TRANSPORTADORA
DE GAS DEL NORTE S.A.

Financial statements as of December 31, 2016 presented in thousands of pesos and in a comparative format

Transportadora de Gas del Norte S.A.

INDEX

Transportadora de Gas del Norte S.A.

FINANCIAL STATEMENTS for the fiscal year ended on December 31, 2016, presented in a comparative format.

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

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**	
	12.31.16	**12.31.15**
	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 applicable legal and bylaws provisions, 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, Report on Compliance with the Code of Corporate Governance, Reporting Summary, Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Notes and the Additional information to the notes 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 National Securities Commission ("CNV") regulations corresponding to the twenty-fifth fiscal year beginning on January 1, 2016 and ending on December 31, 2016, whose information must be read, analyzed and interpreted jointly so as to have a comprehensive view of the relevant corporate matters of the fiscal year.

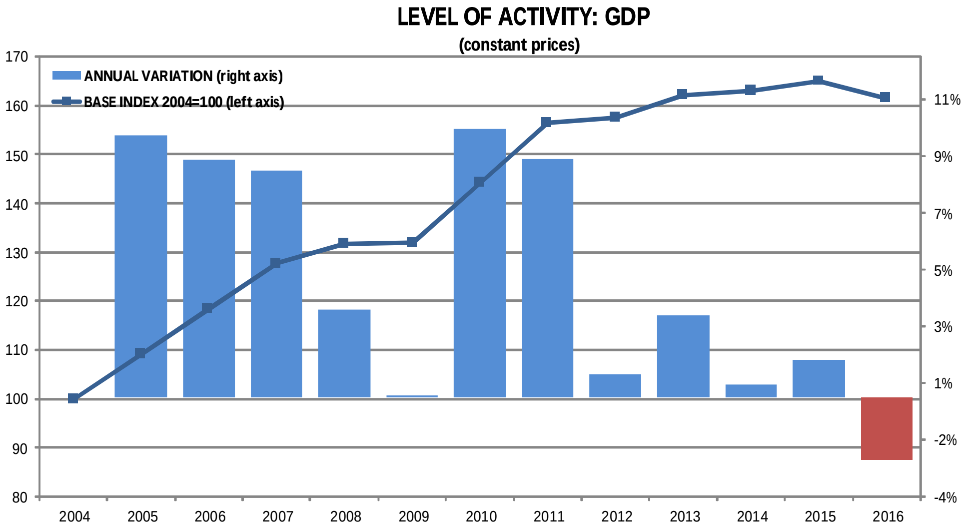
BOARD OF DIRECTORS AND STATUTORY AUDITORS´ COMMITTEE

	Regular Directors	**Alternate Directors**
Chairman:	Emilio Daneri Conte-Grand	-
Vice Chairman:	Néstor Rafaelli	Fernando Victor Peláez
	Luis Alberto Santos	Martin Novillo
	Ricardo Markous	Fernando Jorge Mantilla
	Ignacio Casares	Carlos Guillermo Pappier
	Ángel Carlos Rabuffetti	Juan José Mata
	Marcelo Brichetto	Leonardo Fernández
	Pablo Lozada	Marco Quiroga Cortínez
	Victor Díaz Bobillo	Fernando Bonnet
	Enrique Waterhouse	Pablo Mautone
	Hugo Vivot	Rufino Arce
	Sergio Revilla Cornejo	Gustavo Palazzi
	Alberto Saggesse	Bernardo Velar de Irigoyen
	Andrés Leonardo Vittone	Patricio Jorge Richards
	Regular Statutory Auditors	**Alternate Statutory Auditors**
	Juan Carlos Pitrelli	Marcelo Urdampilleta
	Juan José Valdez Follino	Andrea Barbagelata
	Oscar Piccinelli	Graciela Gazzola

ANNUAL REPORT OF TRANSPORTADORA DE GAS DEL NORTE S.A. CORRESPONDING TO THE TWENTY-FIFTH FISCAL YEAR BEGINNING ON JANUARY 1, 2016 AND ENDING ON DECEMBER 31, 2016.

1 - ECONOMIC CONTEXT

During 2016, the international economy recorded a growth rate of approximately 3.1%, while estimates for the Argentine Republic indicate a decline in the Gross Domestic Product ("GDP") of 2.2% for the same period.



As for the trade balance, data for 2016 show a trade surplus of US$ 2,114 million as a consequence of a 1.6% increase in exports accompanied by a 6.9%[1] decrease in imports.

Despite having achieved a 36.3% increase in collections, primary fiscal deficit continued to grow during 2016 and is estimated to be at $ 359 billion[2], which equals 4.6% of GDP. The result was due to an annual increase in primary income of 35.3% and a growth in primary expenditure of 38.2%.

Regarding price variation during 2016, the INDEC [National Institute of Statistics and Census] reported an increase of 34.5% in the wholesale price index, while the National Congress estimated an increase of 40.3% in the consumer price index ("IPC"). During 2016, the Argentine peso depreciated by 22% against the US dollar, closing the year at an exchange rate of 15.89 $/US$[3].

The new national administration announced and implemented significant economic and political reforms, which implied a change in the direction of the economy with respect to previous years. These reforms include:

- Normalization of INDEC.

- Reduction of caps to purchase foreign currency, eliminating the obligation to deposit and sell off foreign currency corresponding to collections for services provided to non-residents (with some exceptions) and elimination of the minimum holding period of incoming foreign funds.

- Tax Amnesty Law, which has implied extraordinary revenues of approximately $100 billion for the National Government to date.

- Capital market development bill: In November 2016, a bill to reform the applicable capital market law was sent to the National Congress for the purpose of developing the local market and attracting new investors.

- Negotiations with Holdouts: Negotiations with holders of defaulted bonds were entered into in December 2015 with a view to ending fifteen years of litigation. In March 2016, the National Congress approved an

[1] *According to data from the National Institute of Statistics and Census (INDEC).*
[2] *According to publications by the Argentine Association of Budget and Public Financial Administration (ASAP).*
[3] *According to data from the Central Bank of the Argentine Republic.*

agreement proposal and in April 2016, the National Government issued bonds worth US $ 16.5 billion, whose funds were partially used to pay the new agreement with the holders of the defaulted bonds. Also, through Decree 29/17, the National Executive Branch ("PEN") authorized the Ministry of Finance to place US$ 20 billion of new debt. This measure was announced during the presentation of the financial program scheduled for 2017, in which the National Government will seek to renew debt for approximately US$ 21 billion.

In the energy sector, meanwhile, there were important developments. Both the gas and electricity regulated segments had significant temporary rate increases and are on their way to normalization. Public hearings for comprehensive rate reviews of natural gas transportation and distribution were held in late 2016, and the new rate schedules are estimated to be effective from April 2017. This paradigm shift and the establishment of new rules of the game were also reflected in the 6,000-megawatt (MW) bid that the National Government received to invest in thermoelectric projects.

Regarding renewable energies, the Ministry of Energy and Mining ("MINEM") launched the *RenovAr* program to promote the use of clean energies. Under this program, a total of 2,424 MW were awarded in the first bidding rounds.

Finally, it is worth mentioning that the Argentine Republic imported gas from the Republic of Chile through *GasAndes* and *Norandino* gas pipelines. Although not yet significant in economic terms, this shows the National Government's intention to promote the country's regional integration in energy matters.

2 –GAS INDUSTRY IN THE ARGENTINE REPUBLIC

Unlike other countries in the region, natural gas in Argentina is the predominant energy for consumption and represents about 50% of the energy matrix.

