplies	3.8	1.6	3.1	1.5	2.2	1.3	2.1	1.4	1.5	1.3
Doubtful accounts	(9.9)	(4.2)	10.2	5.1	9.9	6.1	17.5	11.3	8.3	7.2
Contingencies	(6.6)	(2.8)	4.4	2.2	1.3	0.8	3.9	2.5	4.4	3.8
Statutory auditors committee's fees	2.1	0.9	1.5	0.7	1.2	0.7	1.0	0.6	0.9	0.8
Board of directors' fees	3.8	1.6	2.7	1.3	2.0	1.2	1.7	1.1	0.9	0.8
Others	3.2	1.4	4.0	2.1	1.8	1.1	14.8	9.6	1.4	1.2
Total	236.0	100.0	201.0	100.0	163.4	100.0	155.0	100.0	115.3	100.0
% of Administrative and selling expenses on revenues	31.4		35.1		33.8		31.5		28.3	

Accounts recording the most relevant variations between both fiscal years are as follows:

- i. \$ 23.4 million increase in *Taxes, rates and contributions* due to higher charges for the verification and control rate in favor of the ENARGAS (\$ 11.5 million), tax on bank transactions (\$ 5.9 million), a higher charge regarding court fees (\$ 10.8 million) related to the extension of the lawsuit against Metrogas Chile S.A. (see Note 18.1.6 to the Company's financial statements as of December 31, 2015) and an increase in the turnover tax (\$ 5.5 million). The higher charges mentioned above are partially offset by a lower charge (\$ 10.6 million) in the turnover tax, as a consequence of the mentioned extension of the lawsuit against Metrogas Chile S.A.;
- ii. \$ 37.5 million increase in *Salaries, wages and other personnel benefits and social security contributions* principally as a result of pay increases corresponding to inflation adjustment (\$ 30.6 million); higher severance charges (\$ 4.8 million); and higher one-time benefits and other charges (\$ 2.1 million);
- iii. \$ 20.1 million decrease in *Doubtful accounts* due to higher allowances set up during fiscal year 2014, related to past due customers' balances and higher recoveries of allowances during fiscal year 2015 mainly related to the customer Transportadora de Gas del Mercosur S.A.; and
- iv. \$ 11.0 million decrease in *Contingencies* as a result of the adjustment of the provisions for contingencies to the current status of lawsuits and complaints in which the Company is involved.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

D) ANALYSIS OF COMPREHENSIVE RESULT AND FINANCIAL SITUATION (Cont.)

- Other net income and expenses

(in million of pesos)

Accounts	Fiscal year ended 12.31				
	2015	2014	2013	2012	2011
Income from commercial indemnifications	0.1	7.6	163.9	47.6	108.4
Compensation for damages adjustment	(20.8)	21.5	-	-	-
Court fees	(32.9)	-	-	(63.9)	-
Net result from disposal of property, plant and equipment	3.1	0.2	1.9	(1.0)	(1.3)
Net income from sundry sales, accidents recoveries and others	27.9	0.3	5.0	4.9	3.3
Total	(22.6)	29.6	170.8	(12.4)	110.4

Causes of the most relevant variations are presented below:

- i. On March 10, 2014, the Company entered into an *addendum* to the compromise and settlement agreement signed with AES Argentina Generación S.A. on March 13, 2012, whereby the volume available for expansion is modified to 958,100 m³/day. This *addendum* generated income for \$ 21.5 million in the fiscal year ended December 31, 2014. During fiscal year ended December 31, 2015, the Company has recognized a \$ 20.8 million loss in relation to the previously mentioned compromised and settlement agreement. This loss is the result of measuring the liability with AES Argentina Generación S.A. on the basis of the gas carriage rates in force as from May 1st, 2015, as mentioned in Note 1.3.3 to the Company's financial statements as of December 31, 2015.
- ii. During fiscal year ended December 31, 2015, the Company has recognized a loss of \$ 32.9 million regarding court fees, in relation to the damages claim filed against Metrogas Chile S.A., as explained in Note 18.1.6 to the Company's financial statements as of December 31, 2015.
- iii. Higher income for \$ 27.6 million in "Net income from sundry sales, accidents recoveries and others", mainly due to: i) accidents recoveries for \$ 13.5 million; and ii) \$ 7.3 million as a consequence of the reversion of a valuation allowance related to minimum presumed income tax balances.

- Net financial results

(in million of pesos)

Accounts	Fiscal year ended 12.31.				
	2015	2014	2013	2012	2011
Generated by exchange rate differences:					
Income on exchange rate variations	598.8	337.5	253.3	146.5	78.1
Expenses on exchange rate variations	(1,082.9)	(456.6)	(393.9)	(237.1)	(146.5)
Total financial results generated by exchange rate differences	(484.1)	(119.1)	(140.6)	(90.6)	(68.4)
Financial income:					
Interest	41.1	38.8	28.9	15.2	8.7
Results from changes in fair values	195.9	108.7	52.7	6.3	4.1
Result from loans repurchase	-	19.6	5.9	-	-
Allowances recovered and others	1.9	0.9	6.4	0.5	0.3
Results on discounting at present value	15.1	-	-	101.6	-
Total financial income	254.0	168.0	93.9	123.6	13.1
Financial expenses:					
Interest	(149.0)	(118.3)	(79.4)	(138.7)	(179.4)
Results from changes in fair values	-	(2.3)	-	-	-
Expenses from loans restructuring	-	-	-	(44.7)	-
Results on discounting at present value	(69.3)	(101.5)	(130.6)	(24.4)	(22.6)
Commissions, taxes, expenses on banking and financial operations and others	(2.5)	(2.5)	(2.2)	(3.1)	(2.7)
Total financial expenses	(220.8)	(224.6)	(212.2)	(210.9)	(204.7)
Total net financial results	(450.9)	(175.7)	(258.9)	(177.9)	(260.0)

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

D) ANALYSIS OF COMPREHENSIVE RESULT AND FINANCIAL SITUATION (Cont.)

Net financial results for the fiscal year ended December 31, 2015 presented higher losses for \$ 275.2 million compared to fiscal year 2014. Accounts showing the most significant variations between both fiscal years were:

- i. higher losses for \$ 626.3 million resulting from exchange rate differences generated by liabilities denominated in US dollars, as a result of the Argentine peso devaluation against that currency during the fiscal year ended December 31, 2015;
- ii. lower profits for \$ 19.6 million in the fiscal year ended December 31, 2015, as a consequence of the loans repurchase made by the Company in the fiscal year ended December 31, 2014. (See Note 15 to the Company's financial statements as of December 31, 2015);
- iii. lower losses for \$ 47.3 million related to the long-term receivables and payables' valuation at their net present value;
- iv. higher interests for \$ 30.7 million accrued in relation to loan balances during the fiscal year ended December 31, 2015, compared to the previous year;
- v. higher profits for \$ 261.3 million resulting from exchange rate differences generated by assets denominated in US dollars as a result of the Argentine peso devaluation against that currency during the fiscal year ended December 31, 2015; and
- vi. higher results from changes in fair values for \$ 84.9 million accrued during the fiscal year ended December 31, 2015.

- *Income tax*

	<i>(in million of pesos)</i>				
	<i>Fiscal year ended 12.31</i>				
	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
<i>Current income tax</i>	<i>(3.0)</i>	<i>-</i>	<i>(8.9)</i>	<i>(62.4)</i>	<i>-</i>
<i>Deferred income tax</i>	<i>280.4</i>	<i>131.9</i>	<i>(11.5)</i>	<i>(51.7)</i>	<i>73.7</i>
<i>Total</i>	<i>277.4</i>	<i>131.9</i>	<i>(20.4)</i>	<i>(114.1)</i>	<i>73.7</i>

Income tax results corresponding to the fiscal year ended on December 31, 2015 presented higher income for \$ 145.5 million compared to fiscal year 2014. This variation is principally explained by a higher charge for deferred income tax registered in 2015. Note 8 to the Company's financial statements as of December 31, 2015 presents a breakdown of the deferred income tax assets and liabilities and the variation they registered during fiscal year 2015.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

D) ANALYSIS OF COMPREHENSIVE RESULT AND FINANCIAL SITUATION (Cont.)

- *Summary of the statement of cash flows*

	(in million of pesos)				
	<i>Fiscal year ended 12.31</i>				
	2015	2014	2013	2012	2011
<i>Cash generated by the operations</i>	16.4	33.8	178.9	65.7	93.6
<i>Income tax</i>	(277.4)	(131.9)	20.4	114.1	(73.7)
<i>Accrued interest generated by liabilities</i>	149.0	118.2	79.4	138.7	170.6
<i>Net cash flow (used in) generated by the operations</i>	(112.0)	20.1	278.7	318.5	190.5
<i>Purchases of property, plant and equipment</i>	(159.3)	(120.7)	(82.9)	(48.2)	(61.1)
<i>Collection of dividends</i>	-	-	0.8	0.7	1.6
<i>Variation of short-term investments (non-cash equivalents)</i>	193.3	(30.4)	7.8	101.5	(240.8)
<i>Net cash flow generated by (used in) the investing activities</i>	34.0	(151.1)	(74.3)	54.0	(300.3)
<i>Decrease (increase) in attachments and guarantee deposits</i>	-	4.8	(16.7)	(13.1)	-
<i>Loans payment</i>	(25.9)	(62.2)	(10.1)	(485.3)	-
<i>Net cash flow used in financing activities</i>	(25.9)	(57.4)	(26.8)	(498.4)	-
<i>Net (decrease) increase in cash and cash equivalents</i>	(103.9)	(188.4)	177.6	(125.9)	(109.8)
<i>Cash and cash equivalents at the beginning of the fiscal year</i>	250.5	350.2	123.9	208.2	282.1
<i>Financial results generated by cash</i>	63.0	88.7	48.7	41.6	35.9
<i>Cash and cash equivalents at the end of the fiscal year</i>	209.6	250.5	350.2	123.9	208.2

- *Breakdown of cash and cash equivalents*

	(in million of pesos)				
	<i>Fiscal year ended 12.31</i>				
	2015	2014	2013	2012	2011
<i>Cash and banks</i>	91.1	66.8	90.3	11.5	6.0
<i>Time deposits in US\$</i>	81.5	153.8	177.3	64.4	121.9
<i>Time deposits in \$</i>	-	-	12.2	-	30.0
<i>Mutual funds in US\$</i>	-	29.9	32.6	-	28.8
<i>Government bonds in \$</i>	-	-	-	3.4	-
<i>Mutual funds in \$</i>	37.0	-	36.6	44.6	18.3
<i>Stock exchange securities in \$</i>	-	-	1.2	-	3.2
<i>Cash and cash equivalents at the end of the fiscal year</i>	209.6	250.5	350.2	123.9	208.2

II) BUSINESS PROSPECTS (not covered by the Report of Independent Accountants)

This section, related to the Company's business, operating, financial and regulatory prospects must be complemented with the notes to the financial statements, the additional information required by Section 68 of the Buenos Aires Stock Exchange Listing Rules and by Title IV, Chapter III, Sections 1st and 12 of the CNV regulations as of December 31, 2015. This information should be jointly read, analyzed and interpreted to have a full vision of the significant corporate matters.

Business prospects for the next fiscal year:

Upon enactment of the Public Emergency Law N° 25,561 ("LEP") in early 2002 and the extension of its effectiveness since then, the gas carriage rates were pesified and frozen. Since the regulation issued after the enactment of the LEP did not establish any alternative mechanism for the adjustment of rates, the economic-

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

II) BUSINESS PROSPECTS (not covered by the Report of Independent Accountants) (Cont.)

financial equation of the License (as defined in Note 1 to the Company's financial statements as of December 31, 2015) was broken.

Between July, 1999 and March, 2014, TGN's rates were frozen in pesos, preventing the Company from continuing making investments to expand the system. Public trusts organized by the former National Secretariat of Energy replaced the Company in that role. These trusts are financed through rates that largely exceed (2.22 times) the rate collected by TGN.

On the other hand, a strong upward pressure on prices materially impacted on the Company's expenses and, despite the constant efforts to use resources efficiently, operational costs have significantly increased.

The joint effect of the mentioned rate freezing and the steady increase in costs, have materially affected the operating results of TGN, which has recorded losses since 2011. The Company has recorded operating losses over the last five years as regards the natural gas carriage utility. TGN has not received and is not receiving any subsidy from the National State and, since the year 2000, it subsidizes consumers through its rate, which does not even allow the Company to recover its operational costs.

In April 2014, the ENARGAS implemented a Temporary Agreement for rate adjustment entered into in 2008, and ratified by the National Executive Branch in 2010, which approved an increase in transportation rates of 8% as from April 1st, 2014; 14% accumulated as from June 1st, 2014, and 20% accumulated as from August 1st, 2014. The incremental collection will have to be applied to carry out investments approved by the ENARGAS. Subsequently, on June 5th, 2015 the ENARGAS ruled, through Resolution I 3348, new rate schedules that result in a 69.1% increase as from May 1st of that year. From the whereas clauses of the resolution that approves this increase, it can be inferred that it provides the recovery of the increase that, implemented by the Temporary Agreement, should had been in force as from September 1st, 2008, but was actually collected as from April 1st, 2014 and, once fulfilled that recovery, the Company will have signed an integral License renegotiation agreement.

Although TGN believes that this would be the first step towards to the regularization of its rates, the economic effect of such increases does not modify the operating losses tendency recorded by the Company during the last five years.

In case of persisting, the rate policy in force and the current salaries and prices indexes would expose TGN to a higher financial and economic imbalance, accumulating further gross and operational losses.

In this sense, on the basis of what has been discussed with the new public administration and statements made by energetic area officials and considering rates increases granted to electric utility companies in order to gradually recompose their economic-financial equations, all this during January and February, 2016, the Company has a reasonable expectation of being able to celebrate a new agreement in the short term, which would contemplate a temporary adjustment of carriage rates sufficient to face its operational costs, maintenance investments and financial liabilities' services, until the celebration of a comprehensive carriage rates revision that enables a comprehensive License renegotiation agreement.

The provision of the gas carriage public service is considered as a capital-intensive activity; therefore, income must be sufficient not only to bear the payment of taxes, operating costs and property, plant and equipment depreciation charges, but also the cost of capital -whether arising from the shareholders' contributions, reinvestment of profits, or debts with third parties-. This position has also been reinforced in the LEP, which includes "company profitability", among other aspects, as an element to be considered for the renegotiation of rates. As previously mentioned, current TGN revenues are not sufficient to cover its operating costs.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

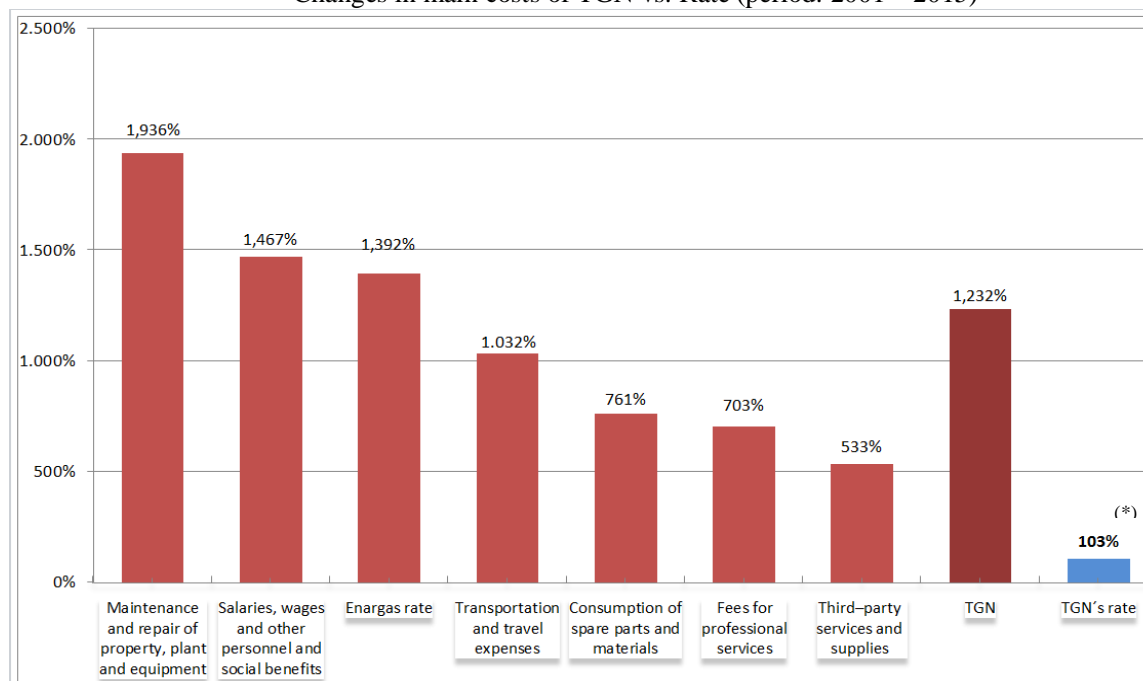
II) BUSINESS PROSPECTS (not covered by the Report of Independent Accountants) (Cont.)