Primary energy supply by source (2015)

	Oil	Natural Gas	Coal	Nuclear Power	Hydroelectricity	Renewables	TOTAL
USA	37.3%	31.3%	17.4%	8.3%	2.5%	3.1%	100.0%
Canada	30.4%	27.9%	6.0%	7.2%	26.3%	2.2%	100.0%
Mexico	45.6%	40.5%	6.9%	1.4%	3.7%	1.9%	100.0%
Total average North America	37.8%	33.2%	10.1%	5.6%	10.8%	2.4%	100.0%
Argentina	35.9%	48.7%	1.6%	1.8%	10.9%	1.0%	100.0%
Brazil	46.9%	12.6%	5.9%	1.1%	27.9%	5.6%	100.0%
Chile	48.4%	10.0%	20.6%	0.0%	15.2%	5.7%	100.0%
Colombia	36.5%	22.4%	16.5%	0.0%	23.8%	0.9%	100.0%
Ecuador	76.0%	3.9%	0.0%	0.0%	19.5%	0.6%	100.0%
Peru	44.9%	28.0%	3.7%	0.0%	21.8%	1.6%	100.0%
Trinidad & Tobago	8.5%	91.5%	0.0%	0.0%	0.0%	0.0%	100.0%
Venezuela	39.7%	38.6%	0.2%	0.0%	21.5%	0.0%	100.0%
Others South and Central America	65.1%	6.9%	3.0%	0.0%	20.7%	4.3%	100.0%
Total average South and Central America	44.6%	29.2%	5.7%	0.3%	17.9%	2.2%	100.0%

Source: BP Statistical Review of World Energy.

In late 2015 (latest published data) the proven natural gas reserves amounted to approximately 350 thousand MMm3 and, as of that date, the reserve horizon was 7.8 years, considering the 2016 production.

NATURAL GAS – Reserves as of December 2015 and Production as of December 2016 [MMm3]

Basin	Proven Reserves	Probable Reserves	Proven + 50% Probable	Production (*)
Austral	120,917	79,974	160,904	10,597
San Jorge Gulf	48,591	18,214	57,698	5,707
Neuquina and Cuyana	157,212	60,840	187,632	25,987
Northwest	23,764	1,413	24,471	2,680
TOTAL ARGENTINA	**350,483**	**160,441**	**430,704**	**44,971**

Source: National Ministry of Energy and Mining.
(*) 2016 Production: Actual data as of November 2016.

From the privatization of the natural gas utility service in late 1992 to 2016, there was an accumulated growth in the domestic consumption of the fluid of approximately 115%, with a relevant 274% increase in the demand for compressed natural gas ("CNG") and a 62% growth in industrial consumption. The electric generation segment also recorded a significant 161% rise due to intensified electric energy consumption and to the growth of the thermoelectric park.

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

	1993 to 1997 (4)	1998 to 2002 (4)	2003 to 2007 (4)	2008 to 2012 (4)	2013	2014	2015	2016 (5)
Residential (1)	16.5	18.8	22.0	27.2	31.6	30.4	30.9	32.8
Commercial	2.5	2.7	3.1	3.5	3.9	3.6	3.7	3.8
Industrial (2)	20.9	23.0	27.7	29.3	30.0	30.1	30.7	29.5
Electric Generators	19.8	25.6	29.2	35.5	39.6	39.8	40.9	42.5
CNG	2.8	4.6	8.1	7.4	7.6	7.8	8.1	7.8
Official Entities	0.9	0.9	1.1	1.2	1.2	1.2	1.2	1.3
PTR + Patagonian gas pipelines (3)	8.5	10.7	18.9	18.1	15.7	17.2	16.4	15.4
Subtotal for commercial use	**71.9**	**86.3**	**110.1**	**122.2**	**129.6**	**130.1**	**131.9**	**133.1**
Consumption at field and withheld at gas pipeline.	8.4	13.3	15.7	17.7	17.1	17.3	18.3	19.4
Total consumption	**80.3**	**99.6**	**125.8**	**139.8**	**146.7**	**147.4**	**150.2**	**152.5**

(1) Includes: Sub-distributors.
(2) Does not include Cerri Plant included in Plant Thermal Reduction ("PTR").
(3) Considers consumption of PTR (Mega, Refinor, Cerri, Tierra del Fuego, etc.) and Patagonian gas pipelines.
(4) Five-year average.
(5) 2016, considering provisional data for November and December.
Sources: ENARGAS and Argentina's National Ministry of Energy and Mining.

Residential and commercial consumption of natural gas increased at an annual average of 1.7% in the last five years. The industrial sector reversed the positive trend of the last three years, falling by 4% compared to 2015. Regarding CNG, its consumption decreased by 4% compared to 2015, returning to the same values of 2014. Finally, gas consumption for power generation continued to grow by 3% in 2015 and 4% in 2016.

The National Government entered into agreements to import natural gas from the Plurinational State of Bolivia, which represented 11% of the total volume consumed between 2013 and 2015, and 10.3% in 2016.

Additionally, in 2008, a liquefied natural gas ("LNG") regasification tanker was connected to the Bahia Blanca node (Province of Buenos Aires), providing injections that contributed to cover for the decline in domestic supply over the years. In order to increase the supply for the winter peak demand in areas of the Greater Buenos Aires and the Autonomous City of Buenos Aires, a second regasification tanker was installed in the district of Escobar (Province of Buenos Aires) in 2011 to inject gas into an installation operated by YPF S.A., which was in turn connected to the Argentine Republic's main gas pipeline system. Both regasification operations (Escobar and Bahia Blanca) accounted for 10.2% and 8.7% of the total volume of gas consumed in the Argentine Republic in 2015 and 2016 respectively.

Finally, during the 2016 winter, imports from the Republic of Chile were authorized through the *Norandino* and *GasAndes* gas pipelines, accounting for 0.6% of the annual consumption.

Gas supply by origin

Origin		Annual Volume (MMm3)			
		2013	2014	2015	2016
Production of Argentine Basins [1]	AUSTRAL	10,514	10,015	9,654	10,597
	SAN JORGE GULF	5,234	5,302	5,715	5,707
	NEUQUINA and CUYANA	22,700	23,274	24,684	25,987
	NORTHWEST	3,260	2,893	2,852	2,680
Import from Bolivia [2]			6,013	5,977	5,771
LNG Injection [2]	BAHIA BLANCA	3,296	3,261	3,095	2,230
	ESCOBAR	2,706	2,653	2,473	2,592
Import from Chile [2]			-	-	357

Sources:

(1) *National Ministry of Energy and Mining. Gross production.*

(2) *Daily reports - ENARGAS*

3 – REGULATORY ASPECTS

Public Emergency Law

As a provider of an essential utility service, TGN is subject to state regulation based on Law No. 24,076 (the "Gas Law"), whose enforcement authority is the National Gas Regulatory Entity ("ENARGAS"). In January 2002, the Public Emergency and Exchange System Reform Law N° 25,561 ("LEP") unilaterally modified the rate regime established in the license agreements entered into in 1992 by and between the National Government and the licensees providing natural gas carriage and distribution services within the framework of the Gas Law, by providing for the "pesification" of rates and the cancellation of their semi-annual adjustment by the Producer Price Index. The LEP authorized the National Executive Branch ("PEN") to renegotiate utility service contracts, taking into account the following criteria: 1) the impact of rates on the economy's competitiveness and on the distribution of income; 2) service quality and investment plans, when contractually established; 3) users' interest and service accessibility; 4) 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 successively extended the effectiveness of the LEP until December 2017.

Renegotiation of the License

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

From 2002 to the end of the 2015 fiscal year, no significant progress was recorded in the License renegotiation. The transitional 20% rate increase agreed upon by and between TGN and the national authorities in October 2008 and ratified by Presidential Decree in April 2010 started to be applied in steps in April 2014, reaching the 20% in August that year. In June 2015 ENARGAS implemented new rate schedules including a 69.1% increase effective from May 1, that year. While promising, such increases (the first ones since July, 1999) were very far from meeting the rate standards of current legislation, did not revert continuous operating losses and were discriminatory compared with the increases granted to other gas licensees. By contrast, TGN's average costs have risen by over 1,900% since 2001.

Subsequently, and after signing a second transitional agreement, in March 2016 the new administration arranged for TGN to increase its rates by 289.2% from April 1 that year, in exchange for a mandatory investment plan of $ 1,041 million to be performed until March 2017. However, this increase as well as the one granted to other Licensees were first suspended judicially as a precautionary measure and later annulled by the Supreme Court of Justice of the Nation, since no prior public hearing had been held. Said hearing was held in September 2016, and the aforementioned increase was reestablished effective from October 7 that same year.

While TGN has been able to continue providing the public service, it has been at the expense of its decapitalization. As of December 31, 2016, the Company's accumulated losses amounted to $ 386,304 thousand, thus exceeding capital stock by over 50%, which caused the Company to fall under the provisions of Section 206 of the General Law of Companies ("LGS").

It is worth mentioning that in March 2016, MINEM instructed ENARGAS to start a comprehensive rate review process for all natural gas carriage and distribution Licensees. Said process has made a significant development (ad hoc public hearings were held in December 2016), and the new rate schedules could become effective in April 2017. This is subject to the execution of a comprehensive License renegotiation agreement, which implies, among others, the challenge of overcoming the National Government's requirement to add an indemnity clause in its favor, which would transfer to TGN the effects of judgments or arbitration awards that, in relation to its License, should sentence the Argentine Republic to pay damages to the Company's shareholders based on the effect of the LEP.

Claim for Damages

In 2011, TGN filed with the PEN a prior claim for the damages it considers to have experienced as a consequence of the pesification of its rates as set forth in the LEP and the subsequent rate freeze that persisted since the enactment of said law. The claim was filed with the aim of protecting TGN's rights, which could otherwise be affected by the period of limitation. Given the silence of the administration and the expiration of the legal limitation period, in October 2012, TGN filed a lawsuit against the National Government seeking compensation for damages suffered by TGN from January 1, 2006 to December 31, 2011 (reserving its right to extend the period) as a consequence of the pesification of its rates as set forth in the LEP and the subsequent rate freeze (see Note 18.1.6 to the financial statements as of December 31, 2016). However, TGN intends to continue to participate in its License renegotiation process in accordance with the procedure established by Decree 367/16 and supplementary regulations.

4 – FINANCIAL SITUATION

The Company paid the maturity of the interest payments of the Incremental Rate Negotiable Obligations and the 5-year Negotiable Obligations in due time and form. It should be noted that since the fourth quarter of 2016 TGN has no longer capitalized interest.

In addition, the first payment of amortization of principal of the 5-year Negotiable Obligations was made in December 2016 for an amount of US$ 9.8 million.

Considering the situation of its rates, TGN's financial debt has been rated "*B- (arg)*", which represents a significantly more vulnerable credit risk than that of other issuers in the country. Note 15 to the Company's financial statements as of December 31, 2016 presents information on its financial liabilities.

5 –TGN'S ACTIVITY

With a 6,806-km gas pipeline network, TGN provides the service of natural gas carriage via high-pressure gas pipelines in the central and northern regions of the Argentine Republic.

Through its two main gas pipelines, *North*ern and *Central West*, TGN supplies gas to eight of the nine gas distributors as well as to numerous power generation plants and industries across fifteen Argentine provinces. The

TGN system is connected to the “*GasAndes*” and “*NorAndino”* gas pipelines, opportunely built for the transportation of gas to the center and north of the Republic of Chile, respectively; to the “Entrerriano” Gas Pipeline, which transports gas to the Province of Entre Ríos and the Uruguayan coastline, to the gas pipeline of Transportadora de Gas del Mercosur S.A and to the *“Argentine Northeastern Gas Pipeline”.*

Since the beginning of its operations in 1992 and with own and third party contributions, TGN has expanded its carrying capacity from the gas pipeline intake from 22.6 MMm3/d to 59 MMm3/d, representing a 161% increase. These expansions, as well as the many system maintenance and reliability works, required investments by TGN for 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-compressors, which added 150,000 HP of installed capacity.

Resolution N° 185/04 of the former Ministry of Federal Planning, Public Investment and Services, 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 transportation and distribution of natural gas. Under this program, TGN acted exclusively as Technical Manager of the project for works defined by the former National Secretariat of Energy and ENARGAS. To date, works have been placed in service under this program that have allowed a total incremental capacity displacement in the Northern gas pipeline - from its intake at Campo Durán - for 7.0 MM3/d to the design points of delivery. On the Central West gas pipeline, works approved between the Beazley compressor plant and La Dormida measuring station allowed a total increase in transport capacity over this route of 3.404 MMm3 / d. In October 2016, MINEM issued an order to rescind the construction contract entered into by and between the Trust and the firm Odebretch S.A., which in practice meant the cessation of expansion works.

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 Central West. Due to the demanding operating conditions that have characterized the last years, it is important to highlight the role played by the Company in the modernization and enhancement of its assets, which contributed to the quality and reliability of the natural gas carriage service to large sectors of the economy.

6 – OPERATIONAL HIGHLIGHTS

Gas carriage

The volume of gas received by TGN reached 19,272 MMm3, that is to say, an average of 52.7 MMm3/d, of which 21.0 MMm3/d corresponded to the Central West gas pipeline, 21.7 MMm3/d to the North gas pipeline, and 10.0 MMm3/d were received in the Province of Buenos Aires. The maximum injection values at intake were 25.3 MMm3/d in the Central West gas pipeline and 28.9 MMm3/d in the Northern gas pipeline.

In the case of the Northern gas pipeline, the average injection by local producers was 6.36 MMm3/d, the injection of gas imported from the Plurinational State of Bolivia reached an average of 15.66 MMm3/d with a daily peak of 21.88 MMm3/d. Additionally, between May and July, 85.9 MMm3 of LNG were injected, unloaded in the Chilean Republic and later carried into the Argentine Republic through the *Norandino* gas pipeline.

In the Central West gas pipeline, in addition to domestic production, 274.1 MMm3 of LNG were received from the Republic of Chile, carried into the Argentine Republic through the *GasAndes* pipeline between June and August.

Regarding the injection received in the Province of Buenos Aires, average values of 7.1 MMm3/d of LNG were recorded in the town of Escobar, Province of Buenos Aires, and 3.0 MMm3/d from Transportadora de Gas del Sur S.A., in the town of General Rodríguez, Province of Buenos Aires.

Operating procedures of gas dispatch were based on regulations in force. For the cases in which it was necessary to deal with crisis situations, Emergency Committees were held, which were attended by representatives of the different industry segments as well as by ENARGAS authorities.