Both Law N° 24,076 and the LEP establish that the rate must be sufficient to cover operational costs and to provide reasonable profitability and, additionally, the License mentions that the National State must pay compensation to TGN, in case of applying rate freezing or prices control, as it actually occurs since July, 1999. However, none of these points have been fulfilled for over more than 16 years. Additionally, it should also be mentioned that fiscal years 2014 and 2015 generated \$ 47 and \$ 93.2 million gross loss, respectively, and as of December 31, 2015, the Company's accumulated losses amounted to \$ 517.6 million which led the Company to fall within the scope of section 206 of the Argentine Corporations Law.

All in all, as previously mentioned, the Company has a reasonable expectation of being able to celebrate agreements in the short term that would allow recovering its economic-financial equilibrium.

Notwithstanding the above, it cannot currently be assured that a License renegotiation process stated by the LEP will conclude with the setting up of fair and reasonable rates, according to Law N° 24,076 standards.

Changes in main costs of TGN vs. Rate (period: 2001 – 2015)



Source: Company's internal information.

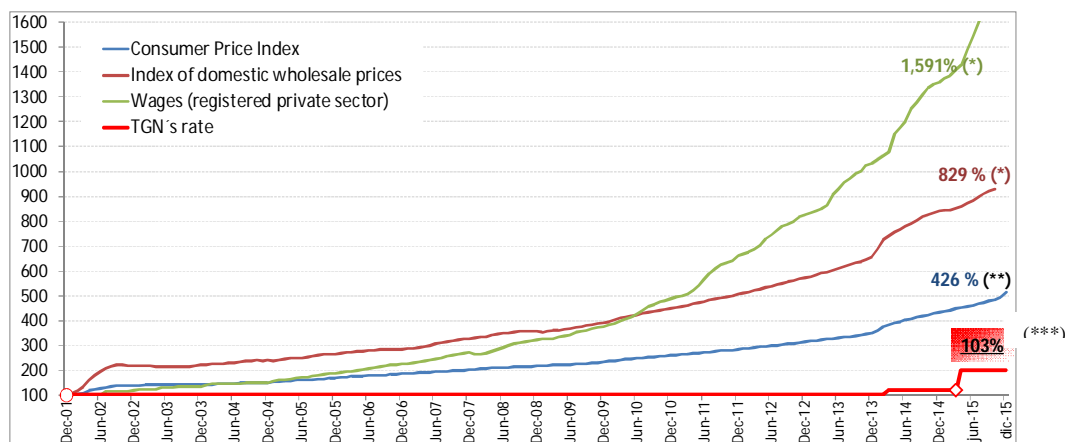
(*) Includes the 69.1% increase mentioned in Note 1.3.3 to the Company's financial statements as of December 31, 2015.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

II) BUSINESS PROSPECTS (not covered by the Report of Independent Accountants) (Cont.)

Changes in main macroeconomic indicators vs. Rate



(*) Latest available data from INDEC (October 2015).

(**) Data from Autonomous City of Buenos Aires Government (November-December 2015).

(***) Includes the 69.1% increase mentioned in Note 1.3.3 to the Company's financial statements as of December 31, 2015.

III) COMPARATIVE BALANCE SHEET STRUCTURE AT DECEMBER 31, 2015, 2014, 2013, 2012 and 2011

(in million of pesos)

	At 12.31				
	2015	2014	2013	2012	2011
<i>Non-current assets</i>	3,130	2,535	2,329	2,197	2,268
<i>Current assets</i>	745	724	809	639	978
Total	3,875	3,259	3,138	2,836	3,246
<i>Shareholders' equity</i>	312	830	1,086	1,057	843
<i>Non-current liabilities</i>	2,889	1,859	1,654	1,434	265
<i>Current liabilities</i>	674	570	398	345	2,138
<i>Subtotal liabilities</i>	3,563	2,429	2,052	1,779	2,403
Total	3,875	3,259	3,138	2,836	3,246

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

IV) COMPARATIVE STRUCTURE OF COMPREHENSIVE RESULTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015, 2014, 2013, 2012 and 2011

(in million of pesos)

	At 12.31				
	2015	2014	2013	2012	2011
<i>Loss before other net income and expenses</i>	(329.2)	(248.0)	(146.1)	(57.6)	(62.8)
<i>Other net income and expenses</i>	(22.6)	29.6	170.8	(12.4)	110.4
<i>(Loss) income before financial results</i>	(351.8)	(218.4)	24.7	(70.0)	47.6
<i>Net financial results</i>	(450.9)	(175.7)	(258.9)	(177.9)	(260.0)
<i>Result from loans restructuring</i>	-	-	280.7	575.2	-
<i>Results from investments in affiliate companies</i>	7.7	5.6	2.8	1.5	(0.4)
<i>Result before income tax</i>	(795.0)	(388.5)	49.3	328.8	(212.8)
<i>Income tax</i>	277.4	131.9	(20.4)	(114.1)	73.7
<i>(Loss) income for the fiscal year</i>	(517.6)	(256.6)	28.9	214.7	(139.1)
<i>Other comprehensive results</i>	-	-	-	-	-
<i>Comprehensive (loss) income for the fiscal year</i>	(517.6)	(256.6)	28.9	214.7	(139.1)

V) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015, 2014, 2013, 2012 and 2011

Volume dispatched in million of cubic meters:

According to the type of carriage agreement

	At 12.31				
	2015	2014	2013	2012	2011
<i>Firm carriage</i>	16,052	15,789	14,918	14,394	13,581
<i>Interruptible carriage and Exchange and displacement</i>	7,673	7,633	6,902	6,670	5,766
<i>Total</i>	23,725	23,422	21,820	21,064	19,347

According to the type of source

	At 12.31				
	2015	2014	2013	2012	2011
<i>Northern Gas pipeline</i>	10,525	10,698	8,687	8,415	8,044
<i>Central west Gas pipeline</i>	13,200	12,724	13,133	12,649	11,303
<i>Total</i>	23,725	23,422	21,820	21,064	19,347

According to its destination

	At 12.31				
	2015	2014	2013	2012	2011
<i>Domestic market</i>	23,495	23,345	21,755	21,047	19,291
<i>Foreign market</i>	230	77	65	17	56
<i>Total</i>	23,725	23,422	21,820	21,064	19,347

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014

VI) COMPARATIVE INDICATORS AT DECEMBER 31, 2015, 2014, 2013, 2012 and 2011

	<i>At 12.31</i>				
	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
<i>Current liquidity (1)</i>	<i>1.11</i>	<i>1.27</i>	<i>2.03</i>	<i>1.85</i>	<i>0.46</i>
<i>Solvency (2)</i>	<i>0.09</i>	<i>0.34</i>	<i>0.53</i>	<i>0.59</i>	<i>0.35</i>
<i>Freezing capital (3)</i>	<i>0.81</i>	<i>0.78</i>	<i>0.74</i>	<i>0.77</i>	<i>0.70</i>
<i>Result on investment (4)</i>	<i>(0.91)</i>	<i>(0.27)</i>	<i>0.03</i>	<i>0.23</i>	<i>(0.15)</i>

- (1) Current assets over current liabilities
- (2) Shareholders' equity over total liabilities
- (3) Non-current assets over total assets
- (4) Result for the fiscal year over average shareholders' equity

Autonomous City of Buenos Aires, March 8, 2016

Emilio Daneri Conte-Grand
President

Transportadora de Gas del Norte S.A.

BALANCE SHEET AT DECEMBER 31, 2015 COMPARATIVE WITH THAT AT DECEMBER 31, 2014 (in thousands of pesos)

	Note	<u>12.31.2015</u>	<u>12.31.2014</u>
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,844,199	1,830,501
Investments in affiliate companies	7	18,488	10,807
Materials and spare parts	10	73,335	39,904
Other accounts receivable	11	110,250	88,278
Deferred income tax asset	8	160,795	-
Trade accounts receivable	12	873,647	528,769
Investments at amortised cost	9	49,619	36,445
Total non-current assets		<u>3,130,333</u>	<u>2,534,704</u>
Current assets			
Materials and spare parts		17,483	14,510
Other accounts receivable	11	151,022	44,855
Trade accounts receivable	12	239,692	80,853
Investments at amortised cost	9	8,867	110,488
Investments at fair value	9	118,431	223,259
Cash and cash equivalents	13	209,602	250,489
Total current assets		<u>745,097</u>	<u>724,454</u>
Total assets		<u>3,875,430</u>	<u>3,259,158</u>

Transportadora de Gas del Norte S.A.

BALANCE SHEET AT DECEMBER 31, 2015 COMPARATIVE WITH THAT AT DECEMBER 31, 2014 (in thousands of pesos)

	Note	<u>12.31.2015</u>	<u>12.31.2014</u>
SHAREHOLDERS' EQUITY			
Common stock	14	439,374	439,374
Inflation adjustment of common stock		390,185	506,053
Legal reserve	14.2	-	73,201
Optional reserve		-	67,556
Other reserves		25	-
Retained earnings		(517,663)	(256,625)
Total shareholders' equity		<u>311,921</u>	<u>829,559</u>
LIABILITIES			
Non-current liabilities			
Contingencies	18	74,023	-
Loans	15	2,733,958	1,685,930
Deferred income tax liability	8	-	119,609
Other debts	16	45,725	34,440
Trade accounts payable	17	35,569	19,255
Total non-current liabilities		<u>2,889,275</u>	<u>1,859,234</u>
Current liabilities			
Contingencies	18	26,916	93,980
Loans	15	127,388	83,548
Salaries and social security contributions		67,943	61,663
Taxes payable		9,710	16,109
Other debts	16	30,434	28,305
Trade accounts payable	17	411,843	286,760
Total current liabilities		<u>674,234</u>	<u>570,365</u>
Total liabilities		<u>3,563,509</u>	<u>2,429,599</u>
Total liabilities and shareholders' equity		<u>3,875,430</u>	<u>3,259,158</u>

The accompanying notes 1 to 29 are an integral part of these financial statements.

Transportadora de Gas del Norte S.A.

STATEMENT OF COMPREHENSIVE INCOME AT DECEMBER 31, 2015 AND 2014 (in thousands of pesos)

	Note	<u>12.31.2015</u>	<u>12.31.2014</u>
<u>RESULT FOR THE FISCAL YEAR</u>			
Revenues	19	750,828	571,944
Cost of services	20	(844,021)	(619,000)
Gross loss		(93,193)	(47,056)
Selling expenses	20	(15,222)	(40,310)
Administrative expenses	20	(220,771)	(160,708)
Loss before other net income and expenses		(329,186)	(248,074)
Other net income and expenses	21	(22,581)	29,555
Loss before financial results		(351,767)	(218,519)
Financial results			
Generated by exchange rate differences	22	(484,110)	(119,093)
Financial income	22	253,949	168,000
Financial expenses	22	(220,775)	(224,565)
Net financial results		(450,936)	(175,658)
Results from investments in affiliate companies	7	7,681	5,647
Result before income tax		(795,022)	(388,530)
Income tax			
Current		(3,045)	-
Deferred		280,404	131,905
Subtotal income tax	8	277,359	131,905
Loss for the fiscal year		(517,663)	(256,625)
<u>OTHER COMPREHENSIVE RESULTS</u>			
Charges that will be reclassified to profit or loss			
Changes in the fair value of the derivatives held as cash flows hedge		25	-
Comprehensive loss for the fiscal year		(517,638)	(256,625)
Net result per share	23	(1.1782)	(0.5841)

The accompanying notes 1 to 29 are an integral part of these financial statements.

Transportadora de Gas del Norte S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2014 (in thousands of pesos)

Item	Common stock	Inflation adjustment of common stock	Legal reserve	Optional reserve	Other reserves	Retained earnings	Total shareholders' equity
Balances at December 31, 2013	439,374	506,053	71,757	46,495	-	22,505	1,086,184
Resolution of Ordinary Shareholders' Meeting held on April 25, 2014:							
Set up of the Legal reserve	-	-	1,444	-	-	(1,444)	-
Set up of the Optional reserve	-	-	-	27,432	-	(27,432)	-
Absorption of negative remaining balance of Retained earnings against the Optional reserve	-	-	-	(6,371)	-	6,371	-
Loss for the fiscal year	-	-	-	-	-	(256,625)	(256,625)
Balances at December 31, 2014	439,374	506,053	73,201	67,556	-	(256,625)	829,559
Resolution of Ordinary Shareholders' Meeting held on April 21, 2015:							
Absorption of the loss for the fiscal year 2014 against:							
Optional reserve	-	-	-	(67,556)	-	67,556	-
Legal reserve	-	-	(73,201)	-	-	73,201	-
Inflation adjustment of common stock	-	(115,868)	-	-	-	115,868	-
Loss for the fiscal year	-	-	-	-	-	(517,663)	(517,663)
Other comprehensive results	-	-	-	-	25	-	25
Balances at December 31, 2015	439,374	390,185	-	-	25	(517,663)	311,921

The accompanying notes 1 to 29 are an integral part of these financial statements.

Transportadora de Gas del Norte S.A.

STATEMENT OF CASH FLOWS AT DECEMBER 31, 2015 AND 2014 (in thousands of pesos)

	Note	<u>12.31.2015</u>	<u>12.31.2014</u>
Cash generated by the operations	24	16,421	33,758
Income tax	8	(277,359)	(131,905)
Accrued interest generated by liabilities	22	149,001	118,269
Net cash flow (used in) generated by the operations		<u>(111,937)</u>	<u>20,122</u>
Purchases of property, plant and equipment	6	(159,343)	(120,733)
Changes in short-term investments (non-cash equivalents)		193,275	(30,402)
Net cash flow generated by (used in) investing activities		<u>33,932</u>	<u>(151,135)</u>
Decrease in attachments and guarantee deposits		-	4,758
Loans payment		(25,850)	(62,168)
Net cash flow used in financing activities		<u>(25,850)</u>	<u>(57,410)</u>
Net decrease in cash and cash equivalents		<u>(103,855)</u>	<u>(188,423)</u>
Cash and cash equivalents at the beginning of the fiscal year		250,489	350,237
Financial results generated by cash		62,968	88,675
Cash and cash equivalents at the end of the fiscal year	13	<u>209,602</u>	<u>250,489</u>

The accompanying notes 1 to 29 are an integral part of these financial statements.

Transportadora de Gas del Norte S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

1 - GENERAL INFORMATION

1.1 - Incorporation of the Company

Transportadora de Gas del Norte S.A. (“the Company” or “TGN”) was incorporated on November 24, 1992 as a result of the enactment of Laws Nos. 23,696 and 24,076 (“Natural Gas Act”) and the issuance of National Executive Branch (“PEN”) Decree No. 1,189/92, whereby the privatization of the natural gas carriage and distribution services and the setting up of the companies that would receive the licenses to operate those services were established. The Company was granted a license (the “License”) pursuant to which TGN is authorized to provide the public service of gas carriage through the exclusive utilization of its two pipelines in the northern and central-western regions of Argentina.

1.2 - Argentine economic context, energy crisis and its impact on the economic and financial position of the Company

In view of the major changes in the main macroeconomic variables that the Argentine Republic has recorded since the end of 2001, as from January 2002 the National State issued laws, executive orders and regulations that involved a deep change to the then prevailing economic model, which produced the material effects on the Company’s economic and financial equation, its business and the regulatory framework. The most significant changes are mentioned below:

- (i) The Public Emergency Law 25,561 (“LEP”) established the pesification of the rates of carriage of natural gas destined for the domestic market and the repeal of the semi-annual adjustment mechanism based on the Producer Price Index (“PPI”). Furthermore, the LEP authorized the PEN to renegotiate the public works and services contracts and rates. At the date of issuance of these financial statements, and considering what is mentioned in Note 1.3.3, no substantial progress has been made regarding rates renegotiation. Note 1.3 details several issues relating to the rates, the License and the implications of the amendments introduced by the LEP within the Company’s regulatory framework.
- (ii) As from 2004 the National State adopted a series of measures to redistribute the effects of the energy sector crisis derived from a natural gas and electricity shortage. The former National Energy Secretariat, the former Fuel Under-secretariat and the National Gas Regulatory Entity (“ENARGAS”) have issued a series of rules establishing precautionary measures to prevent a shortfall in domestic natural gas supply and its effects on the wholesale electricity supply, including measures that led to almost cessation of exports of natural gas to first ensure the supply of domestic consumption. The creation of trust funds was also established to finance investments in the expansion of the capacity of the natural gas carriage and distribution systems and gas imports. These government measures, that ultimately did not prevent that Argentine Republic returned to depend on fuel importation, have produced negative results regarding TGN’s gas carriage agreements. In that sense, material controversies have arisen in relation to certain export customers.
- (iii) As indicated in Note 1.3.6, on December 22, 2008 the Board of Directors of the Company decided to postpone the payment of the principal and interest installments on the negotiable obligations that would fall due since that date (it is important to mention that during August 2012, the Company signed a restructuring agreement in relation to its financial liabilities. Refer to Note 15). In that context, on December 29, 2008, through Resolution I/587 the ENARGAS established an intervention in TGN for 120 days, as well as a comprehensive audit in charge of the intervener. Upon expiration of such term, the intervention was repeatedly extended by ENARGAS resolutions. This intervention ended on December 15, 2015.