Integrity of installations

The most relevant aspects that were carried out in relation to the integrity of installations are the following:

- The annual cathodic protection indicator required by ENARGAS was met, with positive results in the audit that was performed.

- Pipeline in-line inspection programs were carried out, consisting in passing specific tools along 657 km of pipelines and, in addition, along other 388 km that were scheduled for 2017.

- Within the *Stress Corrosion Cracking* ("SCC") detection program, the Company continued to use a new in-line inspection technology called EMAT (Electromagnetic Acoustic Transducer), developed for crack detection in gas lines. This in-line inspection tool allows the detection of SCC as well as other in-plane defects (e.g. delaminations and lack of fusion in welds) and pipeline coating properties and adhesion. 372 km were inspected with this technology.

- The new "Part 0" of the Argentine Gas Standard "100" was implemented in all gas pipelines and the foundations were laid to implement a new method of quantitative risk calculation. This new methodology allows quantifying risk, analyzing whether it is within acceptable levels and, if necessary, adopting the mitigation measures in accordance with the existing risk for its adaptation to accepted levels in the industry.

- The integrity management plan was reformulated, incorporating new regulatory changes and international best practices.

- The new technologies to be implemented in the cathodic protection system were determined, taking a successful implementation in the Recreo Compressor Plant as a pilot test.

- Recoating was performed in the Northern gas pipeline, Section 9, over 2 km and, in Section 10, over 8.6 km. In addition, cathodic protection works were carried out to maintain and improve corrosion protection of gas pipelines.

- Atypical and exceptional rains in the north of the country throughout the year caused significant erosions in:

  - The crossing of "Yariguarenda" stream (Province of Salta), in the Northern main pipeline and in Parallel 24". Therefore, two directional crossings were performed in order to solve the situation.

  - The crossing of "De Las Piedras" river (Province of Salta), leaving the pipeline exposed, which forced the performance of works to recompose the banks of said river.

- We continued with the implementation of the Damage Prevention Program in compliance with the API 1,162 standard, emphasizing external dissemination by means of informative briefings to different audiences, as well as strengthening the relationship between pipeline operators. The main actions carried out during the fiscal year are described below:

  - We entered into negotiations with the Municipality of the City of Alderetes (Province of Tucumán) to carry out an action plan for damage prevention in critical areas with class "3" tracking.

  - The "*Door to Door*" campaign was also carried out in the City of Alderetes (Province of Tucumán) and in the town of San Jerónimo (Province of Santa Fe).

  - A "Radio broadcast program" was established in the towns near the points of greater exposure.

  - "Educational Damage Prevention Workshops" were started for primary schools near gas pipelines.

  - The procedure to respond to potential settlement attempts on the "Security Strip" was established. It consists in taking all necessary legal actions and procedures before public bodies in order to prevent new constructions and / or third party works without the approval of TGN within the aforementioned strip.

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

During 2016, and within the framework of the mandatory investment plan mentioned in section 3), TGN carried out a program of scheduled projects and works to maintain its transportation system. The main activities performed are described below:

- Basic engineering was developed and the project was started for the change of control panels in the "Solar" turbo generators of the Beazley Compressor Plant and for the replacement of the post-lubrication backup system in the Pichanal Compressor Plant.

- Basic and detailed engineering was developed for the replacement of fire detection systems in the Deán Funes Motor Compressor Plant.

- Basic engineering was developed for the adaptation program of the existing line breakage system at the Ferreyra, Tío Pujio, Leones, Cochico, La Paz, San Jerónimo I and Baldisera compressor plants.

- Pipeline change was implemented for "Class Tracking/ Design Factor" by "directional drilling" at a plant owned by YPF S.A. in the town of Montecristo (Province of Cordoba) due to the interference that its pumping and storage plant generated.

- A pipeline change was made at the crossing of National Route 19 (Province of Cordoba) in the Northern main gas pipeline.

- Basic engineering was developed for six pipeline changes for pipeline class tracking in various localities in the Provinces of Salta, Jujuy, Tucumán and La Pampa for regulatory compliance in several sections of the Northern main gas pipeline.

- A hazard and operability analysis (*HazOp)* was performed for the Lumbreras, Pichanal and La Mora Compressor Plants.

Operation and maintenance

The most significant activities carried out are detailed as follows:

- An overhaul program of turbo- and motor-compressors was carried out. In addition, an improvement of quality processes was implemented in the overhaul of "Ruston" turbo-compressors, carried out in the workshops of the San Jerónimo Compressor Plant.

- A scheduled maintenance program was implemented for gas pipeline installations, measurement and compression of the whole system, including the required minor works program.

- The *Factory Assets Control* (hardware y software) infrastructure required to facilitate remote guards was implemented, thus complying with the defined IT security scheme.

- Gas distributor Litoral Gas S.A. definitively transferred to TGN various pressure regulation stations.

- In March 2016, an agreement was entered into for the *Master Service Agreement* with Solar Turbines, supplier of turbochargers. It includes several benefits for TGN and will be in valid for five years. The most relevant aspects of the agreement are: (i) special economic discounts on machinery major maintenance works; (ii) extended warranties on defects and deficiencies of materials and equipment; (iii) priority attention to processes; and (iv) technical assistance.

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

In 2004, as a result of an increased domestic demand for gas and a simultaneous drop in production and reserves, the National Government adopted measures, still in force, to ensure that natural gas supply be primarily allocated to meet domestic demand. This involved restrictions on gas exports, which significantly affected sales of gas carriage services to foreign destinations and caused a steady decline in the use of the related firm gas carriage. Although TGN was able to enter into settlement agreements with some foreign customers for the early termination of carriage contracts in exchange for economic compensation (which nevertheless cause a negative net effect on TGN's expected cash flows), two legal disputes with YPF S.A. and with the Chilean distributor Metrogas S.A., which are described in Note 18 to the Company's financial statements as of December 31, 2016, remain unsettled.

8 – QUALITY, SAFETY, HEALTH AND ENVIRONMENT

We carried out the prevention activities included in the quality, safety, health and environment annual plan. Particularly noteworthy are the following:

- In the area of Occupational Health, new management documents and processes were developed in order to comply with resolution 905/15 of the Superintendency of Occupational Risks.

- The "Cardio Safety" project was completed, with the provision of 25 automated external defibrillators to assist in potential cardiovascular events. Training in CPR was started and will continue during 2017, the ultimate goal being for TGN to be certified as a cardiac-protected company by a national scientific entity. 200 employees are expected to be trained under this program.

- In the area of safety, programs were developed jointly with contractors and third parties, aimed to raise awareness of the safe development of tasks and works. As in previous years, field drills were carried out in order to assess the level of response to emergency situations and the degree of effectiveness in the coordination with third parties related to TGN's activity.

- In the area of road safety, we continued the training program in safe driving and completed the installation of the satellite control system in 220 vehicles of the operational fleet. The use of the new system, together with the safety management of the fleet, resulted in an improvement of the Company's road risk indexes of about 53% compared to last year.

- Regarding environmental matters, we carried out the environmental protection program, which includes the measurement of gas and noise emissions at compressor plants and metering and regulating stations. This program was performed in compliance with TGN's Integrated Policy on Quality, Safety, Health and Environment and in accordance with the requirements of ENARGAS in the framework of the current resolutions and standards of Quality of Service indicators.

- We completed the "Environmental Program", which involves training and raising awareness in all personnel about efficient waste management and emission control.