Transportadora de Gas del Norte S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

- (iv) The characteristics of the economic environment and the legal and regulatory framework in which the Company is currently operating and the current status of the renegotiation of the License, give rise to a material uncertainty that may cast a significant doubt as to the future cash flows' sufficiency to recover non-current assets, the re-payment of the financial debts, the future development of the Company's business and the normal continuity of its operations as a going concern.

The impact generated by all the measures adopted so far by the National State on the balance sheet and financial position of the Company as of December 31, 2015 was calculated on the basis of evaluations and estimates used by the Board of Directors at the date these financial statements were issued. The future development of the economy might require that the National State modify some measures adopted or issue additional regulations. However, it is important to remark that actual future results could differ from the evaluations and estimates made at the date of issuance of these financial statements and these differences could be significant.

1.3 - Regulatory framework

1.3.1 - General

The Natural Gas Act and its regulations, together with the License, the Transfer Agreement, the Bidding Terms and Conditions for the privatization of Gas del Estado S.E. ("GdE") and the resolutions adopted by the ENARGAS establish the legal framework within which the Company carries out its business activities. The License was granted for an original term of 35 years, which expires in December 2027. However, the Natural Gas Act and the License provide that TGN may apply to ENARGAS for a renewal of the License for an additional ten-year term. ENARGAS is required at that time to evaluate the Company's performance and make a recommendation to the PEN.

1.3.2 - Rates

Gas carriage service's rates were established by the License and are regulated by the ENARGAS. The Natural Gas Act establishes that rates must cover reasonable operating costs, taxes and depreciations charges, enable obtaining reasonable profit margins similar to those derived from other comparable or equivalent risky activities and must be related to the degree of efficiency in the providing of the services. In accordance with the original conditions of the License, and up to the enactment of the LEP, rates were subject to the following until expiration thereof:

- i. adjustments for the five-yearly review of rates by the ENARGAS, which affect as far as possible the "X" efficiency factor and "K" investment factor, where "X" reduces the rate as a counterpart for increased efficiency and "K" increases rates to encourage unprofitable investments;
- ii. semi-annual adjustments to reflect PPI variations;
- iii. non-recurring adjustments to reflect the variations in the costs resulting from changes in tax regulations (except in the case of variations in income tax); and
- iv. unplanned adjustments for other objective and justifiable reasons at the discretion of the ENARGAS.

As mentioned in Note 1.2, the LEP established the pesification of natural gas carriage rates of gas destined for the domestic market and the repeal of the semi-annual adjustment mechanism based on the PPI.

1.3.3 - License

Under the provisions of LEP, the PEN is entitled to renegotiate the terms of the licenses granted for the provision of public services based on the following criteria: (i) the impact of the rates on the competitiveness of the economy and the distribution of people's income; (ii) the quality of the services and the investment plans, as contractually agreed;

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(iii) the customers' interests and accessibility to the services; (iv) the safety of the systems; and (v) the profitability of the companies.

In 2002, the PEN created an ad-hoc Committee and started the renegotiation process, for which it set a work schedule that was to be completed in June 2002 with the execution of renegotiation agreements. Although TGN submitted all the information that was requested, the committee failed to meet its objectives, and was replaced by the Unit for the Renegotiation and Analysis of Public Utility Contracts ("UNIREN") in July 2003. In February 2016, the UNIREN was dissolved and the renegotiation of the natural gas carriage and distribution licenses was transferred to Energy and Mining and Finance Ministries.

Since 2002 and up to the end of fiscal year 2015, no significant progress has been registered in this process. The 20% temporary rate increase agreed by TGN and the national authorities in October 2008 and ratified by presidential Decree in April 2010, was implemented on a step-up basis as from April 2014, reaching the full 20% in August 2014. During June 2015 the ENARGAS ruled, through its resolution I 3348, new rate schedules that result in a 69.1% increase as from May 1st of that year. From the whereas clauses of the resolution that approves this increase, it can be inferred that it provides the recovery of the increase that should had been in force as from September 1st, 2008. Although auspicious, the mentioned increases (the first since July 1999) are far from meeting in-force rate standards, do not revert the constant operating losses registered by the Company during the last five consecutive years and are discriminatory when compared to increases granted to other gas licensees. In contrast, average TGN's costs have increased by over 1,230% since 2001.

Although TGN has been able to maintain the provision of the utility service, it has been at the expense of its decapitalization. As of December 31, 2015, the Company's accumulated losses amounted to \$ 517.6 million, which exceeded more than 50% of the common stock and the inflation adjustment of common stock, and consequently the Company fell within the scope of section 206 of the Argentine Corporations Law. Current condition is not sustainable, which triggers a PEN's urgent restoration the License's economic-financial equation.

In this sense and on the basis of what has been discussed with the current energetic area officials, and based on statements made by these officials and rates increases granted to electric utility companies, all this during January and February, 2016, TGN has a reasonable expectation of being able to celebrate a new agreement in the short term, which would contemplate a temporary adjustment of carriage rates sufficient to face its operational costs, maintenance investments and financial liabilities' services, until the celebration of a comprehensive carriage rates revision that enables a comprehensive License renegotiation agreement under the Natural Gas Act general guidelines.

The celebration of a comprehensive License renegotiation agreement will imply, among others, the challenge of dealing with the National State's requirement on adding an indemnity clause in its favor, which would transfer to TGN the effects of judgments or arbitration awards which, with regard to its License, shall condemn Argentine Republic to pay indemnifications to the Company's shareholders based on the effects of LEP.

1.3.4 - Technical assistance agreement

According to its regulatory framework, TGN receives technical assistance from certain indirect controlling shareholders. Such assistance covers, among others, issues relating to system performance, security, environment, preventive maintenance, in-house procedures, training, information technology systems and compliance with certain international standards governing the gas carriage industry. Since October 2013, contractual compensation amounts to \$ 5 million.

The technical assistance agreement will expire on December 31, 2017. In consideration of the decision to postpone the due dates of TGN financial debt adopted on December 22, 2008, the Board of Directors resolved to temporarily

Transportadora de Gas del Norte S.A.

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suspend effective December 31, 2008 the payments of fees envisaged in the technical assistance agreement. Furthermore, those payments are subject to the fulfillment of certain requirements established by financial agreements currently in force. Payments were resumed in December 2014.

1.3.5 - Decrease in revenues from carriage of gas for export

Effective February 2004, the National State adopted a series of measures, still in force, to ensure a natural gas supply sufficient to satisfy domestic demand, considerably limiting gas exportation. Dispatched export volume has systematically decreased from 2006 until the end of this fiscal year. As mentioned in Note 1.2 (ii), gas exports practically ceased. In that context, YPF S.A. (“YPF”) ceased to pay and initiated administrative and judicial actions to obtain the rescission without negligence of the gas carriage contract, and the Chilean distributor Metrogas S.A. (“Metrogas”) attempted to unilaterally rescind the agreement and claimed compensation. On April 2015 TGN rescinded the firm gas carriage contract for export with Metrogas, due to repeated unfulfillments by the loader. YPF and Metrogas recorded unpaid balances of \$ 968.5 million and \$ 1,482.1 million, respectively, as of December 31, 2015, so the Company has set up an allowance of \$ 1,225.3 million to cover the uncollectible past due balance for the carriage service. Disputes with these customers are described in Notes 18.1.4 and 18.1.6 to the Company’s financial statements.

1.3.6 - Loan payments postponement and intervention established by the ENARGAS

On December 22, 2008, the Board of Directors of TGN decided that it was necessary for the Company to postpone the negotiable obligations’ principal and interest payments that would fall due since that date. Although this decision was made to explicitly maintain the safe and reliable provision by TGN of the public utility natural gas carriage service, as called for by the Natural Gas Act and Section 10 of the LEP, on December 29, 2008, through Resolution I/587 the ENARGAS established the intervention in TGN for 120 days and designated an intervener with powers of “*co-administration, surveillance and control of all the usual acts of administration and disposition that may affect the normal provision of the public utility gas carriage service by TGN under the License*”. By this resolution, the ENARGAS also established that a comprehensive audit should be conducted at TGN.

TGN challenged the legality of Resolution I/587 as regards the corporate joint management and in March 2009, Room I of the Federal Court of Appeals in administrative litigation matters resolved as follows: (i) to stay the effects of ENARGAS Resolution I/587 which had established an intervention in TGN and appointed an intervener with powers of company co-administration; (ii) to maintain the control and superintending powers vested in the officer appointed by the ENARGAS with respect to all the acts that may reasonably affect the normal provision of the public utility service by TGN; and (iii) to order the ENARGAS to return to TGN the meeting minutes books that had been withdrawn by the intervener from TGN’s principal place of business.

The aforementioned appeal filed by TGN was declared “insubstantial” by the Federal Court of Appeals in administrative litigation matters on August 5, 2013. This was due to the fact that the successive extensions of Resolution I/587 did not consider the power of company co-administration. The Company filed an extraordinary appeal against the decision of the Federal Court of Appeals on the grounds that the case is a current issue. The appeal was granted and the case is now set for the National Supreme Court to issue a decision. Since the mentioned intervention ended in December 2015, it is likely that the judicial process would be declared abstract.

2 - PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

These financial statements have been issued in accordance with the International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”). The National Securities Commission (“CNV”) through its General Resolution N° 622/13, established the implementation of the Technical Resolutions N° 26 and 29 of the Federación Argentina de Consejos Profesionales de Ciencias Económicas, which adopt IFRS,

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issued by the IASB, for the entities encompassed by the public offering regime, either because of their capital or negotiable obligations, or because those entities have requested authorization to be encompassed by this regime.

Furthermore, the provisions of ENARGAS Resolution No. 1,660/00 (as amended by Resolution No. 1,903/00) regulating certain valuation and disclosure criteria for the regulated natural gas carriage and distribution activity have been applied. These criteria are similar to those established by IFRS.

If applicable, certain amounts from prior financial statements have been reclassified in order to comply with comparative presentation with these financial statements.

2.1 - Accounting estimates and policies

The preparation of financial statements requires the Company's Board of Directors to make estimates and assessments that affect the reported valuation of assets and liabilities at the date of issuance of these financial statements as well as income and expenses recorded for the fiscal year. However, actual results and amounts may significantly differ from the estimations used to prepare these financial statements.

Such estimates are affected by uncertainties related to changes in the economic environment, and the legal and regulatory framework in which the Company is currently operating, as well as by the current status of the License renegotiations and the consequences of the gas supply shortage (mentioned in Note 1). In this context, there is a material uncertainty that may cast a significant doubt as to the generation of future cash flows sufficient to recover non-current assets, the re-payment of financial debts, the future development of the Company's business and the normal continuity of its operations as a going concern.

The aspects involving a higher degree of complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 – Accounting policies

2.2.1 - Interpretations and standards issued but not yet adopted

At the date of issuance of these financial statements we are not aware of IFRS issued and applicable to the Company or to its affiliates, that has not been properly considered.

2.3 - Investments in affiliate companies

Affiliate companies are all entities over which the Company exerts significant influence. Investments in affiliate companies are valued using the equity method of accounting. Investments in affiliate companies Comgas Andina S.A. ("COMGAS") and Companhia Operadora do Rio Grande do Sul ("COPERG") have been valued at equity value, on the basis of the financial statements of these companies (see Note 7). TGN keeps an allowance to fully cover its investment in the Brazilian company COPERG, due to the fact that the expectations on which the business was made have not been fulfilled. As a result, it is estimated that the reduced level of activity of that company will not allow recovering the value of the investment.

2.4 - Functional currency

(a) Functional and presentation currency

Items included in the Company's financial statements are stated using the currency of the primary economic environment in which the entity operates ("functional currency").

Transportadora de Gas del Norte S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

(b) Transactions and balances

Foreign currency transactions are converted into the functional currency based on the exchange rate prevailing at the dates of the transactions or at the date of the financial statements in the case of receivable or payable balances. Income and expenses from exchange rate difference resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currency are recognized in the statement of comprehensive income. Exchange rate differences (income or expenses) are shown in the statement of comprehensive income under “Net financial results”.

2.5 - Property, plant and equipment

Fixed assets received from GdE at the start of the Company’s operations have been valued at their global transfer price stated in the Transfer Agreement. The assets acquired or built after the takeover date have been valued at acquisition or construction cost, including the costs of materials, labor and overheads until they were placed into service.

The Company has considered as elements forming part of the value of property, plant and equipment the net financial costs generated by third parties’ capital, referred to fixed assets whose construction extends over time and until they are placed into service. The values mentioned above are shown net of accumulated depreciation. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Accounting and tax depreciation charges are calculated according to the straight line method at annual depreciation rates sufficient to extinguish the original values at the end of their useful lives. In determining the useful life, the ENARGAS regulations have been considered, among other parameters. Considering the economic and financial projections prepared by the Company on the basis of the best estimate in accordance with the guidelines stated in Note 4 and the resolution of the uncertain situations mentioned in Notes 1.2 and 1.3, the aggregate property, plant and equipment book value does not exceed its recoverable value. In this regard, the Company monitors the performance of the variables considered in those projections when there is evidence that the net book value of property, plant and equipment items might not be recoverable.

2.6 - Financial instruments

2.6.1 - Recognition and valuation

All financial instruments have been recognized and derecognized on the trade date, i.e. the date on which the Company purchases or sells the instruments. Financial assets are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss. As for these financial assets, transaction costs are recognized as a financial expense in the statement of comprehensive income.

Investments are derecognized when the rights to receive their cash flows expire or are transferred and the Company no longer possesses substantially all the risks and rewards of ownership. Trade accounts receivable and other accounts receivable are valued at amortised cost applying the effective interest rate method. Profits and losses from changes in the fair value of financial assets at fair value through profit or loss are included in the statement of comprehensive income under “Net financial results”, in the fiscal year in which the aforementioned changes take place.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

2.6.2 - Classification

The Company classifies its financial instruments into the following categories: financial assets at fair value through profit or loss, financial assets at amortised cost and financial liabilities at amortised cost. This classification depends on the way the Company manages its financial assets and the characteristics of the contractual cash flows thereof.

The Company has a policy approved by the Board of Directors, which describes the criteria to value its investments in financial assets and establishes the General Director's monitoring mechanisms, related to the adequate implementation of those criteria.

2.6.2.1 - Financial assets at fair value through profit or loss

Financial assets at fair value included within this category are mutual funds and certain government bonds.

2.6.2.2 - Financial assets at amortised cost

The following items have been included in this category: time deposits, other investments, VRD Bonds in \$, trade accounts receivables and certain balances classified as other accounts receivables.

2.6.2.3 - Financial liabilities at amortised cost

The Company has determined that all financial liabilities are valued at amortised cost using the effective interest rate method.

2.6.3 - Impairment

The Company assesses at each date of issuance of its financial statements if there is objective evidence of impairment or deterioration of a financial asset valued at amortised cost. A financial asset is impaired and an impairment loss is recognized if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and such event, or events, have an impact on the estimated future cash flows from the financial asset.

2.7 - Materials and spare parts

Materials and spare parts are recorded at their historical cost. This cost is calculated according to the "Weighted Average Price" method. The breakdown of materials and spare parts into current and non-current has been performed based on the estimated consumption plan. An allowance for slow-moving and obsolete materials and spare parts is determined for those slow-moving or obsolete assets. Considering the economic and financial projections prepared by the Company on the basis of the best estimate, in accordance with what it is mentioned in Note 4 and the resolution of the uncertainties mentioned in Notes 1.2 y 1.3, the book value of materials and spare parts does not exceed their recoverable value.

2.8 - Trade accounts receivable and other accounts receivable

Trade accounts receivable represent the amounts due from customers for services rendered by the Company in the normal course of its business. If they are expected to be collected within one year or less, they are classified as current assets. Otherwise, they are disclosed as non-current assets. Non-current trade receivables are principally related to the customers in dispute mentioned in Notes 18.1.4 and 18.1.6 and have been valued at the best possible estimate of the amounts receivable discounted at a rate reflecting the time value of money and the specific risks of the transaction, considering the estimated collection term. The other accounts receivable have been valued at

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amortised cost applying the effective interest rate method, net of an allowance for doubtful accounts. The allowance for doubtful accounts and disputed amounts for trade receivables and other accounts receivables is recorded when there is objective evidence of a risk related to the collection of amounts due, according to the original terms of the receivables. Book value of trade accounts receivable and other accounts receivable does not present material differences when compared to its fair value.

2.9 - Cash and cash equivalents

This item includes available cash, bank deposits and other short-term liquid investments originally falling due within three months or less. Available cash and bank deposits are measured at nominal value. Time deposits are valued at their amortised cost. Mutual funds are valued at their fair value. Note 13 provides a breakdown of cash and cash equivalents.

2.10 - Common stock

The ordinary shares are recorded at its nominal value. The difference between common stock stated in constant currency and its historical nominal value is shown under "Inflation adjustments of common stock" in the statement of changes in shareholders' equity.

2.11 - Trade accounts payable and other debts

Trade accounts payable represent payment obligations for goods and services purchased from suppliers in the normal course of the Company's business. Trade accounts payable and other debts are classified as current or non-current liabilities depending on the date on which the Company obligation to settle these liabilities becomes due. Trade accounts payables and other debts have been valued at their amortised cost, according to the effective interest rate method. Book value of trade accounts payable and other debts do not present material differences when compared to its fair value.