9 – HUMAN RESOURCES

Salary increases

The Company agreed with the unions on salary step increases that reached 39%. This percentage, which was agreed upon for personnel under the Collective Bargaining Agreement, was also applied to personnel outside said agreement who do not have employees under their supervision. In the case of heads of departments, deputy managers, managers and directors, salaries were increased by 34% during the fiscal year. All personnel, except managers and directors, were also granted an extraordinary bonus of $ 16,500 paid in January 2017.

Development

In September 2016, a new Office of Development was created within the Department of Human Resources, aimed at promoting integration of TGN personnel, contributing to their personal and professional development and improving their quality of life. The most significant activities that were carried out are presented below:

- Employees' performance was evaluated through a performance assessment process. The methodology used included the development of Assessment Committees by departments and senior management, where evaluators integrated their different perceptions about their employees, agreeing on a final grade for each. The potential of each employee was also appraised. This process ended with feedback interviews and goal setting.

- In line with our usual practice, "Exchange Sessions" and "Integration Sessions" were held in March and December, led by Operations Management and General Management, respectively.

- The "Young Professionals Program" was followed up by personal interviews with employees, meetings and / or conversations with their supervisors and / or tutors of such program.

Training

Training employees is an ongoing priority. In this sense, the *Knowledge Transfer Center* has been consolidated as a training platform. The annual coverage rate reached 91%.

Technical training programs were developed, sponsored by expert industry leaders, offering a theoretical and practical approach and attending to the different needs and learning styles. The following programs are mentioned as an example:

  - "Instrumentation Valves", "Control and Energy"," Motor compression" and "Measurement and Regulation and Gas Pipeline Technical Advice" led by the Maintenance Department;

- “Integrity of Sensitive Areas”, “Advanced Risk Management” and “Analysis of In-Field Defects”, led by the Technical Department and;

- “New Employees”, for new staff of different sectors, led by Operations Management.

Other programs focused on other business specific areas and positions. An example of this is the continuity of the “Leadership Forum” for Section Leaders and the “Breakfast and Lunch Meetings with leaders of the different departments”. For those employees for whom the specificity of their positions required it, the Company promoted activities with external entities as well as participation in industry conferences.

Recruitment

Over 60 processes for personnel recruitment were completed, mostly for Operations Management. In addition, we continued with the “Young Professionals Program” through the recruitment of seven engineering students about to graduate, who were assigned to different areas and are participating in a special training program.

10 – CORPORATE SOCIAL RESPONSIBILITY

TGN participates in local networks in which multiple actors from the public, private and third sector are involved. Through the “*Global Compact Network Argentina*”, the company contributes in the design of programs aimed at prioritizing and integrating sustainable development goals into local development conditions. From its management of social responsibility, TGN focuses on incorporating social and environmental issues into the core processes of its operation. The implemented sustainability strategies take into account the parties involved, ensure compliance with current legislation and respect international codes of conduct.

The approach of the “Social License to Operate” provides an adequate theoretical framework to establish designs and prioritization criteria on social responsibility practices. The implemented programs are based on the core processes of the gas carriage public service and their strategies are associated with four axes: (i) Education; (ii) Construction of Citizenship; (iii) Environmental Care and; (iv) Local development in the value chain.

Most representative programs and actions that TGN develops with the community:

Rational Use of Energy Program

This program consists of workshops for primary school students, which aim to raise awareness about the use of energy resources and the behaviors that families may adopt to contribute to their efficient use.

Science Club

This activity is implemented in schools of towns close to the gas pipelines and aims to promote learning through play and experimentation. It is sponsored by the *Organization of Ibero-American States* [OEI] and the support of the Ministries of Education of the Provinces involved.

Value Chain Projects

The “*Value Chain*” program aims to develop local suppliers in different towns close to TGN installations.

Damage Prevention

As part of its damage prevention processes, TGN implemented the “Carrying Awareness” program in the Province of Tucumán, targeted at primary schools. The objective of this program is to raise awareness in children and adults about the importance of preventing damage in gas pipelines and gas installations.

Risk Management in Projects

Through partnerships with public sector institutions, civil society and other actors of the private sector, modes of intervention were implemented to prevent the occurrence of damages to people in areas of high social conflict.

Promotion of Reading with “Fundación Leer”

Together with “Fundación Leer”, the “Family of Readers” project was implemented in a school in the Province of Salta. This initiative aimed to promote literacy development and encourage children to read, raising awareness in families about the importance of early literacy for children’s stimulation and language development.

From Companies to Companies

TGN participated in the “*Compliance DEPE*” – [From Companies to Companies] program, which seeks to support small and medium companies so that they can develop processes to prevent corruption.

11 – COMPENSATION POLICY

Board of Directors’ compensation is determined by the Shareholders’ Meeting for each fiscal year. The compensation policy for Company management establishes a basic monthly fixed compensation and an additional amount payable annually, consisting of a fixed and a variable part. While the fixed parts are established according to the level of responsibility inherent to the position and market values, the variable part consists in an additional amount based on performance and achievement of the year’s objectives. The Company’s policy does not establish option plans or other plans for its personnel.

12 – DECISION-MAKING POLICY

The Company Bylaws establish that the Board of Directors of the Company shall consist of 14 regular directors and an equal number of alternate directors, and shall be responsible for TGN’s management and administration. The directors’ term of office is one year from their appointment by the Shareholders' Meeting. Of the 14 directors: (i) nine regular directors and their respective alternates are elected by Class A shares at a Special Class A Shareholders’ Meeting; (ii) four regular directors and their respective alternates are elected by Class B shares at a Special Class B Shareholders’ Meeting, and (iii) one regular director and his or her respective alternate are elected by Class C shares at a Special Class C Shareholders’ Meeting. 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 shareholders shall not have such status.

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

The Agreement establishes that the following actions and decisions must be unanimously agreed upon by Compañía General de Combustibles S.A. and Tecpetrol Internacional SLU:

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

Additionally, a supplementary shareholders’ agreement establishes that all contracting for the supply of goods and/or services must comply with mechanisms that guarantee the necessary participation of a plurality of technically and economically qualified bidders to ensure that contracts are carried out at arm’s-length, following TGN's organization and management policies and standards.

It is also established that contracts for the acquisition of goods and/or services with a company and/or its parent and/or subsidiaries that together exceed the amount of US$ 4 million must be approved by the Board of Directors.

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

13 – AUDIT COMMITTEE

Pursuant to the provisions of the Public Offering Transparency Regime set forth in the Capital Markets Law No. 26,831 and its regulations, companies that publicly offer their shares must set up an Audit Committee that will act as a collegiate body, with no less than three members of the Board of Directors, and whose majority must be independent as provided for by the CNV regulations.

During fiscal year 2016, TGN's Audit Committee performed the functions entrusted to it by the law and its internal regulations, in line with an Annual Plan reported to the Board of Directors and the Statutory Auditors' Committee, the results of which 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 Department, as a consulting body of the Board of Directors, is responsible for the periodic analysis of the internal control systems in order to optimize the quality of processes performed, their documentation and reporting. Internal control is a process carried out by Management and the rest of the personnel, designed to provide reasonable assurance that the objectives of the organization will be met, considering the effectiveness and efficiency of operations, reliability of financial information and compliance with applicable laws and standards. In this regard, the Internal Audit Department carries out procedures to comply with the "Annual Internal Audit Plan", which is intended to monitor critical and significant operating, equity, legal, regulatory and IT-related risks. TGN'S Audit Committee is assisted by the Internal Audit Department to be informed about identified control weaknesses, as well as corrective actions taken.

15 – DISCLOSURE OF THE COMPANY'S BALANCES AND TRANSACTIONS WITH ITS PARENT COMPANY, FOREIGN RELATED COMPANIES, OTHER RELATED PARTIES AND KEY MANAGEMENT PERSONNEL.

Balances and transactions between the Company and its parent company, foreign related companies, other related parties and key management personnel are presented in Note 24 to TGN´s financial statements as of December 31, 2016. Individuals and companies comprised in Section 72 of Law No. 26,831 have been included as related parties.

16 – FUTURE OUTLOOK

As explained in section 3), during 2016 the ENARGAS implemented increases in the carriage rates, which the Company expects to be a significant step towards the normalization of its rates. Thus, in March the MINEM requested the ENARGAS to start a comprehensive rate review process covering all natural gas carriage and distribution Licensees. It is estimated that the new rate schedules could come into force in April 2017.

Section 38 of the Gas Law states that rates should cover reasonable operating costs, taxes and depreciations and, at the same time, allow reasonable profitability. This concept is in turn reinforced in the LEP, which mentions "company profitability" as an element, among others, to consider in renegotiating rates.

The rate increase implemented throughout the year has enabled the Company to break the series of 21 consecutive quarters with negative operating results, finance its operating and maintenance expenses, carry out certain works and settle its financial maturities. However, in light of the demands of the gas pipeline system operation and maintenance, it is still necessary to complete the comprehensive rate review process in order to have fair and reasonable rates that comply with the standard established by the Gas Law, and that these new rate levels are maintained in real values over time.

17 – PROPOSAL FOR THE ALLOCATION OF RESULTS

Fiscal year 2016 resulted in a loss of $ 258,826 thousand. Said loss, in addition to the balance of the "Retained Earnings" account, amounts to $ 386,304 thousand of accumulated losses, which exceeds capital stock by over 50% and therefore has caused the Company to be in the situation set forth in Section 206 of the LGS. Consequently, the Company's Board of Directors submits the following proposal for consideration of the Shareholders' Meeting:

a) For the reasons mentioned in Item 16 of this Report, keep the loss of $ 258,826 thousand in "Retained Earnings".

b) Considering the rate increase granted during 2016 and the progress recorded in the comprehensive rate renegotiation process under way, the Company keeps the reasonable expectation of recovering the economic-financial balance. In addition, in line with the criteria adopted by the PEN in Decrees 1269/2002 and 1293/2003 to "underpin the general principle of company preservation and subsistence" and prevent undesirable effects for users, the Company and its shareholders, we propose to continue monitoring the evolution of the Company's equity and financial standing during the fiscal year ending December 31, 2017 and defer treatment of the issue related to the application of Section 206 of the LGS until the meeting that will be called to approve the financial statements of the aforementioned fiscal year.

c) Finally, the payment of $ 4,053 thousand in fees for technical and administrative services to certain members of the Board and of $ 2,723 thousand in fees to members of the Statutory Auditors' Committee.

The Board of Directors thanks customers, suppliers, third parties in general and the personnel of the Company for their support and consideration over this fiscal year.

Autonomous City of Buenos Aires, February 22, 2017

Oscar Piccinelli
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 explicity.	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.
PRINCIPLE II. PROVIDE THE BASIS FOR A SOLID ADMINISTRATION AND SUPERVISION OF THE ISSUER				
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		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. Based on the above, the Board of Directors does not consider it necessary to implement a training and development plan for its members. 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.
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)		
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.	X			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.
Recommendation II.4: That the number of external and independent members be significant in the Board of Directors of the Issuer.				

	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 prospects 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.

	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				
Recommendation III: The Board of Directors must have a policy on integral corporate risk management and monitor its correct implementation. Answer whether:				
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)		
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.	X			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. 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).
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.		X		TGN does not have the position of "risk officer", but it has a Risk Management Committee and an Internal Audit Department. The Risk Management Committee monthly assesses the Company´s Integral Risk Matrix evolution. 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.
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).		X		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

	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				
Recommendation IV: Guarantee independence and transparency in the functions entrusted to the Audit Committee and the External Auditor. Answer whether:				
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)		
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 *Institute of Internal Auditors* (IIA).	X			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.
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.	X			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.

	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		Pursuant to the Corporate By-laws, the staturory 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. 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. 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.
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.

Recommendation V.2: Promote active participation of all the shareholders.

Answer whether:

	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 *per se* 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)		
Recommendation V.6: Ensure there is a clear dividend policy in place. Answer whether:				
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.			X	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 n 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 dividends until that reserve is reimbursed.
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.		X		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 2015, was approved by the Ordinary Shareholders Meeting held on April 14, 2016.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Full (1)	Partial(1)		
PRINCIPLE VI. KEEP A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY				
Recommendation VI: Provide information on the Issuer to the community as well as a direct communication channel between the community and the company. Answer whether:				
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.	X			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.
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).		X		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.

	Compliance		Non-compliance [1]	Report [2] or Explain [3]
	Full [1]	Partial[1]		
PRINCIPLE VII. FAIR AND RESPONSIBLE REMUNERATION				
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. Answer whether:				
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.
PRINCIPLE VIII. ENCOURAGE BUSINESS ETHICS				
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]		
PRINCIPLE IX: ENHANCE THE SCOPE OF THE CODE				
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, February 22, 2017

Oscar Piccinelli
Syndic

Emilio Daneri Conte-Grand
President

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

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.

I) ANALYSIS OF COMPREHENSIVE RESULT AND FINANCIAL SITUATION

- *Comprehensive result for the fiscal year:*

(in million of pesos)

	Fiscal year ended 12.31.					
	2016	***2015***	***Variation***	***2014***	***2013***	***2012***
Revenues						
Gas carriage service	*1,677.0*	*668.5*	*1,008.5*	*586.5*	*476.7*	*439.1*
Allowances for disputed amounts	*-*	*(25.3)*	*25.3*	*(89.0)*	*(59.3)*	*(48.8)*
Subtotal gas carriage service	***1,677.0***	***643.2***	***1,033.8***	***497.5***	***417.4***	***390.3***
Other services:						
Gas pipeline operation and maintenance services and others	*157.0*	*82.8*	*74.2*	*55.9*	*48.0*	*31.4*
Management fees – Gas Trust Program	*1.3*	*27.0*	*(25.7)*	*18.6*	*18.5*	*70.0*
Subtotal other services	***158.3***	***109.8***	***48.5***	***74.5***	***66.5***	***101.4***
Total revenues	***1,835.3***	***753.0***	***1,082.3***	***572.0***	***483.9***	***491.7***
Cost of services						
Operation and maintenance costs	*(921.7)*	*(702.1)*	*(219.6)*	*(483.1)*	*(333.9)*	*(260.3)*
Property. plant and equipment depreciation	*(157.0)*	*(141.9)*	*(15.1)*	*(135.9)*	*(132.7)*	*(134.0)*
Subtotal	***(1,078.7)***	***(844.0)***	***(234.7)***	***(619.0)***	***(466.6)***	***(394.3)***
Gross profit (loss)	***756.6***	***(91.0)***	***847.6***	***(47.0)***	***17.3***	***97.4***
Administrative and selling expenses	*(488.7)*	*(236.0)*	*(252.7)*	*(201.0)*	*(163.4)*	*(155.0)*
Income (loss) before other net income and expenses	***267.9***	***(327.0)***	***594.9***	***(248.0)***	***(146.1)***	***(57.6)***
Other net income and expenses	*(59.8)*	*(24.7)*	*(35.1)*	*29.6*	*170.8*	*(12.4)*
Income (loss) before financial results	***208.1***	***(351.7)***	***559.8***	***(218.4)***	***24.7***	***(70.0)***
Net financial results	*(608.0)*	*(450.9)*	*(157.1)*	*(175.7)*	*(258.9)*	*(177.9)*
Result from loans restructuring	*-*	*-*	*-*	*-*	*280.7*	*575.2*
Results from investments in affiliate companies	*(1.0)*	*7.7*	*(8.7)*	*5.6*	*2.8*	*1.5*
Result before income tax	***(400.9)***	***(794.9)***	***394.0***	***(388.5)***	***49.3***	***328.8***
Income tax	*142.1*	*277.4*	*(135.3)*	*131.9*	*(20.4)*	*(114.1)*
(Loss) income for the fiscal year	***(258.8)***	***(517.5)***	***258.7***	***(256.6)***	***28.9***	***214.7***
Other comprehensive results	*2.8*	*-*	*2.8*	*-*	*-*	*-*
Comprehensive (loss) income for the fiscal year	***(256.0)***	***(517.5)***	***261.5***	***(256.6)***	***28.9***	***214.7***
EBITDA (1)	***379.0***	***(196.6)***	***575.3***	***(73.7)***	***161.3***	***70.8***