2.12 - Loans

Loans have been valued at their amortised cost. Any difference between the funds received (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income, using the effective interest rate method. Loans are classified as current and non-current liabilities, depending on the date on which the obligations to make payments of principal and interest become due.

2.13 - Income tax and minimum presumed income tax

(a) Income tax

The Company has recognized the income tax charge using the deferred tax method, recognizing temporary differences between accounting and tax valuations of assets and liabilities. To calculate deferred income tax, the tax rate expected to be in effect at the time of reversal or use has been applied to temporary differences identified, considering the regulations in effect at the time of issuance of these financial statements.

(b) Minimum presumed income tax

The Company computes the minimum presumed income tax by applying the current 1% rate on computable assets at the end of each fiscal year. This tax complements income tax and the Company's tax obligation will be the higher of these two taxes. However, if in a fiscal year minimum presumed income tax obligation exceeds income tax liability, the surplus will be computable as a payment on account of income tax through the next ten fiscal years.

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The Company has recognized the minimum presumed income tax paid in prior fiscal years and the amount accrued during the current fiscal year as a tax credit, because it estimates that in future fiscal years it will be computable as a payment on account of income tax. This tax credit has been measured at nominal value, net of allowance for doubtful recoverability.

2.14 - Contingencies

The provisions for labor, civil and contentious lawsuits, are recognized when the Company has a legal or constructive obligation as a result of past events, it is likely that an outflow of cash will be required to settle the obligation, and the amount can be reliably estimated. Provisions for contingencies are measured at their estimated present value of the cash required to settle the obligation.

2.15 - Revenue recognition

Firm carriage revenues are recognized based on the accrued contracted capacity reserved, regardless of actual usage. For interruptible carriage service contracts, revenues are recognized upon the delivery of natural gas. For operating and maintenance service contracts, revenues are recognized when services are provided.

The Company has recorded an allowance for differences between the total amount invoiced according to contractual conditions and the estimate of the recoverability of certain balances in contractual and regulatory dispute (Note 1.3.5). These allowances are recorded adjusting the Revenues line.

According to the basic rules of the license, turnover tax and tax on bank transactions, related to regulated services, is passed through the customers by the Company via increases in the monthly billings. Revenues from management fees relating to gas trust program (Note 27) are recognized on the basis of the work progress.

2.15.1 - Interest

Interest income is recognized based on the proportion of time elapsed, using the effective interest rate method with the original rate of the instrument.

2.16 - Balances with related parties

Intercompany receivables and liabilities arising from sundry transactions with the controlling shareholder, affiliate companies and other related parties have been valued according to current market conditions. Individuals and companies included in Law N° 26,831, Section 72, have been considered as related parties.

2.17 - Commitments

The Company does not possess any expenses committed to but not incurred at the date of these financial statements that are not properly valued and disclosed.

2.18 - Purpose of these financial statements

These financial statements have been translated from the financial statements for the fiscal year ended December 31, 2015 including the summary of information required by the CNV, the additional information to the notes required by Section 68 of the Buenos Aires Stock Exchange Listing Rules, by Title IV, Chapter III, Sections 1st and 12 of the CNV regulations, prepared in Spanish and originally issued in the Argentine Republic. The translation into English has been made solely for the convenience of English-speaking readers, and certain notes have been rephrased to facilitate the understanding of legislation and the local economic environment.

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3 - FINANCIAL RISK MANAGEMENT

3.1 - Financial risk factors

The activities of the Company expose it to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Company has an investment policy that provides a conceptual framework within which investments and fund placements are made, minimizing exposure to capital risk, maximizing return based on the specific characteristics of the market, and maintaining liquidity levels necessary for its ordinary operations.

3.2 – Capitalization risk administration

The following table shows the Company's capitalization as of December 31, 2015 and 2014:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Current loans	127,388	83,548
Non-current loans	<u>2,733,958</u>	<u>1,685,930</u>
Total loans	2,861,346	1,769,478
Common stock	439,374	439,374
Inflation adjustment of common stock	390,185	506,053
Legal reserve	-	73,201
Optional reserve	-	67,556
Other reserves	25	-
Retained earnings	<u>(517,663)</u>	<u>(256,625)</u>
Total shareholders' equity	<u>311,921</u>	<u>829,559</u>
Total capitalization	<u>3,173,267</u>	<u>2,599,037</u>

3.3 - Market risks

3.3.1 - Currency risks

The Company is exposed to the exchange rate risk, since most of its revenues are denominated in local currency and all of its financial debt is denominated in US dollars. In the case of devaluation or significant inflation without an adequate adjustment of rates, the Company might not be able to meet its financial commitments.

Notwithstanding the above, it should be noted that part of the investments are made in financial instruments adjusted by the variation of the US dollar or is directly issued in US dollars, thus enabling the Company to partially mitigate the risk of a devaluation. The potential impact on the statement of comprehensive income and the statement of changes in shareholders' equity resulting from each percentage point of devaluation of the peso against the US dollar would account for an approximate loss of \$ 15 million, provided that the other economic and financial variables affecting the Company remain stable. This sensitivity analysis is based on reasonable information and assumptions. Yet, actual results might differ significantly from such analysis.

3.3.1.1 – Hedge transactions regarding currency risk – Financial liabilities' interests payments (Note 15)

TGN have designated derivative instruments (foreign currency forward contracts) as hedges of foreign currency risks associated with certain financial liabilities' interest payments. These transactions have been classified as cash flow hedges. The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. Amounts accumulated in equity are then recognized in the income statement in the

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same period than the offsetting losses on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

For the mentioned hedge forward contracts, TGN documented at the inception of these transactions the relationship between hedging instruments and hedged items, as well as its objective, which is no other than hedging the exchange rate risk that would generate a variation in that rate, in order to honor its financial obligations related to the Step-up Notes as of December 31, 2015 and payable in March and June, 2016 (Refer to Note 15 – Loans). At December 31, 2015, the effective portion of designated cash flow hedges amounts to \$ 25 thousands and is included in Other Reserves in equity.

Information related to derivative instruments designated as hedges, is presented below:

Type of transaction	Amount (in US\$ millions)	Maturity	Risk hedged
US Dollar forward purchase - ROFEX	1.5	March, 2016	Financial interests cash payments for US\$ 1.5 million in March, 2016
US Dollar forward purchase - ROFEX	1.5	June, 2016	Financial interests cash payments for US\$ 1.5 million in June, 2016

Additionally, a guarantee for \$ 8.1 million has been granted in relation to these contracts, which is exposed as “other accounts receivables”. Refer to Note 11.

3.3.2 - Price risks

The Company is exposed to the risk of fluctuations in the price of the investments held and classified in its balance sheet as at fair value through profit or loss. To manage the exposure to price risk, the Company diversifies its portfolio by instrument. Portfolio diversification is done in accordance with the limitations set forth in the TGN’s investment policy.

3.3.3 - Interest rate risks on fair value and cash flows

The Company does not record liabilities accruing interest at variable rates.

3.4 - Credit risks

Credit risk related to investments arises from the credit standing of the financial instrument and of the counterpart where such instrument is deposited. Minimum levels of credit rating are established for financial instruments and counterparts in the investment policy, which vary depending on the instrument, currency and market. The financial institutions with which the Company is authorized to operate should have high credit ratings and/or strong presence in the market in which they operate. Lastly, limits are set to allow diversification by instrument as well as by institution.

In relation to customers, the Company uses independent risk ratings, provided that they are available, or otherwise, the Finance and Planning Department and the Commercial Department jointly assess a customer’s credit rating considering its financial situation, experience and other factors. If the analysis shows that the customer possesses certain risks related to the payment or compliance with its obligations, actions to eventually mitigate such risks are assessed (mainly payment guarantees).

Credit risk with export customers is explained in Note 1.3.5.

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3.5 - Liquidity risks

Short and medium term cash flow forecasting is performed on a regular basis to ensure sufficient cash available to meet the Company's operational and maintenance needs.

The Company's Finance and Planning Department invests cash surplus in interest-bearing accounts, time deposits, mutual funds and securities, choosing instruments with adequate maturity dates or sufficient liquidity to be able to meet the needs mentioned above. The table below includes an analysis of the financial liabilities grouped on the basis of the remaining terms, from the date of the financial statements to the date of maturity.

At December 31, 2015	Less than 3 months	Between 3 months and a year	Between 1 and 2 years	More than 2 years	Without set term
Loans	-	127,388	352,674	2,381,284	-
Trade accounts payable, other debts and taxes payable	244,591	55,026	3,234	31,905	147,182

At December 31, 2014	Less than 3 months	Between 3 months and a year	Between 1 and 2 years	More than 2 years	Without set term
Loans	-	83,548	83,560	1,602,370	-
Trade accounts payable, other debts and taxes payable	271,390	11,319	1,594	17,661	27,552

3.6 - Fair value estimation

Different valuation levels for financial instruments carried at fair value were defined as follows:

- * Level 1: Quoted prices in active markets for identical assets.
- * Level 2: Information different from the quotation price included in Level 1 that can be confirmed for assets, both directly (i.e., prices) or indirectly (i.e., derived from prices).
- * Level 3: Information on assets not based on data that can be confirmed in the market (i.e., non-observable data).

The value of financial instruments traded in active markets is based on the quoted market prices at the date of the financial statements. The market quoted price used for financial assets held by the Company is the price offered at December 31, 2015. These instruments are included in Level 1 and comprise mainly investments in mutual funds and government bonds. The following table shows the Company's Level 1 assets measured at fair value at December 31, 2015 and 2014:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Financial assets at fair value:		
Mutual funds	37,010	29,910
Government bonds	118,431	223,259
Total financial assets at fair value	<u>155,441</u>	<u>253,169</u>

4 - CRITICAL ACCOUNTING ESTIMATES

The preparation of these financial statements requires the Company's Board of Directors uses estimates that affect the valuation of contingent assets and liabilities disclosed at the date of issuance of these financial statements, as

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well as the incomes and expenses recorded in the pertinent fiscal year. However, future actual results may significantly differ from those estimates and assessments used in the preparation of these financial statements. The changes in the economic environment, the legal and regulatory framework in which the Company is currently operating, the current status of the renegotiation of the License and the consequences of the gas supply shortage (mentioned in Note 1) affect those estimates. In this context, there is a material uncertainty that may cast a significant doubt as to the generation of future cash flows sufficient to recover non-current assets, the re-payment of financial debts, the future development of the Company's business and the normal continuity of its operations as a going concern. The most significant estimates and assumptions are as follows:

a. Contingencies

TGN is exposed to different claims, lawsuits and other legal proceedings in which a third party seeks for a compensation or indemnity. The valuation of the liabilities related to those claims, lawsuits and legal proceedings cannot be accurately estimated. Periodically and with its legal advisors, the Company analyzes the situation of each significant issue, and assesses the potential effect on the financial statements. If the potential loss derived from the claim or proceeding is considered probable and the amount can be reasonably estimated, a provision for contingencies is recorded.

b. Recoverable value of non-current assets

Main assumptions used to analyze the recoverability of the non-current non-financial assets are presented in Note 6.1.

5 - BUSINESS SEGMENT INFORMATION

Segment reporting is presented in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The Company's General Director has been identified as CODM. The management information used by the CODM in decision making is prepared on a monthly basis, in million of US dollars, and does not include any breakdown by business segment, which means that the information is presented as a single segment and corresponds to the total for the Company. It has been determined that the representative measure used for decision making by the CODM is the "management EBITDA", together with the projects for expenses and acquisitions of "Property, plant and equipment".

Below is the information provided to the CODM (in million of US dollars):

	<u>12.31.2015</u>	<u>12.31.2014</u>
Total income (in million of US dollars)	79.4	67.3
Technical assistance fees	(1.1)	(1.2)
Salaries, social security contributions and other personnel benefits	(41.5)	(33.4)
Operating expenses	(34.0)	(29.0)
Expenses projects	(22.7)	(14.8)
Total operating costs	<u>(99.3)</u>	<u>(78.4)</u>
Management EBITDA	<u>(19.9)</u>	<u>(11.1)</u>
Acquisitions of property, plant and equipment	<u>(17.0)</u>	<u>(14.5)</u>

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Below is shown a reconciliation of management EBIDTA to the result before income tax and income reconciliation:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Management EBITDA in millions of US dollars	(19.9)	(11.1)
Average exchange rate	9.168	8.125
Management EBITDA in millions of pesos	<u>(182.0)</u>	<u>(90.2)</u>
Property, plant and equipment depreciation	(143.9)	(137.8)
Other net income and expenses	(25.9)	9.6
Net financial results	(450.9)	(175.7)
Results from investments in affiliate companies	7.7	5.6
Result before income tax	<u>(795.0)</u>	<u>(388.5)</u>
Total income in millions of US dollars	79.4	67.3
Translation into millions of pesos	740.6	522.6
Turnover tax	20.2	25.3
Doubtful accounts	(9.9)	10.2
Income from commercial indemnifications and others	(0.1)	13.9
Total revenues in million of pesos	<u>750.8</u>	<u>572.0</u>

5.1 - Information on services

In millions of US dollars

Gas carriage	65.5	58.3
Gas pipelines operation and maintenance	8.1	6.6
Management fees – Gas Trust Program	2.9	2.3
Others	2.9	0.1
Total revenues	<u>79.4</u>	<u>67.3</u>

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6 - PROPERTY, PLANT AND EQUIPMENT

	12.31.2015											Net book value	
	Original values					Depreciation							
	At the beginning of the fiscal year	Increases	Disposals	Transfers	At the end of the fiscal year	At the beginning of the fiscal year	Amount for the fiscal year	Disposals	Transfers	Accumulated at the end of the fiscal year	12.31.2015	12.31.2014	
Land	3,401	-	-	-	3,401	-	-	-	-	-	3,401	3,401	
Buildings and constructions	78,786	-	(1)	443	79,228	29,496	1,580	-	-	31,076	48,152	49,290	
Installations	2,349	-	-	24	2,373	1,194	93	-	-	1,287	1,086	1,155	
Gas pipelines	2,100,231	-	(27)	9,627	2,109,831	984,197	59,775	(13)	-	1,043,959	1,065,872	1,116,034	
Investments in pipeline maintenances	195,511	-	-	33,679	229,190	62,103	17,529	-	-	79,632	149,558	133,408	
High-pressure branch lines	980	-	-	-	980	436	29	-	-	465	515	544	
Compressor plants	971,349	-	(826)	40,313	1,010,836	684,257	47,944	(690)	-	731,511	279,325	287,092	
High-pressure control and/or measurement stations	73,195	-	(224)	524	73,495	56,119	2,855	(215)	-	58,759	14,736	17,076	
Other technical installations	50,445	-	-	1,467	51,912	39,258	2,239	-	-	41,497	10,415	11,187	
Machinery, equipment and tools	29,635	417	(116)	-	29,936	25,981	1,020	(111)	1	26,891	3,045	3,654	
IT and telecommunication systems	83,643	7,822	(375)	-	91,090	57,131	6,033	(257)	-	62,907	28,183	26,512	
Vehicles	31,543	2,801	(1,399)	-	32,945	18,159	3,646	(1,134)	-	20,671	12,274	13,384	
Furniture and office supplies	11,910	537	(56)	-	12,391	10,061	308	(42)	-	10,327	2,064	1,849	
Assets held at third-parties facilities	13,611	-	-	404	14,015	10,056	883	-	(1)	10,938	3,077	3,555	
Work in process	108,306	147,766	(1,149)	(86,481)	168,442	-	-	-	-	-	168,442	108,306	
Gas stock	54,054	-	-	-	54,054	-	-	-	-	-	54,054	54,054	
Total as of December 31, 2015	3,808,949	159,343	(4,173)	-	3,964,119	1,978,448	143,934	(2,462)	-	2,119,920	1,844,199	-	
Total as of December 31, 2014	3,691,410	120,733	(3,194)	-	3,808,949	1,842,975	137,874	(2,401)	-	1,978,448	-	1,830,501	

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A substantial portion of the assets transferred by GdE has been defined in the License as “Essential assets for the performance of the licensed service”. Pursuant to the License, the Company is required to segregate and maintain the essential assets, together with any future improvements and expansions, in accordance with certain standards defined in the License. The Company cannot, for any reason, dispose of, encumber, lease, sublease or lend essential assets for purposes other than the provision of the licensed service without ENARGAS’ prior authorization.

6.1 - Assets impairment

The Company analyzes the recoverability of its non-financial long-term assets when there are events or changes in circumstances that may be indicators of potential impairment. The recoverable value of assets is estimated by the Company as the value in use of the assets measured, based on the discounted future cash flow, applying a discount rate that reflects the risks inherent to the activity and also considering that the regulatory framework establishes TGN’s right to collect a fair and reasonable rate.

Determining the discounted future cash flow implies a series of assumptions and estimates, such as the changes in the gas carriage levels, the price of the regulated rate, inflation, exchange rate, and costs and other cash expenditures. Future cash flows are projected for a period covering the term of the License, considering a sufficient rate to cover operational costs and to provide reasonable profitability, according to the Natural Gas Act and the LEP. The discount rate applied is the rate that represents the weighted average cost of capital. Up to the date of issuance of these financial statements, no results on assets impairment were computed for Property, plant and equipment, as a result of the recoverability analyses.