(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, 2016 AND 2015

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

(in million of pesos)

	12.31.2016	*12.31.2015*	*12.31.2014*	*12.31.2013*	*12.31.2012*
Total assets	*4,585*	*3,875*	*3,259*	*3,138*	*2,836*
Total liabilities	*4,529*	*3,563*	*2,429*	*2,052*	*1,779*
Shareholders´equity	*56*	*312*	*830*	*1,086*	*1,057*

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 $ 1,082.3 million between the fiscal years ended December 31, 2016 and 2015 is explained by the following causes:

i. higher billings for $ 948.5 million, related to the rise in the domestic carriage rates since April 2016, set by the National Gas Regulatory Entity ("ENARGAS") throughout its Resolution I 3723/16 and its subsequent modifications;

ii. lower allowances for disputed amounts for $ 25.3 million during the fiscal years ended December 31, 2016 compared to the previous fiscal year, 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, 2016);

iii. higher billings for $ 82.5 million, related to the rise in the domestic carriage rates since May 2015, set by the ENARGAS throughout its Resolution I 3348/15;

iv. higher income for $ 25.5 million in relation to several carriage services;

v. higher income for $ 74.2 million in *"Gas pipeline operation and maintenance services and others"*;

vi. decrease for $ 48.0 million due to the rescission of the firm gas carriage contract for export with the customer Metrogas Chile S.A., previously mentioned in ii); and

vii. lower income for $ 25.7 million during the fiscal years ended December 31, 2016 corresponding to *"Management fees – Gas Trust Program*", compared to the same period of the previous year.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

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

- *Cost of services*

(in million of pesos)

Accounts	*Fiscal year ended 12.31.*									
	2016	***%***	***2015***	***%***	***2014***	***%***	***2013***	***%***	***2012***	***%***
Fees for professional services	*14.9*	*1.4*	*12.7*	*1.5*	*9.2*	*1.5*	*6.5*	*1.4*	*4.5*	*1.1*
Salaries, wages and other personnel benefits and social security contributions	*362.0*	*33.6*	*266.3*	*31.7*	*192.2*	*31.1*	*149.7*	*32.1*	*111.9*	*28.4*
Technical assistance fee	*13.1*	*1.2*	*10.1*	*1.2*	*9.5*	*1.5*	*15.9*	*3.4*	*13.8*	*3.5*
Consumption of materials and spare parts	*52.7*	*4.9*	*38.0*	*4.5*	*33.2*	*5.4*	*23.8*	*5.1*	*18.0*	*4.6*
Maintenance and repair of property, plant and equipment and third–party services and supplies	*378.0*	*35.0*	*289.2*	*34.3*	*187.7*	*30.3*	*101.8*	*21.8*	*76.0*	*19.3*
Post, telecommunications, transportation, freight, and travel expenses	*46.6*	*4.3*	*36.6*	*4.3*	*28.3*	*4.4*	*19.3*	*4.1*	*14.7*	*3.7*
Insurance	*22.3*	*2.1*	*13.9*	*1.6*	*9.4*	*1.5*	*6.6*	*1.4*	*6.1*	*1.5*
Rentals and office supplies	*10.3*	*1.0*	*6.2*	*0.7*	*4.9*	*0.8*	*3.7*	*0.8*	*3.0*	*0.8*
Easements	*8.1*	*0.8*	*23.5*	*2.8*	*4.8*	*0.8*	*5.5*	*1.2*	*10.1*	*2.6*
Taxes, rates and contributions	*1.0*	*0.1*	*1.2*	*0.1*	*1.0*	*0.2*	*0.7*	*0.2*	*0.7*	*0.2*
Property, plant and equipment depreciation	*157.0*	*14.6*	*141.9*	*16.8*	*135.9*	*22.0*	*132.7*	*28.4*	*134.0*	*34.0*
Slow-moving and obsolete materials and spare parts	*9.1*	*0.8*	*1.8*	*0.2*	*0.5*	*0.1*	*(1.8)*	*(0.4)*	*0.6*	*0.1*
Others	*3.6*	*0.2*	*2.6*	*0.3*	*2.4*	*0.4*	*2.1*	*0.5*	*0.9*	*0.2*
Total	***1,078.7***	***100.0***	***844.0***	***100.0***	***619.0***	***100.0***	***466.6***	***100.0***	***394.3***	***100.0***
% of Costs of services on revenues	***58.8***		***112.4***		***108.2***		***96.4***		***80.2***	

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

i. $ 95.7 million increase in *Salaries, wages and other personnel benefits and social security contributions* principally as a result of pay increases corresponding to inflation adjustment as well as a headcount increase; and

ii. $ 88.8 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 2016 higher expenses were made in cleaning, weeding and painting of facilities ($ 10.8 million), compression plants integrity and repairs ($ 18.2 million), internal inspection of gas pipelines ($ 98.1 million), critical maintenance of gas pipelines, compression plants and installations ($ 3.7 million), security and energy consumption ($ 8.9 million) and other works, partially offset by lower expenses in repairs ($ 22.1 million), in class tracking projects and anti-corrosive protection ($ 16.4 million) and in works on surface installations ($ 12.4 million).