It should be mentioned that if changes were made to the estimates used to prepare projections of future cash flows, there would be necessary to record a significant impairment loss.

7 - INVESTMENTS IN AFFILIATE COMPANIES

	<u>12.31.2015</u>	<u>12.31.2014</u>
Balances at the beginning of the fiscal year	10,807	4,038
Reversal of the provision for dividends	-	1,122
Results from investments in affiliate companies	7,681	5,647
Balances at fiscal year-end	<u>18,488</u>	<u>10,807</u>

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The interest held by the Company in its unlisted affiliates was as follows:

Issuer	Characteristics of the instruments		Amount	Cost value	Book value as of		Information on the issuer						
	Shares	Face value			12.31.15	12.31.14	Main activity	Latest financial statements					
								Date	Capital stock and capital adjustment	Other reserves	Retained earnings	Shareholders' equity	Percentage of direct holding
Comgas Andina S.A.	Common	⁽¹⁾ 1 per share	490	246	18,488	10,807	Operation and maintenance services of gas pipelines	12.31.15	18	-	37,713	37,731	49.0
Companhia Operadora do Rio Grande do Sul Impairment of investment	Common	⁽²⁾ 1 per share	49	0.1	602 (602)	410 (410)	Operation and maintenance services of gas pipelines	12.31.15	1	772	456	1,229	49.0
Total					18,488	10,807							

- (1) Chilean pesos
(2) Brazilian reais

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8 - INCOME TAX

Deferred income tax assets and liabilities are offset when it is legally possible, derive from income tax corresponding to the same entity, are subject to the same tax authority and are presented to the authorities in their net form. The deferred income tax net position is as follows:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Deferred income tax assets	715,603	220,415
Deferred income tax liabilities	(554,808)	(340,024)
Deferred income tax net asset (liability)	<u>160,795</u>	<u>(119,609)</u>

The movement of deferred tax assets and liabilities, not considering the offsetting of balances, is as follows:

	Trade accounts payable	Materials and spare parts	Other accounts receivable	Contingencies	Board of directors' fees	Tax-loss carryforward	Total
Deferred income tax assets							
Balances at December 31, 2013	40,955	29,451	474	24,937	702	31,032	127,551
Charged to statement of comprehensive income	3,168	18,284	1,570	10,490	(421)	59,773	92,864
Balances at December 31, 2014	44,123	47,735	2,044	35,427	281	90,805	220,415
Charged to statement of comprehensive income	29,080	41,022	(501)	9,823	180	415,584	495,188
Balances at December 31, 2015	73,203	88,757	1,543	45,250	461	506,389	715,603

	Investments at fair value	Property, plant and equipment	Trade accounts receivable	Total
Deferred income tax liabilities				
Balances at December 31, 2013	(1,477)	(299,757)	(77,831)	(379,065)
Charged to statement of comprehensive income	(169)	10,882	28,328	39,041
Balances at December 31, 2014	(1,646)	(288,875)	(49,503)	(340,024)
Charged to statement of comprehensive income	1,974	16,246	(233,004)	(214,784)
Balances at December 31, 2015	328	(272,629)	(282,507)	(554,808)

Reconciliation between income tax charged to the comprehensive result and the amounts obtained by applying the Company's statutory income tax rate to pre-tax results is presented below:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Result before income tax	(795,022)	(388,530)
Statutory income tax rate	35%	35%
Income tax charge at statutory tax rate	<u>278,258</u>	<u>135,986</u>
Exceptions at statutory income tax rate:		
- Adjustment to income tax provision and amended tax returns	(6,794)	(13,102)
- Results from investments in affiliate companies	2,688	1,976
- Others	<u>3,207</u>	<u>7,045</u>
Total income tax charge	<u>277,359</u>	<u>131,905</u>

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Below there is a detail of the breakdown of the minimum presumed income tax credits accumulated at December 31, 2015:

<u>Fiscal year</u>	<u>Amount</u>	<u>Expiration year</u>
2007	1,230	2017
Allowance for doubtful recoverability	(1,230)	n/a
2008	6,797	2018
2009	17,086	2019
2011	21,413	2021
2013	20,320	2023
2014	21,630	2024
2015 (estimated)	20,744	2025
<u>Balance as of December 31, 2015</u>	<u>107,990</u>	

The projections of future taxable income have been taken into consideration for the recoverability analysis of the tax-loss carryforwards and the credit for minimum presumed income tax. Such projections have been elaborated on the basis of the best estimate in accordance with the guidelines pointed out in Note 4, and taking into consideration the resolution of the uncertainties mentioned in Notes 1.2 and 1.3, referring to the modifications of the Argentine economic context and of the legal and contractual framework in which the Company operates. On the basis of such projections, the book value of the credit for minimum presumed income tax and the tax-loss carryforward does not exceed its recoverable value.

9 - FINANCIAL INSTRUMENTS BY CATEGORY

	<u>12.31.2015</u>	<u>12.31.2014</u>
<u>Financial assets</u>		
Financial assets at fair value:		
Mutual funds in \$ (Note 13)	37,010	-
Mutual funds in US\$ (Note 13)	-	29,910
Government bonds in US\$	101,031	223,259
Government bonds in \$	17,400	-
Total financial assets at fair value	<u>155,441</u>	<u>253,169</u>
Financial assets at amortised cost:		
Cash and Banks	91,067	66,778
Other investments in US\$	5,111	3,338
Time deposits in US\$ ⁽¹⁾	81,525	252,081
VRD bonds in \$	53,375	45,315
Trade accounts receivable and other accounts receivable	1,171,839	639,263
Total financial assets at amortised cost	<u>1,402,917</u>	<u>1,006,775</u>
<u>Financial liabilities</u>		
Liabilities at amortised cost:		
Loans	2,861,346	1,769,478
Trade accounts payable, other debts and taxes payable	465,947	329,516
Total financial liabilities at amortised cost	<u>3,327,293</u>	<u>2,098,994</u>

⁽¹⁾ Time deposits originally falling due within three months or less are classified as "Cash and cash equivalents" in the balance sheet. A breakdown of this account is presented in Note 13.

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Credit quality of the financial assets is as follows:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Cash equivalents and investments		
A-1	81,525	252,082
CCC+	-	223,269
Other financial assets without a credit quality grade	1,476,833	717,825
Total	<u>1,558,358</u>	<u>1,193,166</u>

10 - MATERIALS AND SPARE PARTS

Non-current		
Spare parts and consumption materials	159,789	124,572
Allowance for slow-moving and obsolescence	(86,454)	(84,668)
Total non-current materials and spare parts	<u>73,335</u>	<u>39,904</u>

11 - OTHER ACCOUNTS RECEIVABLE

Non-current		
Minimum presumed income tax (Note 8)	107,990	87,291
Sundry	2,260	987
Total other accounts receivable - Non-current	<u>110,250</u>	<u>88,278</u>
Current		
VAT, net	5,583	9,424
Tax credits	13,305	1,817
Key management personnel (Note 25)	6,836	4,569
Prepaid expenses and advances	95,048	22,102
Attachments, guarantee court deposits and expenses to be collected	231	48
Guarantees granted in relation to hedge operations (Note 3.3.1.1)	8,110	-
Assistance fees - controlling shareholder (Note 25)	42	29
Other receivables - affiliate companies (Note 25)	892	604
Other receivables - related parties (Note 25)	11,393	118
Transactions on behalf of third parties	3,016	2,339
Allowance for doubtful accounts	(828)	(806)
Receivables from sundry sales and others	7,394	4,611
Total other accounts receivable - Current	<u>151,022</u>	<u>44,855</u>

12 - TRADE ACCOUNTS RECEIVABLE

Non-current		
Trade accounts receivable with third parties	2,450,552	1,588,481
Less: Discount at present value	(351,629)	(283,923)
Less: Allowance for doubtful accounts and disputed amounts	(1,225,276)	(775,789)
Total trade accounts receivable - Non-current	<u>873,647</u>	<u>528,769</u>

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	<u>12.31.2015</u>	<u>12.31.2014</u>
Current		
Trade accounts receivable with third parties	220,722	72,906
Trade accounts receivable with related parties (Note 25)	52,518	51,441
Less: Allowance for doubtful accounts and disputed amounts	<u>(33,548)</u>	<u>(43,494)</u>
Total trade accounts receivable – Current	<u>239,692</u>	<u>80,853</u>

At December 31, 2015 there were 32,451 in past due trade accounts receivable but not affected by an allowance. The aging of those receivables is as follows:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Balances past due from 0 and up to 3 months	17,141	16,896
Balances past due from 3 months	<u>15,310</u>	<u>23,686</u>
Total	<u>32,451</u>	<u>40,582</u>

At December 31, 2015 and 2014 the amount of the allowance for doubtful accounts and disputed amounts is 1,258,824 and 819,283 respectively. The variations in the allowance for doubtful accounts and disputed amounts are as follow:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Balances at the beginning of the fiscal year	819,283	562,146
Increases (net of recoveries)	439,541	260,947
Usage	<u>-</u>	<u>(3,810)</u>
Balances at the end of the fiscal year	<u>1,258,824</u>	<u>819,283</u>

Trade accounts receivable affected by the allowance correspond to certain customers which, due to the aging of their outstanding balances, the Company estimates there might be difficulties to materialize the collection of those balances. The aging of accounts receivable at nominal value is as follows:

	<u>12.31.2015</u>	<u>12.31.2014</u>
To be due	170,443	93,113
Past due from 0 up to 6 months	91,557	121,694
Past due over 6 months	<u>2,461,792</u>	<u>1,498,021</u>
Total	<u>2,723,792</u>	<u>1,712,828</u>

The maximum credit risk exposure at the date of issuance of these financial statements is the book value of each type of trade receivable and other accounts receivable. The values recorded for the Company's accounts receivable at nominal value are stated in the following currencies:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Argentine Peso	153,857	80,766
US Dollar	<u>2,569,935</u>	<u>1,632,062</u>
Total	<u>2,723,792</u>	<u>1,712,828</u>

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13 - CASH AND CASH EQUIVALENTS

	<u>12.31.2015</u>	<u>12.31.2014</u>
Cash and banks	91,067	66,778
Mutual funds in \$	37,010	-
Mutual funds in US\$	-	29,910
Time deposits in US\$	81,525	153,801
Total cash and cash equivalents	<u>209,602</u>	<u>250,489</u>

14 - COMMON STOCK AND RESERVES

Common stock, of \$ 439,373,939, is represented by 179,264,584 ordinary book-entry class A shares, of 1 peso par value each and entitled to 1 vote per share, 172,234,601 ordinary book-entry class B shares, of 1 peso par value each and entitled to 1 vote per share, and 87,874,754 ordinary book-entry class C shares, of 1 peso par value each and entitled to 1 vote per share. All the shares issued are subscribed and paid-in.

As of December 31, 2015, the Company's accumulated losses amounted to \$ 517.6 million, which exceeded more than 50% of the common stock and the inflation adjustment of common stock, and consequently the Company fell within the scope of section 206 of the Argentine Corporations Law. (Refer to Note 1.3.3).

14.1 - Limitation on the transferring of the Company's shares

Gasinvest S.A. ("Gasinvest" or "the controlling shareholder"), the controlling shareholder of the Company, and Gasinvest's shareholders, are restricted by the Bidding Terms and the Transfer Agreement as to dispose their interests in the Company and Gasinvest, respectively. Unless a prior regulatory approval from ENARGAS is obtained, Gasinvest is precluded from reducing its interest in the Company to less than 51% ("Controlling interest"). The ENARGAS will approve the transfer of the Controlling interest provided that (i) the shares are transferred in whole but not in part, or the new acquirer purchases all of the outstanding Class A shares of common stock and (ii) the quality of the service is not affected. Any transfer or cession or any action leading to a reduction below 51% of the participation of Gasinvest's original shareholders in the capital of such company, including any subscription defect by these shareholders regarding the capital increase of Gasinvest, can only be made with the ENARGAS' previous approval. The above-mentioned restrictions do not apply to transfers made between parties belonging to the same economic group, as established in the Bidding Terms and Conditions.

14.2 - Restriction on the distribution of profits

Under the Argentine Corporations Law, the By-laws of the Company and the CNV Regulations, a minimum of 5% of net income for the fiscal year (as the algebraic sum of the result for the fiscal year, the restatements of prior fiscal years' results, allocations of other comprehensive results to retained earnings and accumulated losses corresponding to prior fiscal years) must be appropriated to the Legal Reserve until such reserve reaches 20% of the Common stock and the Inflation adjustment of common stock.

Under the terms of the financial agreements currently in force, TGN shall not make dividend payments in the event of default or grounds for default and in no case in excess of the Available Basket Amount (as defined in the contract).

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In accordance to what has been decided by the Ordinary Shareholders Meeting held on April 21, 2015, in relation to the loss for the fiscal year ended on December 31, 2014, the Legal Reserve does not register any balance. In conformity with section 70 of the Argentine Corporations Law, the Company cannot distribute any profits until that reserve is reimbursed.

15 - LOANS

In March 2014, the Company repurchased Class A and B negotiable obligations for a nominal value of US\$ 5.8 million. With this transaction, TGN completed the process for restructuring its financial debts.

As of December 31, 2015 the Company had Step-up Notes and Five-Year Negotiable Obligations. The characteristics of the Step-up Notes issued by the Company in 2012 are the following:

Step-up Notes	
Amount	Nominal value US\$ 150.07 million.
Due date	August 22, 2019.
Amortization	100% at the due date.
Interest	They accrue interest at an annual rate of 3.5% during the first two years, at 7% during the following 2 years and at 9% as from the fifth year and until maturity. (*)

(*) Step-up Notes may capitalize interest as per the schedule below:

From	To	Maximum amount to be capitalized
August 22, 2012	August 22, 2015	100 %
August 22, 2015	August 22, 2016	50 %
August 22, 2016	August 22, 2019	0 %

The terms and conditions of Step-up Notes are detailed in the pertinent Pricing Supplement dated August 21, 2012, which was published at the CNV.

An unanimous Five-Year Negotiable Obligations' holders meeting was held on March 26, 2015, which modified the terms and conditions of these bonds. These new terms and conditions are disclosed below:

Five-Year Negotiable Obligations	
Amount	Nominal value US\$ 29.31 million.
Due date	December 21, 2017.
Amortization	33.33% on December 21, 2016; and 66.67% on December 21, 2017.
Interest	They accrue interest at a 7.0% annual rate up to December 31, 2014 and at a 9.0% annual rate from January 1 st , 2015.

The terms and conditions of the Five-Year Negotiable Obligations are described in the Pricing Supplement dated December 18, 2012, published at the CNV.

The Company's financial loans are all denominated in US dollars.

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16 - OTHER DEBTS

	<u>12.31.2015</u>	<u>12.31.2014</u>
Non-current		
Provision for easements	45,725	34,440
Total other debts - Non-current	<u>45,725</u>	<u>34,440</u>
Current		
Section 9.6.2 - Basic rules of the License	16,890	18,095
Provision for easements	4,719	2,818
Key management personnel (Note 25)	6,851	4,584
Advanced collections	1,121	2,194
Sundry debts and customer's warrants	853	614
Total other debts - Current	<u>30,434</u>	<u>28,305</u>

17 - TRADE ACCOUNTS PAYABLE

Non-current		
AES Argentina Generación S.A.	35,569	19,255
Total trade accounts payable - Non-current	<u>35,569</u>	<u>19,255</u>
Current		
Suppliers - purchases and services	54,172	47,252
Administration trust ("Importation of natural gas") (Note 28)	6,519	4,667
Other related parties (Note 25)	219,832	145,915
Unbilled services and purchases	131,320	88,926
Total trade accounts payable - Current	<u>411,843</u>	<u>286,760</u>

18 - CONTINGENCIES

Provisions for labor, civil and contentious lawsuits	<u>Non-current</u>	<u>Current</u>
Balances at December 31, 2013	<u>49,585</u>	<u>33,958</u>
– Increases net of recoveries	4,328	6,434
– Transfers	(53,913)	53,913
– Decreases (payment / usage)	-	(325)
Balances at December 31, 2014	<u>-</u>	<u>93,980</u>
– Increases net of recoveries	-	9,877
– Decreases (payment / usage)	-	(2,918)
– Transfers	74,023	(74,023)
Balances at December 31, 2015	<u>74,023</u>	<u>26,916</u>

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18.1 - Legal matters

The Company is party to several legal proceedings and claims that have arisen in the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters due to their complexity and current status, it is the opinion of the Company's Board of Directors, based upon the estimations described in Note 4.a, that the expected outcome of these claims and legal actions, individually or in the aggregate, would not have a material effect on the Company's financial position or results of operations in excess of the provisions that the Company has recorded. However, the actual future outcome of these claims could differ from the estimates and assessments performed as of the date of issuance of these financial statements. Following there is a summary of the most significant claims and legal actions, including those against TGN as well as those in which the Company acts as a claimer.

18.1.1 - Fines imposed by the ENARGAS

At the date of issuance of these financial statements, the Company was notified of 20 fines applied by the ENARGAS for a total amount of \$ 9.3 million, of which ten have been appealed in the administrative orbit for \$ 4.2 million and other ten for \$ 5.1 million, which were confirmed by the National Court of Appeals on Federal Administrative Matters and have been appealed by TGN to the National Supreme Court of Justice through a petition in error.

18.1.2 - Tax assessments related to payments to negotiable obligation holders

Since December 2004, TGN is engaged in litigation with the Administración Federal de Ingresos Públicos ("AFIP"). The case is pending before the National Tax Court. This controversy arises from a value added tax assessment made on the interest paid to the International Finance Corporation as a result of the negotiable obligations issued by TGN in the framework of negotiable obligations issued in accordance with Law No. 23,576. According to TGN, the claim might amount to \$ 21.5 million approximately.

18.1.3 - Official assessments of the tax-purpose useful lives

In late December 2005 TGN was notified of two resolutions whereby AFIP assessed differences in income tax for the fiscal periods 1999 to 2002. The total amount claimed is \$ 21.2 million including interest at that date and a fine of 70% of the tax determined. These adjustments are justified by the disallowance of the useful lives assigned by TGN to its Northern gas pipeline and all of its compressor plants, which are used in calculating their depreciation for income tax purposes, as in the opinion of the tax authorities useful lives ought to be higher than those adopted by the Company. On February 2006 TGN challenged certain official assessments by filing the pertinent appeals with the National Tax Court, which are still pending resolution.

18.1.4 - Pending judicial disputes with YPF

Due to the redirection of carriage capacity established by the ENARGAS, YPF started to irregularly pay the carriage invoices alleging partial capacity unavailability. In February 2007 YPF requested a comprehensive review of the carriage contract claiming that the measures adopted by the National State regarding gas exports had unpredictably altered the economic-financial equation of such contract. TGN rejected the claim and demanded the compliance of the contract.

On April 20, 2009 TGN filed legal action against YPF in order to (i) demand compliance with the carriage contract signed with YPF; and (ii) oblige YPF to pay past-due invoices. The claim amounts to US\$ 74.8 million (including

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subsequent extensions), based on the invoices issued by TGN for services rendered between January 2007 and December 2010, both of them plus interest accrued at each respective date, plus interest to be accrued until the sums are paid by YPF.

YPF answered the complaint alleging basically that TGN had not complied with the carriage under the terms envisaged because it was “unable to comply” as a result of the issuance of the emergency regulations and, in the alternative, in view of the impossibility to export, the peso rate should be applied.

In December 2010, TGN declared to have rescinded the contract with YPF for the firm carriage of gas for export, on the grounds of noncompliance by the loader, and in December 2012, filed a complaint for damage caused by the rescission based on negligence. The respective damages were estimated at US\$ 142.15 million. Furthermore, considering the distressing financial and equity position of the Company and due to the need to apply its limited resources to the provision of a safe and reliable public utility, the Company filed a motion to proceed *in forma pauperis*.

18.1.5 - Intervention in TGN established by the ENARGAS

This issue is explained in further detail in Note 1.3.6.

18.1.6 - Pending judicial disputes with Metrogas

In April 2009 the Chilean distributor Metrogas filed a declarative action against TGN to obtain a judicial statement on the inapplicability of the rate denominated in US dollars provided for in the contract for gas carriage, if the gas is not effectively transported. As of the date of issuance of these financial statements, no court decision has been issued. Subsequently, in September 2009 Metrogas communicated its unilateral decision to rescind its firm gas carriage contract with TGN, and claimed alleged damages for approximately US\$ 238 million from TGN, stating that it had suffered harm occasioned by alleged and non-existent noncompliance by TGN when the latter ceased to deliver gas which, according to Metrogas, had apparently been confirmed and injected into the intake by its producers / suppliers.

TGN rejected, on inadmissibility grounds, the unilateral declaration of contract rescission, as well as the claim for damages made by Metrogas, as TGN has complied with its obligations under the binding gas carriage contract between the parties. As it is publicly widely known, for some years the local gas production has not been enough to satisfy both, the domestic and exportation demand. This shortage led the national authorities to put in force a series of regulations that set restrictions to the exportation of natural gas with the purpose of first ensuring the supply of the domestic market.

TGN also considers that any action for damages that Metrogas could file would not be likely to be sustained, and it will take all steps necessary to protect the corporate interests. In September 2011 the Company filed a lawsuit (subsequently extended) regarding contract unfulfillment, claiming a US\$ 114.5 million payment (plus interests and expenses) for carriage services billed and unpaid, from September 2009 and up to April 2015. Metrogas filed the answer to the complaint in November 2012, requesting that the complaint be dismissed and that the producers that supplied it with gas be summoned as third parties; there was no counterclaim for damages. On April 2015 TGN rescinded the firm gas carriage contract for export with the customer Metrogas, due to repeated unfulfillments by the loader. In November 2015, TGN filed a claim against Metrogas for damages arising from the wrongful early termination of the carriage contract for US\$ 113 million and requested that this claim be joined with the related claim for unpaid invoices. In addition, the Company requested the benefit of litigating with no costs.

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18.1.7 - Previous administrative claim against the National State and later action for damages

In March 2011 TGN filed an administrative claim before the former Ministry of Federal Planning, Public Investment and Services (“MPFIPyS”) for the damage suffered by the Company as a consequence of the pesification of its rates, established in the LEP, and the subsequent freezing of rates persisting since such law was approved. The filing of this claim was due to the necessity of protecting TGN’s rights, which otherwise could be affected by the course of the statute of limitation on the legal action for damages. Nevertheless, TGN intends to continue participating in the process of renegotiation of its License according to the procedure ruled by Decree 367/16 and its supplementary rules. In the face of the silence of the Public Administration, and upon the expiration of the term prescribed by section 31 of the Administrative Procedure Law 19,549, to protect the Company’s interest, on October 11, 2012 TGN brought an action against the National State for the damage caused to TGN as from January 1, 2006 and until December 31, 2011 (and reserving the right to extend the action) as a result of the pesification and freezing of its rates set forth by the LEP, for the amount of \$ 1,436 million (including interest). Furthermore, considering the distressing financial and equity position of the Company and due to the need to apply its limited resources to the provision of a safe and reliable public utility, the Company filed a motion to proceed *in forma pauperis*.

18.1.8 - Actions for refund with AFIP-DGI

On December 15, 2014, TGN filed with the Administración Federal de Ingresos Públicos - Dirección General Impositiva (“AFIP-DGI”) an action for refund of income tax for \$7,879,581 for the fiscal year 2008, overpaid for having computed the tax without applying the inflation adjustment method and without restating the fixed asset depreciation, plus interest accrued in favor of the Company. The action for refund is supported by the inapplicability of the prohibition contained in Sections 39 of Law 24,073 and 4 of Law 25,561, for it is contrary to the provisions of Title VI of the Income Tax Law, which set forth the inflation adjustment method and other restatements contemplated by the law and not repealed, such as the fixed asset depreciation. Those regulations, case law and rulings issued by National Supreme Court have made the Company pay income tax for the fiscal year 2008 at a clearly confiscatory effective rate.

Further, on December 15, 2014 TGN filed for refund with AFIP- DGI of Minimum presumed income tax (“IGMP”) for \$ 6,796,692 for the fiscal year 2008, plus interest accrued in favor of the Company. This action for refund is supported by the fact that the Company had reported an accounting and a tax loss (the latter loss was due to the tax adjustment for inflation and other restatements mentioned in the preceding paragraph) in the mentioned fiscal year and consequently, in view of National Supreme Court precedents in this respect, there is no minimum income presumed by the income tax law. Lastly, on November 13, 2015, TGN filed a claim against the AFIP-DGI for the recovery of \$ 17,085,607 by way of IGMP for the fiscal year 2009, plus interest accrued in favor of the Company. The aforementioned action for recovery was based on the same concepts mentioned in the previous paragraph.

19 - REVENUES

	<u>12.31.2015</u>	<u>12.31.2014</u>
Gas carriage service		
Gas carriage service	668,546	586,461
Allowance for disputed amounts and others	<u>(25,266)</u>	<u>(89,025)</u>
Subtotal gas carriage service	<u>643,280</u>	<u>497,436</u>
Other services		
Gas pipelines operation and maintenance	80,590	55,860
Management fees - Gas Trust Program (Note 27)	<u>26,958</u>	<u>18,648</u>
Subtotal other services	<u>107,548</u>	<u>74,508</u>
Total revenues	<u>750,828</u>	<u>571,944</u>

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20 - EXPENSES BY NATURE

Item	Cost of services	Selling expenses	Administrative expenses	Total at 12.31.2015	Total at 12.31.2014
Board of directors' fees	-	-	3,777	3,777	2,722
Statutory auditors committee's fees	-	-	2,052	2,052	1,452
Fees for professional services	12,701	26	16,348	29,075	23,214
Salaries, wages and other personnel benefits	225,139	3,267	95,800	324,206	231,136
Social security contributions	41,206	743	21,400	63,349	44,856
Technical assistance fees	10,084	-	-	10,084	9,457
Consumption of materials and spare parts	37,951	3	276	38,230	33,397
Third party services and supplies	25,378	97	997	26,472	20,414
Maintenance and repair of property, plant and equipment	263,849	237	4,588	268,674	172,033
Travel expenses	30,697	70	3,781	34,548	27,990
Freight and transportation	4,231	-	57	4,288	3,431
Post and telecommunications expenses	1,665	67	1,180	2,912	2,196
Insurance	13,875	1	1,748	15,624	10,620
Office supplies	3,726	23	2,899	6,648	5,110
Rentals	2,489	59	812	3,360	2,825
Easements	23,451	-	-	23,451	4,831
Taxes, rates and contributions	1,184	20,233	68,637	90,054	66,522
Property, plant and equipment depreciation	141,918	288	1,728	143,934	137,874
Doubtful accounts	-	(9,924)	-	(9,924)	10,181
Contingencies	-	-	(6,580)	(6,580)	4,370
Slow-moving and obsolete materials and spare parts	1,811	-	-	1,811	521
Others	2,666	32	1,271	3,969	4,866
Total at December 31, 2015	844,021	15,222	220,771	1,080,014	-
Total at December 31, 2014	619,000	40,310	160,708	-	820,018

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21 - OTHER NET INCOME AND EXPENSES

	<u>12.31.2015</u>	<u>12.31.2014</u>
Income from commercial indemnifications	51	7,613
Compensation for damages adjustment ⁽¹⁾	(20,774)	21,534
Net result from disposal of property, plant and equipment	3,075	144
Court fees	(32,850)	-
Net income from sundry sales, accidents recoveries and others	<u>27,917</u>	<u>264</u>
Total other net income and expenses	<u>(22,581)</u>	<u>29,555</u>

(1) On March 10, 2014, the Company entered into an *addendum* to the compromise and settlement agreement signed with AES Argentina Generación S.A. on March 13, 2012, whereby the volume available for expansion is modified to 958,100 m³/day. This *addendum* generated income for \$ 21.5 million in the fiscal year ended December 31, 2014. During the fiscal year ended December 31, 2015, the Company has recognized a \$ 20.8 million loss in relation to the previously mentioned compromised and settlement agreement. This loss is the result of measuring the liability with AES Argentina Generación S.A. on the basis of the gas carriage rates in force as from May 1st, 2015, as mentioned in Note 1.3.3

22 - NET FINANCIAL RESULTS

	<u>12.31.2015</u>	<u>12.31.2014</u>
Generated by exchange rate differences		
Income on exchange rate variation	598,793	337,530
Expenses on exchange rate variation	<u>(1,082,903)</u>	<u>(456,623)</u>
Total financial results generated by exchange rate differences	<u>(484,110)</u>	<u>(119,093)</u>
Financial income		
Interest	41,145	38,849
Results from changes in fair values	195,848	108,727
Result from loans repurchase	-	19,615
Allowances recovered and others	1,853	809
Results on discounting at present value	<u>15,103</u>	<u>-</u>
Total financial income	<u>253,949</u>	<u>168,000</u>
Financial expenses		
Interest	(149,001)	(118,269)
Results from changes in fair values	-	(2,299)
Results on discounting at present value	(69,299)	(101,529)
Commissions, expenses, taxes on banking and financial operations	<u>(2,475)</u>	<u>(2,468)</u>
Total financial expenses	<u>(220,775)</u>	<u>(224,565)</u>
Total net financial results	<u>(450,936)</u>	<u>(175,658)</u>

23 - NET RESULT PER SHARE

Income per ordinary share has been calculated as the quotient obtained by dividing the results for the fiscal years ended December 31, 2015 and 2014, by the weighted average of outstanding ordinary shares, which made a total of 439,373,939 shares at those dates. At December 31, 2015 and 2014 there are neither negotiable obligations nor other debt securities convertible into shares, so no diluted earnings per share have been disclosed.

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Basic earnings per share are calculated by dividing the net income attributable to the Company equity holders by the weighted average number of ordinary shares outstanding during the fiscal year. The Company does not have preferred shares or debt convertible to shares, so the basic earnings per share are equal to the diluted earnings per share.

24 - CASH GENERATED BY THE OPERATIONS

	<u>12.31.2015</u>	<u>12.31.2014</u>
Comprehensive loss for the fiscal year	(517,638)	(256,625)
Adjustments to reach cash generated by the operations:		
Property, plant and equipment depreciation	143,934	137,874
Net book value of disposed property, plant and equipment	1,711	793
Increase in allowances and provisions for contingencies (net of recoveries)	449,470	276,949
Exchange rate differences and other net financial results	905,864	280,824
Results from investments in affiliate companies	(7,681)	(5,647)
Net changes in operating assets and liabilities:		
Increase in trade accounts receivable	(943,258)	(438,409)
Increase in other accounts receivable	(126,404)	(16,703)
Increase in materials and spare parts	(38,305)	(6,106)
Increase in trade accounts payable	141,397	54,732
Increase in salaries and social security contributions	6,280	16,031
(Decrease) increase in taxes payable	(9,445)	3,181
Increase (decrease) in other debts	13,414	(12,811)
Decrease in contingencies	(2,918)	(325)
Cash generated by the operations	<u>16,421</u>	<u>33,758</u>

25 - RELATED PARTIES

The transactions performed between related parties are the following:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Controlling shareholder		
<u>Other net income</u>		
Gasinvest S.A.	128	95
<u>Total other net income</u>	128	95
Affiliate companies		
<u>Revenues</u>		
Comgas Andina S.A.	815	561
Companhia Operadora do Rio Grande do Sul	207	128
<u>Total revenues</u>	1,022	689
<u>Recovery of expenses</u>		
Comgas Andina S.A.	191	225
<u>Total recovery of expenses</u>	191	225

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PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

	<u>12.31.2015</u>	<u>12.31.2014</u>
Other related parties		
<u>Revenues</u>		
Litoral Gas S.A.	95,617	60,011
Siderar S.A.	12,914	8,146
Siderca S.A.	8,479	5,428
Transportadora de Gas del Mercosur S.A.	7,867	6,736
Total Gas Marketing Cono Sur S.A.	311	959
Gasoducto Gasandes Argentina S.A.	1,327	1,156
<u>Total revenues</u>	<u>126,515</u>	<u>82,436</u>
<u>Cost of services</u>		
Total Gas y Electricidad Argentina S.A.	(1,667)	(1,667)
Total Especialidades Argentina S.A.	(21)	(24)
Tecpetrol S.A.	(1,667)	(1,667)
Compañía General de Combustibles S.A.	(1,667)	(1,667)
Siderca S.A.	(8)	-
<u>Total cost of services</u>	<u>(5,030)</u>	<u>(5,025)</u>
<u>Administrative expenses</u>		
Total Gas y Electricidad Argentina S.A.	-	(3,290)
Cainzos, Fernández & Premrou Soc. Civ.	(1,522)	(605)
<u>Total administrative expenses</u>	<u>(1,522)</u>	<u>(3,895)</u>
<u>Other net income and expenses</u>		
Gasoducto Gasandes Argentina S.A.	33	109
Total Austral S.A.	99	84
Tecpetrol S.A.	97	84
Compañía General de Combustibles S.A.	97	83
<u>Total other net income and expenses</u>	<u>326</u>	<u>360</u>
<u>Financial income</u>		
Transportadora de Gas del Mercosur S.A.	2,630	2,630
Litoral Gas S.A.	711	-
<u>Total financial income</u>	<u>3,341</u>	<u>2,630</u>
<u>Financial expenses (interest)</u>		
VR Global Partners L.P.	(6,090)	(1,714)
<u>Total financial expenses</u>	<u>(6,090)</u>	<u>(1,714)</u>
<u>Recovery of expenses</u>		
Transportadora de Gas del Mercosur S.A.	731	18
<u>Total recovery of expenses</u>	<u>731</u>	<u>18</u>
<u>Materials and spare parts purchases</u>		
Siat S.A.	(15,681)	(484)
<u>Total materials and spare parts purchases</u>	<u>(15,681)</u>	<u>(484)</u>
Key management personnel		
Board of directors' fees	(3,777)	(2,722)
Statutory auditors committee's fees	(2,052)	(1,452)

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Balances with related parties are the following:

	<u>12.31.2015</u>	<u>12.31.2014</u>
Trade accounts receivable		
<u>Other related parties</u>		
Transportadora de Gas del Mercosur S.A.	28,053	40,505
Litoral Gas S.A.	21,542	9,294
Siderar S.A.	1,521	850
Siderca S.A.	993	586
Total Gas Marketing Cono Sur S.A.	234	89
Gasoducto Gasandes Argentina S.A.	175	117
<u>Total trade accounts receivables - other related parties</u>	<u>52,518</u>	<u>51,441</u>
Other accounts receivable		
<u>Assistance fees - controlling shareholder</u>		
Gasinvest S.A.	42	29
<u>Total assistance fees - controlling shareholder</u>	<u>42</u>	<u>29</u>
<u>Other receivables - affiliate companies</u>		
Comgas Andina S.A.	457	343
Companhia Operadora do Rio Grande do Sul	435	261
<u>Total other receivables - affiliate companies</u>	<u>892</u>	<u>604</u>
<u>Other receivables - related parties</u>		
Siat S.A.	10,945	-
Total Austral S.A.	166	-
Litoral Gas S.A.	118	118
Transportadora de Gas del Mercosur S.A.	84	-
Gasoducto Gasandes Argentina S.A.	80	-
<u>Total other receivables - related parties</u>	<u>11,393</u>	<u>118</u>
<u>Key management personnel</u>		
Fees to the Board of directors and to the statutory auditors committee paid in advance	6,836	4,569
<u>Total key management personnel</u>	<u>6,836</u>	<u>4,569</u>
Loans		
<u>Other related parties</u>		
VR Global Partners L.P.	126,086	78,281
<u>Total other related parties</u>	<u>126,086</u>	<u>78,281</u>
Trade accounts payable		
<u>Other related parties</u>		
Total Gas y Electricidad Argentina S.A.	73,207	49,547
Tecpetrol S.A.	73,207	48,114
Compañía General de Combustibles S.A.	73,418	48,254
<u>Total other related parties</u>	<u>219,832</u>	<u>145,915</u>

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	<u>12.31.2015</u>	<u>12.31.2014</u>
Other debts		
<u>Key management personnel</u>		
Provision for fees to the Board of directors and to the statutory auditors committee	6,851	4,584
<u>Total key management personnel</u>	<u>6,851</u>	<u>4,584</u>

Social benefits for senior management

The remuneration of the Board of Directors is set up by the Shareholders' Meeting for each fiscal year. The salary policy for the management level of the Company establishes a basic, fixed monthly remuneration, and an additional amount, annually payable, consisting of a fixed and a variable part. While the fixed parts are established in accordance with the responsibility level inherent to the position and market values, the variable part consists of an additional amount associated to performance and achievement of yearly objectives. The Company's policy does not establish options or other plans for staff.

26 - FINANCIAL TRUST FOR EXPANSION ON THE EXPORTATION MARKET

On March 8, 2004, in accordance with ENARGAS Resolution 2,877 and the Law N° 24,441, the Company (as trustor) and HSBC Bank Argentina S.A. (as trustee) entered into a Trust Agreement (the "Program") for up to a total amount of US\$ 50 million within a 5-year timeframe. The Program envisages the possibility of financial trusts being set up for the issue of securities that are authorized for their public offering or not, so as to finance the expansion of the capacity of the Company's gas pipeline systems. The Trust Agreement also establishes that, at expiration of the trust, the enlarged assets shall be exclusively assigned to the Company only, free of charge or encumbrances. While the trust is in force, the Company shall be responsible for the operation and maintenance of those assets. Under this Program, the Company's Board of Directors authorized the creation of the "TGN Series 01" trust currently in force, through which securities were issued for a nominal value of US\$ 7.5 million that were subscribed and integrated on March 26, 2004, and were applied to the expansion of carrying capacity of 303,000 m³/d contracted by Metrogas Chile S.A. Series 01 defines September 30, 2019 as Final and Definite Payment Date or the date on which the Series 01 securities are repaid. Under the Trust Agreement, neither the Company nor the Trustee is liable with their own respective assets to pay, if principal and/or interest and/or taxes and expenses on the securities issued by the trust are dishonored. The holders of the securities will have no right to claim such difference from TGN or the Trustee and the limitation on TGN's liability as technical operator has been established in the contract. The trust is not consolidated in the Company's financial statement.

27 - FINANCIAL TRUSTS FOR EXPANSION ON THE LOCAL MARKET ORGANIZED BY THE FORMER NATIONAL SECRETARIAT OF ENERGY

Former MPFIPyS' Resolution No. 185/04, adopted under the aegis of Decree No. 180/04, provides for a Gas Trust Program organized by the former National Secretariat of Energy for the purpose of financing infrastructure works for the carriage and distribution of natural gas. On April 2006 the National Congress enacted the law 26,095 vesting the PEN with the power to apply rate charges destined to finance those works.

27.1 - Trust for the 2005 Northern gas pipeline expansion work

In 2004 the National State requested the participation of TGN as licensee and of other companies as investors in order to undertake the expansion of the capacity of its system for the carriage of 1.8 MMm³/day of gas in the Northern gas pipeline. A local trust organized by the former National Secretariat of Energy and administered by Nación Fideicomisos S.A. as trustee, entrusted TGN with the management of the Northern gas pipeline expansion

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works. TGN contributed with US\$ 8.4 million for a partial payment of the works. Expanded assets will form part of the trust until it is liquidated, on which date, the Company has the option to have the ownership of the trust assets transferred to it. In July 2005 TGN began to bill certain customers for the “Gas Trust Charge” on behalf of the “Gas Trust - Extension of the Northern Gas Pipeline” and for its account.

27.2 - Trust for the “2006-2008 Expansion Work”

In 2006 a second expansion project of 15.2 MMm³/day in the Central west and Northern gas pipeline was started at the request of the former National Secretariat of Energy. The trust structure previously mentioned in Note 27.1 was adopted. In February 2007, TGN started to invoice certain customers for “the Gas II Trust Charge” on behalf of the “Gas Trust - Expansion of the Northern Gas Pipeline”. As of the date of issuance of these financial statements, works have been put into service, which represent an increase of 5.2 MMm³/d in the Northern gas pipeline capacity, and in the Central west gas pipeline, 2.337 MMm³/d in La Mora – Beazley section and 3.404 in Beazley – La Dormida section.

28 - “IMPORTATION OF NATURAL GAS” ADMINISTRATION TRUST

As provided by PEN Decree 2,067/08 and ENARGAS’ Resolutions I/563 and I/615, in force in November 2008, as from January 2009 the Company started to invoice a new charge on behalf of the “Importation of Natural Gas” Administration Trust, in order to create a fund to such purpose. At present, TGN must apply the charge exclusively to those customers that are connected to its system through a *Physical By-Pass*, that is, without the intervention of a distributor, sub-distributor or other third-parties envisaged in Art 16 Section b) of the Natural Gas Act. Resolution I/1,988 establishes that in the case of partial collections, the payment received shall be proportionally distributed between all the items included in the respective invoice. As of December 31, 2015 the balance to be transferred to the Administration Trust amounts to \$ 6.5 million.

29 - SUBSEQUENT EVENTS

As of the date of issuance of these financial statements, the US dollar exchange rate published by Banco de la Nación Argentina amounts to 15.4 pesos by each US dollar. Refer to Note 3.3.1, which explains the impact on the Company’s equity.

In February 2016, the ENARGAS notified that there are no objections; (i) to the contract of purchase and sale of shares celebrated between the Company’s indirect controlling shareholders Total Gas y Electricidad Argentina S.A. (“Total”) and Total GasAndes S.A. as sellers and Compañía General de Combustibles S.A. (“CGC”) and Tecpetrol Internacional S.L.U. as buyers; and (ii) to Total transfer to CGC and Tecpetrol S.A. of Total’s interest in the Technical Assistance Agreement in force with TGN. The previously mentioned operations were fulfilled on March 3rd, 2016.

Subsequent to December 31, 2015, there have been no other events, situations or circumstances, that are not publicly known, that have impacted or could impact significantly on the net worth, or economic and financial situation of the Company that have not been considered or mentioned in these financial statements.

Emilio Daneri Conte-Grand
President

Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED BY SECTION 68 OF THE BUENOS AIRES STOCK EXCHANGE LISTING RULES AND BY TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015 (in thousands of pesos, except where specifically mentioned).

i. General matters related to the Company's activities

1. Specific and significant legal systems entailing the lapsing of contingent benefits envisaged by those regulations or their rebirth:

The Natural Gas Act and its regulations, the Specifications for the privatization of GdE, the Transfer Contract, the License and the resolutions issued by the ENARGAS make up the regulatory framework in which the Company conducts its operations. The License, granted for a term of 35 years with an option to extend it for a ten year-term, may be revoked by the PEN upon ENARGAS's recommendation in case the Company expressly fails to comply with its obligations. If the License is officially and finally revoked, the Company may be forced to cease operating the assets transferred by GdE to the Company and transfer them to the National State or the person the National State so appointed. Note 1 to TGN's financial statements as of December 31, 2015 describes the Company's legal and regulatory aspects.

2. Major changes in the Company's business activities or other similar circumstances that took place during the fiscal years covered by the financial statements which affect their comparability with those submitted in prior fiscal years, or which could affect such comparability with those to be submitted in future fiscal years:

See Notes 1.3.3; 2; 15 and 18 to the Company's financial statements as of December 31, 2015.

3. Classification of receivables and liabilities according to their aging and due dates:

	12.31.2015		
	Receivables ⁽¹⁾	Loans ⁽²⁾	Other payables ⁽³⁾
Past due			
From 01.01.2005 up to 12.31.2005	596	-	-
From 01.01.2006 up to 12.31.2006	44	-	-
From 01.01.2007 up to 12.31.2007	109,988	-	-
From 01.01.2008 up to 12.31.2008	130,643	-	-
From 01.01.2009 up to 12.31.2009	434,849	-	-
From 01.01.2010 up to 12.31.2010	565,225	-	-
From 01.01.2011 up to 12.31.2011	280,570	-	-
From 01.01.2012 up to 12.31.2012	283,997	-	-
From 01.01.2013 up to 12.31.2013	280,801	-	136,536
From 01.01.2013 up to 12.31.2014	295,085	-	-
From 01.01.2015 up to 03.31.2015	81,247	-	-
From 04.01.2015 up to 06.30.2015	39,116	-	-
From 07.01.2015 up to 09.30.2015	16,976	-	-
From 10.01.2015 up to 12.31.2015	39,968	-	-

(1) Includes trade accounts receivable, other accounts receivable and the deferred income tax asset, at their face value, not including allowances.

(2) Denominated at their present value.

(3) Includes all non-financial liabilities, excluding contingencies.

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	12.31.2015		
	Receivables ⁽¹⁾	Loans ⁽²⁾	Other payables ⁽³⁾
Without due date	487,609		129,228
To be due			
03.31.2016	95,374	-	244,591
06.30.2016	893	-	55,026
09.30.2016	879	-	-
12.31.2016	579	127,388	-
12.31.2017	1,400	352,675	3,234
12.31.2018	88	-	3,234
12.31.2019	760	2,381,283	3,234
12.31.2020	-	-	3,234
12.31.2021	-	-	3,234
12.31.2022	-	-	3,234
12.31.2023	-	-	3,234
12.31.2024	-	-	3,234
12.31.2025	-	-	3,234
12.31.2026	-	-	3,234
12.31.2027	-	-	3,234
12.31.2028	-	-	269
Total at 12.31.2015	3,146,687	2,861,346	601,224

4. Classification of receivables and liabilities according to their financial consequences:

	12.31.2015		
	Receivables ⁽¹⁾	Loans ⁽²⁾	Other payables ⁽³⁾
In local currency	466,777	-	294,933
In foreign currency	2,569,810	2,861,346	305,170
In-kind	110,100	-	1,121
Total at 12.31.2015	3,146,687	2,861,346	601,224
Balances subject to adjustment	-	2,861,346	-
Balances not subject to adjustment	-	-	601,224
Total at 12.31.2015	-	2,861,346	601,224
Interest bearing balances	2,275	2,725,352	238,601
Non-interest bearing balances	3,144,412	135,994	362,623
Total at 12.31.2015	3,146,687	2,861,346	601,224

(1) Includes trade accounts receivable, other accounts receivable and the deferred income tax asset, at their face value, not including allowances.

(2) Denominated at their present value.

(3) Includes all non-financial liabilities, excluding contingencies.

5. Percentage of interest in affiliate companies - Law No. 19,550, Section 33 -, in capital and total votes:

See Note 7 to the Company's financial statements as of December 31, 2015.

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5.1. Balances (positive and/or negative) classified by company, according to their financial consequences:

	Comgas Andina S.A.		Companhia Operadora do Rio Grande do Sul	
	Receivables	Other payables	Receivables	Other payables
Past due				
From 01.01.2015 up to 12.31.2015	-	-	-	-
Without due date	457	-	371	-
To be due				
From 01.01.2016 up to 03.31.2016	-	-	64	-
Total at 12.31.2015	457	-	435	-
In local currency	-	-	-	-
In foreign currency	457	-	435	-
In-kind	-	-	-	-
Total at 12.31.2015	457	-	435	-
Balances subject to adjustment	-	-	-	-
Balances not subject to adjustment	457	-	435	-
Total at 12.31.2015	457	-	435	-
Interest bearing balances	-	-	-	-
Non-interest bearing balances	457	-	435	-
Total at 12.31.2015	457	-	435	-

6. Trade receivables or loans from Directors, Syndics and their relatives up to the second degree inclusive:

None.

ii. Physical count of inventories:

7. Periodicity and scope of physical count of inventories:

Physical count of materials and spare parts is performed on an annual basis, and is carried over 100% of stocks. Slow-moving and obsolete materials and spare parts amount to \$ 86.5 million and are totally written-off. (Refer to Note 10 to the Company's financial statements as of December 31, 2015).

iii. Current values:

8. Source of data used to calculate the current values used to measure inventories, fixed assets and other significant assets:

The only assets the Company values using current values are disclosed under "Investments at fair value". The sources of information used to calculate those current values are included in Note 3.6 to the Company's financial statements as of December 31, 2015.

9. Technically appraised fixed assets:

None.

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10. Value of fixed assets left unused for obsolescence reasons:

None.

iv. Equity investments in other companies:

11. Equity investments in other companies exceeding the provisions of Section 31 of Law 19,550:

None.

v. Recoverable values:

12. The criteria followed to determine the Company's assets "recoverable value" are:

- Materials and spare parts and property, plant and equipment: the recoverable value of such assets was determined based on their economic use - Notes 2.7 and 2.5, respectively - to the Company's financial statements as of December 31, 2015, subject to the resolution of the uncertainties generated by the changes in the economic context and the legal and contractual conditions under which the Company operates.

- Minimum presumed income tax credit: the projections of future taxable income have been taken into consideration for the calculation of the recoverable value. Such projections have been built on the basis of the best estimate in accordance with the guidelines pointed out in Notes 2.13.b) and 4 to the Company's financial statements as of December 31, 2014, and taking into consideration the resolution of the uncertainties mentioned in Notes 1.2 and 1.3 to the Company's financial statements as of December 31, 2015, referring to the modifications of the Argentine economic context and of the legal and contractual framework in which the Company operates.

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vi. Insurance:

13. Insurance covering the Company's tangible assets:

Property insured	Risks covered	Amount insured in thousands	Book value in thousands of \$
<ul style="list-style-type: none"> Personal and real property allocated to the provision of services, except for machinery and equipment 	All physical risks and loss of profits	US\$ 85,000	248,922
	Liability insurance	US\$ 50,000	
<ul style="list-style-type: none"> Compressor plants 	Terrorism	US\$ 35,000	279,325
<ul style="list-style-type: none"> Machinery 	Machinery breakdown	US\$ 10,000	103,990
<ul style="list-style-type: none"> Automobiles: <ul style="list-style-type: none"> - Management's fleet - Operational fleet (cars and pick ups) - Trucks and trailers 	Limited liability insurance	\$ 4,000	478
	Total loss car accident	\$ 4,765	
	Total or partial loss due to fire, robbery or theft	\$ 4,765	
	Limited liability insurance	\$ 4,000	11,722
	Limited liability insurance	\$ 13,000	74
<ul style="list-style-type: none"> Personal property located in Head Office and IT equipments 	Fire of contents Theft	US\$ 8,500	7,125

vii. Positive and negative contingencies:

14. Allowance and provision balances jointly or individually exceeding 2% of the equity:

Allowances and provisions balances amount to 1,459,613. A breakdown of these allowances and provisions as well as its following up during the fiscal year, are presented in Annex E to the additional information to the notes to the financial statements required by Title IV, Chapter III, Section 1st of the CNV.

15. Contingent situations whose probability of occurrence was not remote and whose patrimonial effect has not been registered in these financial statements:

None.

Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED BY SECTION 68 OF THE BUENOS AIRES STOCK EXCHANGE LISTING RULES AND BY TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015 (in thousands of pesos, except where specifically mentioned).

viii. Irrevocable advances on account of future subscription of shares:

16. Status of the capitalization process:

There are no irrevocable advances on account of future subscription of shares.

17. Unpaid cumulative dividends of preferred shares:

None.

18. Conditions, circumstances or terms for the cease of the restrictions to the distribution of retained earnings:

Under the terms of the financial agreements currently in force, TGN shall not make dividend payments in the event of default or grounds for default and in no case in excess of the Available Basket Amount (as defined in the contract). See Note 15 to the Company's financial statements as of December 31, 2015.

In accordance to what has been decided by the Ordinary Shareholders Meeting held on April 21, 2015, in relation to the loss for the fiscal year ended on December 31, 2014, the Legal Reserve does not register any balance. In conformity with section 70 of the Argentine Corporations Law, the Company cannot distribute any profits until that reserve is reimbursed.

Autonomous City of Buenos Aires, March 8, 2016

Emilio Daneri Conte-Grand
President

Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED BY TITLE IV, CHAPTER III, SECTION 1ST OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015 (in thousands of pesos, except where specifically mentioned).

ANNEX A – PROPERTY, PLANT AND EQUIPMENT

See Note 6 to the Company's financial statements as of December 31, 2015.

ANNEX B - INTANGIBLE ASSETS

Not applicable.

ANNEX C - INVESTMENTS IN OTHER COMPANIES (Section 33 – Law N° 19,550)

See Note 7 to the Company's financial statements as of December 31, 2015.

ANNEX D - OTHER INVESTMENTS

	<u>Book value at</u> <u>12.31.2015</u>	<u>Book value at</u> <u>12.31.2014</u>
Mutual funds in \$	37,010	-
Mutual funds in US\$	-	29,910
Government bonds in US\$	101,031	223,259
Government bonds in \$	17,400	-
VRD Bonds in \$	8,867	12,208
Time deposits in US\$	81,525	252,081
Total current	<u>245,833</u>	<u>517,458</u>
Other investments in US\$	5,111	3,338
VRD Bonds in \$	44,508	33,107
Total non current	<u>49,619</u>	<u>36,445</u>

Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED BY TITLE IV, CHAPTER III, SECTION 1ST OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015 (in thousands of pesos, except where specifically mentioned).

ANNEX E - ALLOWANCES AND PROVISIONS

Description	12.31.15				12.31.14	
	Balances at the beginning of the fiscal year	Net increases	Transfers	Decreases (payment / usage)	Balances at the end of the fiscal year	Balances at the end of the fiscal year
Deducted from assets						
Non-current assets						
Investments in affiliate companies						
Impairment of investment in affiliate companies	410	192	-	-	602	410
Materials and spare parts						
Allowance for slow-moving and obsolete materials and spare parts	84,668	1,786 (1)	-	-	86,454	84,668
Other accounts receivable						
Allowance for receivables from actions for refund	13,722	(1,756) (2)	-	-	11,966	13,722
Trade accounts receivables						
Allowance for doubtful accounts and disputed amounts	775,789	449,487 (3)	-	-	1,225,276	775,789
Current assets						
Other accounts receivable						
Allowance for doubtful accounts	806	22 (4)	-	-	828	806
Trade accounts receivables						
Allowance for doubtful accounts and disputed amounts	43,494	(9,946) (4)	-	-	33,548	43,494
Total allowances deducted from assets	918,889	439,785	-	-	1,358,674	918,889
Included in liabilities						
Non-current liabilities						
Contingencies						
Provisions for labor, civil and contentious lawsuits	-	-	74,023	-	74,023	-
Current liabilities						
Contingencies						
Provisions for labor, civil and contentious lawsuits	93,980	9,877 (5)	(74,023)	(2,918)	26,916	93,980
Total provisions included in liabilities	93,980	9,877	-	(2,918)	100,939	93,980
Total at 12.31.15	1,012,869	449,662	-	(2,918)	1,459,613	-
Total at 12.31.14	739,864	277,140	-	(4,135)	-	1,012,869

(1) Charged to Cost of services - Slow moving and obsolete materials and spare parts (Note 20 to the Company's financial statements as of December 31, 2015).

(2) 1,290 charged to Administrative expenses - Contingencies (Note 20 to the Company's financial statements as of December 31, 2015) and (3,046) to Other net income and expenses (Note 21 to the Company's financial statements as of December 31, 2015).

(3) 25,266 charged to Revenues (Note 19 to the Company's financial statements as of December 31, 2015) and 424,221 to Net financial results - Generated by exchange rate differences (Note 22 to the Company's financial statements as of December 31, 2015).

(4) Charged to Selling expenses - Doubtful accounts (Note 20 to the Company's financial statements as of December 31, 2015).

(5) (7,870) charged to Administrative expenses - Contingencies (Note 20 to the Company's financial statements as of December 31, 2015), (15,103) to Net financial results - Financial income - Results on discounting at present value (Note 22 to the Company's financial statements as of December 31, 2014) and (32,850) to Other net income and expenses (Note 21 to the Company's financial statements as of December 31, 2015).

Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED BY TITLE IV, CHAPTER III, SECTION 1ST OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015 (in thousands of pesos, except where specifically mentioned).

ANNEX F - COST OF PRODUCTS SOLD OR SERVICES PROVIDED

See Note 20 to the Company's financial statements at December 31, 2015.

ANNEX G - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

	12.31.15			12.31.14	
	Foreign currency class and amount ⁽¹⁾	Exchange rate in \$	Amount in local currency ⁽¹⁾	Foreign currency class and amount ⁽¹⁾	Amount in local currency ⁽¹⁾
ASSETS					
NON-CURRENT ASSETS					
Investments in affiliate companies					
Comgas Andina S.A.	Sch 938,477	0.0197	18,488	Sch 658,964	10,807
Companhía Operadora do Rio Grande do Sul	R\$ 154	3.90	602	R\$ 122	410
			19,090		11,217
Trade accounts receivable					
Trade accounts receivable with third parties	US\$ 189,378	12.94	2,450,552	US\$ 187,964	1,588,481
			2,450,552		1,588,481
Investments at amortised cost					
Other investments	US\$ 395	12.94	5,111	US\$ 395	3,338
			5,111		3,338
Total non-current assets			2,474,753		1,603,036
CURRENT ASSETS					
Other accounts receivable					
Prepaid expenses and advances	US\$ 3,253	12.94	42,094	US\$ 963	8,140
	£ 285	19.15	5,458	51	675
	€ 55	14.07	774		-
Other receivables – affiliate companies	US\$ 46	12.94	590	US\$ 44	376
	R\$ 77	3.90	302	R\$ 68	228
			49,218		9,419
Trade accounts receivable					
Trade accounts receivable with third parties	US\$ 6,974	12.94	90,240	US\$ 7,636	64,529
Trade accounts receivable with related parties	US\$ 2,243	12.94	29,018	US\$ 4,806	40,618
			119,258		105,147
Investments at amortised cost					
Time deposits	-		-	US\$ 11,629	98,280
			-		98,280
Investments at fair value					
Government bonds	US\$ 7,808	12.94	101,031	US\$ 26,418	223,259
			101,031		223,259
Cash and cash equivalents					
Time deposits	US\$ 6,300	12.94	81,525	US\$ 18,199	153,801
Mutual funds	-		-	US\$ 3,539	29,910
Balances in bank accounts	US\$ 4,037	12.94	52,238	US\$ 4,058	34,292
			133,763		218,003
Total current assets			403,270		654,108
Total assets			2,878,023		2,257,144

Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED BY TITLE IV, CHAPTER III, SECTION 1ST OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015 (in thousands of pesos, except where specifically mentioned).

	12.31.15			12.31.14		
	Foreign currency class and amount ⁽¹⁾	Exchange rate in \$	Foreign currency class and amount ⁽¹⁾	Exchange rate in \$	Foreign currency class and amount ⁽¹⁾	
LIABILITIES						
NON-CURRENT LIABILITIES						
Loans						
Step-up Notes						
Principal	US\$ 150,066	13.04	1,956,861	US\$ 150,066	1,283,214	
Interests	US\$ 10,429	13.04	135,994	US\$ 10,065	86,068	
Capitalized interests	US\$ 22,119	13.04	288,428	US\$ 13,122	112,205	
Five-Year Negotiable Obligations						
Principal	US\$ 19,545	13.04	254,867	US\$ 19,544	167,119	
Capitalized interests	US\$ 7,501	13.04	97,808	US\$ 4,365	37,324	
			2,733,958		1,685,930	
Total non-current liabilities			2,733,958		1,685,930	
CURRENT LIABILITIES						
Trade accounts payable						
Suppliers – purchases and services	US\$ 2,774	13.04	36,173	US\$ 7,399	63,269	
	£ 196	19.34	3,791	£ 61	813	
Unbilled services and purchases	US\$ 4,170	13.04	54,377	-	-	
	£ 38	19.34	735	-	-	
	€ 6	14.21	85	-	-	
Other related parties	US\$ 16,155	13.04	210,661	US\$ 16,155	138,140	
			305,822		202,222	
Loans						
Five-Year Negotiable Obligations						
Principal	US\$ 9,769	13.04	127,388	US\$ 9,771	83,548	
			127,388		83,548	
Total current liabilities			433,510		285,770	
Total liabilities			3,167,168		1,971,700	

US\$: US Dollars
£: Pound sterling
€: Euros
R\$: Brazilian Reais
\$ ch: Chilean Pesos

⁽¹⁾ Does not include allowances, provisions for contingencies and discounts at present value.

ANNEX H – INFORMATION REQUIRED BY LAW N° 19,550, SECTION 64, SUB-SECTION I.b)

See Note 20 to the Company's financial statements at December 31, 2015.

Emilio Daneri Conte-Grand
President

Free translation from the original in Spanish for publication in Argentina

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders, President and Directors of
Transportadora de Gas del Norte S.A.
Legal address: Don Bosco 3672 - 3rd floor
City of Buenos Aires
Tax Code No. 30-65786305-6

Report on the Financial Statements

We have audited the attached financial statements of Transportadora de Gas del Norte S.A. (the Company), which consist of the statement of financial position as of December 31, 2015, the statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, as well as a summary of the most significant accounting policies and other explanatory information.

The balances and other information corresponding to the fiscal year 2014 are an integral part of the audited financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Management's responsibilities

The Board of Directors of the Company is responsible for the preparation and reasonable presentation of these financial statements under International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB). Further, the Board of Directors is responsible for the existence of adequate internal control to prepare financial statements free of any material misstatements due to error or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on the attached financial statements, based on our audit. We performed our audit in accordance with International Standards on Auditing (ISAs). These standards were adopted as review standard in Argentina through Technical Pronouncement No. 32 of the FACPCE (Argentine Federation of Professional Councils in Economic Sciences), as approved by the International Auditing and Assurance Standards Board (IAASB) and they require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and other information disclosed in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements due to fraud or error. In making those risk assessments, the auditor must consider internal control relevant to the Company's preparation and reasonable presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements mentioned in the first paragraph of this report present fairly, in all material respects, the financial position of Transportadora de Gas del Norte S.A. as of December 31, 2014, as well as the comprehensive income and cash flows for the fiscal year then ended, in accordance with International Financial Reporting Standards.

Emphasis of matter paragraph

Without modifying our opinion, we want to emphasize the information contained in note 1 to the attached financial statements, which indicates that the modifications introduced by the National Government to the Company's license, generated an accumulated loss of \$517.7 million as of the year ended December 31, 2015, situation that led the Company to fall within article 206 of the General Companies Law. These circumstances, along with other matters as described in note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

Report on compliance with current regulations

In compliance with current regulations, we report with respect to Transportadora de Gas del Norte S.A. that:

- a) the financial statements of Transportadora de Gas del Norte S.A. are transcribed into the "Inventory and Balance Sheet" book and as regards those matters that are within our competence, they are in compliance with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;
- b) the financial statements of Transportadora de Gas del Norte S.A. arise from accounting records carried in all formal aspects in conformity with legal requirements which maintain the security and integrity conditions based on which they were authorized by the National Securities Commission;
- c) we have read the Summary of Activities and the additional information to the notes to the financial statements required by Section 68 of the Buenos Aires Stock Exchange Regulations and section 12, Chapter III, Title IV of the regulations of National Securities Commission, on which we have no observations to make insofar as concerns matters within our field of competence.

- d) at December 31, 2015 the debt accrued by Transportadora de Gas del Norte S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records amounted to \$ 11,251,788,56, none of which was claimable at that date.
- e) as required by section 21, subsection e), Chapter III, Part VI, Title II of the rules issued by the National Securities Commission, we report that total fees for auditing and related services billed to the Company during the fiscal year ended December 31, 2015 account for:
- e.1) 87.9% of the total fees for services billed to the Company for all items during that fiscal year;
 - e.2) 89.1% of the total fees for services for auditing and related services billed to the Company, its parent companies, subsidiaries and related companies during that year;
 - e.3) 74.4% of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;
- f) we have applied for Transportadora de Gas del Norte S.A. the money laundering abatement and anti-terrorist financing procedures comprised in the professional standards issued by the Professional Council in Economic Sciences of the City of Buenos Aires.

Autonomous City of Buenos Aires, March 8, 2016

PRICE WATERHOUSE & CO. S.R.L.

by _____ (Partner)
Fernando A. Rodriguez

STATUTORY AUDIT COMMITTEE'S REPORT

To the Shareholders of
Transportadora de Gas del Norte S.A.

In accordance with the provisions of Section 294 of the Argentine Companies Law and Section 62 of the Buenos Aires Stock Exchange Listing Rules, in their relevant parts, we have reviewed Transportadora de Gas del Norte S.A.'s Balance Sheet as of December 31, 2015 and its related Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity and Statement of Cash Flow for the fiscal year then ended, their supplementary notes and annexes, as well as the Additional Information to the notes required by the Buenos Aires Stock Exchange Listing Rules and by the National Securities Commission regulations (CNV), all of which the Company presented for our consideration. The Company is responsible for the preparation and issuance of the above-mentioned documents, which it prepared in accordance with International Financial Reporting Standards, adopted as Argentine professional accounting standards by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and incorporated into the regulations of the National Securities Commission. Our responsibility is limited to expressing an opinion on the legality of such documents, based on the review detailed below.

In addition to our work, the review was based on the examination of the above mentioned documents performed by the external auditors of Transportadora de Gas del Norte S.A., Price Waterhouse & Co. S.R.L., in accordance with the International Standards on Auditing (ISAs). These standards were adopted in Argentina through Technical Resolution No. 32 of the FACPCE and they require the auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements, and was limited to the relevant information of the documents reviewed, its consistency with the information on corporate decisions presented in minutes and the compliance of those decisions with the law, by-laws, standards and internal regulations, insofar as formal and documentary aspects are concerned.

We have not assessed business criteria regarding the gas carriage utility service, its marketing and administrative aspects, since the operation itself is the sole responsibility of the Company and is out of the scope of the Statutory Audit Committee's work.

Under current provisions on the subject, we have also reviewed the Board of Directors' Annual Report and its Annex Report on the extent of compliance with Transportadora de Gas del Norte S.A.'s Code of Corporate Governance and Inventory as of December 31, 2015 for the fiscal year then ended. The revised documents are the responsibility of the Company's Board of Directors in the performance of its exclusive duties.

We share and agree with the emphasis paragraph of the Independent Auditors' report dated March 8, 2016.

As stated in Note 1.2.iii), the Company was intervened by ENARGAS Resolution No. I/587. This intervention ended on December 15, 2015.

This Report has been prepared based on the documents drawn by the Company, considered and approved by its Board of Directors on the date of issuance.

Based on our review and on the Report of Independent Auditors issued by the company of independent auditors Price Waterhouse & Co. S.R.L. and signed by its partner, Fernando A. Rodríguez (CPA), on March 8, 2016, and insofar as concerns matters within our competence, we report that:

- a) Financial Statements as of December 31, 2015 consider all the material facts and circumstances known to us. We have no further remarks to make regarding such financial statements in addition to those previously mentioned.
- b) In relation to the above mentioned Financial Statements and the Additional Information to the notes to such Financial Statements as required by Section 68 of the Buenos Aires Stock Exchange Listing Rules and by Title IV, Chapter III, Sections 1 and 12 of the CNV regulations, we have no remarks to make.
- c) We have reviewed the Board of Directors' Annual Report and the Inventory, both related to the fiscal year ended on December 31, 2015, and we have no remarks to make. The Board of Directors is responsible for assertions and estimations regarding future facts. In addition, we have reviewed the Report on the extent of compliance with the Code of Corporate Governance, annexed to the Annual Report, which was prepared by the Board of Directors pursuant to CNV General Resolution No. 606/2012, and have no material remarks to make.
- d) We have complied with the requirements of Section 294 of the Argentine Companies Law, having regularly participated in the Board of Directors' meetings and properly carried out our duties, as per by the above-mentioned law and the Company's by-laws.
- e) As required by the CNV regulations (as amended in 2013), we have analyzed the audit report issued by the Independent Auditor, which states as follows:
 - i) the accounting policies applied to prepare the financial statements as of December 31, 2015 are consistent with professional accounting standards, and
 - ii) the independent auditors have performed their audit applying auditing standards established by the FACPCE, which include objectivity and independence requirements.
- f) We have applied money laundering abatement and anti-terrorist financing procedures set forth in the relevant professional standards issued by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires.

Autonomous City of Buenos Aires, March 8, 2016.

Statutory Audit Committee

Juan José Valdez Follino
Syndic