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

- *Administrative and selling expenses*

(in million of pesos)

Accounts	***Fiscal year ended 12.31.***									
	2016	***%***	***2015***	***%***	***2014***	***%***	***2013***	***%***	***2012***	***%***
Salaries, wages and other personnel benefits and social security contributions	*177.8*	*36.4*	*121.2*	*51.4*	*83.7*	*41.6*	*65.7*	*40.2*	*48.9*	*31.6*
Property, plant and equipment depreciation	*2.2*	*0.5*	*2.0*	*0.8*	*1.9*	*0.9*	*1.9*	*1.2*	*1.9*	*1.2*
Fees for professional services	*16.4*	*3.4*	*16.4*	*6.9*	*14.0*	*7.0*	*13.1*	*8.0*	*7.8*	*5.0*
Taxes, rates and contributions	*150.3*	*30.8*	*88.9*	*37.7*	*65.5*	*32.6*	*57.6*	*35.3*	*49.8*	*32.1*
Post, telecommunications, transportation, freight, and travel expenses	*6.6*	*1.4*	*5.2*	*2.2*	*5.3*	*2.6*	*3.0*	*1.8*	*2.4*	*1.5*
Maintenance and repair of property, plant and equipment and third–party services and supplies	*7.8*	*1.6*	*5.9*	*2.5*	*4.7*	*2.3*	*3.7*	*2.3*	*3.2*	*2.1*
Rentals and office supplies	*5.0*	*1.0*	*3.8*	*1.6*	*3.1*	*1.5*	*2.2*	*1.3*	*2.1*	*1.4*
Doubtful accounts	*94.3*	*19.2*	*(9.9)*	*(4.2)*	*10.2*	*5.1*	*9.9*	*6.1*	*17.5*	*11.3*
Contingencies	*17.0*	*3.5*	*(6.6)*	*(2.8)*	*4.4*	*2.2*	*1.3*	*0.8*	*3.9*	*2.5*
Statutory auditors committee´s fees	*2.7*	*0.5*	*2.1*	*0.9*	*1.5*	*0.7*	*1.2*	*0.7*	*1.0*	*0.6*
Board of directors' fees	*4.1*	*0.8*	*3.8*	*1.6*	*2.7*	*1.3*	*2.0*	*1.2*	*1.7*	*1.1*
Others	*4.5*	*0.9*	*3.2*	*1.4*	*4.0*	*2.1*	*1.8*	*1.1*	*14.8*	*9.6*
Total	***488.7***	***100.0***	***236.0***	***100.0***	***201.0***	***100.0***	***163.4***	***100.0***	***155.0***	***100.0***
% of Administrative and selling expenses on revenues	***26.6***		***31.4***		***35.1***		***33.8***		***31.5***	

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

i. $ 56.6 million increase in *Salaries, wages and other personnel benefits and social security contributions* principally as a result of pay increases corresponding to inflation adjustment;

ii. $ 61.4 million increase in *Taxes, rates and contributions* due to higher charges for the ENARGAS' verification and control rate ($ 8.4 million), tax on bank transactions ($ 8.8 million) and turnover tax ($ 55.0 million), partially offset by a higher charge in fiscal year 2015 regarding court fees ($ 10.8 million) related to the extension of the lawsuit against Metrogas Chile S.A. (see Note 18.1.5 to the Company's financial statements as of December 31, 2016);

iii. $ 104.2 million increase in *Doubtful accounts* due to higher allowances set up during 2016, related to past due customers' balances and as a consequence of the situation detailed in Note 1.3.3 to the Company´s financial statements as of December 31, 2016; and

iv. $ 23.6 million increase 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, 2016 AND 2015

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

- *Other net income and expenses*

(in million of pesos)

Accounts	*Fiscal year ended 12.31*				
	2016	*2015*	*2014*	*2013*	*2012*
Income from commercial indemnifications	*10.9*	*0.1*	*7.6*	*163.9*	*47.6*
Compensation for damages adjustment	*(109.9)*	*(20.8)*	*21.5*	*-*	*-*
Court fees	*-*	*(32.9)*	*-*	*-*	*(63.9)*
Net result from disposal of property, plant and equipment	*0.2*	*3.1*	*0.2*	*1.9*	*(1.0)*
Net income from sundry sales, accidents recoveries and others	*39.0*	*25.8*	*0.3*	*5.0*	*4.9*
Total	***(59.8)***	***(24.7)***	***29.6***	***170.8***	***(12.4)***

i. During the fiscal years ended December 31, 2016 and 2015, the Company has recognized losses for $ 109.9 million and $ 20.8 million, respectively, in relation to the compromise and settlement agreement entered into with AES Argentina Generación S.A. in 2012 (and lately modified in 2014). These losses are the result of measuring the liability with AES Argentina Generación S.A. on the basis of the gas carriage rates in force, as mentioned in Note 1.3.3 to the Company's financial statements as of December 31, 2016.

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 18.1.5 to the Company´s financial statements as of December 31, 2016.

iii. Higher income for $ 13.2 million in "Net income from sundry sales, accidents recoveries and others".

- *Net financial results*

(in million of pesos)

Accounts	*Fiscal year ended 12.31.*				
	2016	*2015*	*2014*	*2013*	*2012*
Generated by exchange rate differences:					
Income on exchange rate variations	*320.9*	*598.8*	*337.5*	*253.3*	*146.5*
Expenses on exchange rate variations	*(722.0)*	*(1,082.9)*	*(456.6)*	*(393.9)*	*(237.1)*
Total financial results generated by exchange rate differences	***(401.1)***	***(484.1)***	***(119.1)***	***(140.6)***	***(90.6)***
Financial income:					
Interest	*56.7*	*41.1*	*38.8*	*28.9*	*15.2*
Results from changes in fair values	*28.4*	*195.9*	*108.7*	*52.7*	*6.3*
Result from loans repurchase	*-*	*-*	*19.6*	*5.9*	*-*
Allowances recovered and others	*1.9*	*1.9*	*0.9*	*6.4*	*0.5*
Results on discounting at present value	*-*	*15.1*	*-*	*-*	*101.6*
Total financial income	***87.0***	***254.0***	***168.0***	***93.9***	***123.6***
Financial expenses:					
Interest	*(256.9)*	*(149.0)*	*(118.3)*	*(79.4)*	*(138.7)*
Results from changes in fair values	*(2.3)*	*-*	*(2.3)*	*-*	*-*
Expenses from loans restructuring	*-*	*-*	*-*	*-*	*(44.7)*
Results on discounting at present value	*(32.0)*	*(69.3)*	*(101.5)*	*(130.6)*	*(24.4)*
Commissions, taxes, expenses on banking and financial operations and others	*(2.7)*	*(2.5)*	*(2.5)*	*(2.2)*	*(3.1)*
Total financial expenses	***(293.9)***	***(220.8)***	***(224.6)***	***(212.2)***	***(210.9)***
Total net financial results	***(608.0)***	***(450.9)***	***(175.7)***	***(258.9)***	***(177.9)***

Net financial results for the fiscal year ended December 31, 2016 presented higher losses for $ 157.1 million compared to fiscal year 2015. Accounts showing the most significant variations between both fiscal years were:

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

i. lower losses for $ 360.9 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, compared to fiscal year 2016;

ii. lower losses for $ 22.2 million related to the long-term receivables and payables' valuation at their net present value;

iii. higher interests for $ 107.9 million accrued in relation to loan balances during the fiscal year ended December 31, 2016, compared to the previous year;

iv. lower profits for $ 277.9 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, compared to fiscal year 2016; and

v. lower results from changes in fair values for $ 169.7 million accrued during the fiscal year ended December 31, 2016.

- *Income tax*

(in million of pesos)

	Fiscal year ended 12.31				
	2016	***2015***	***2014***	***2013***	***2012***
Current income tax	-	*(3.0)*	-	*(8.9)*	*(62.4)*
Deferred income tax	*142.1*	*280.4*	*131.9*	*(11.5)*	*(51.7)*
Total	***142.1***	***277.4***	***131.9***	***(20.4)***	***(114.1)***

Income tax results corresponding to the fiscal year ended on December 31, 2016 presented higher income for $ 135.3 million compared to fiscal year 2015. This variation is principally explained by a higher tax-loss carryforward registered in the fiscal year ended December 31, 2016. Note 8 to the Company´s financial statements as of December 31, 2016 presents a breakdown of the differed income tax assets and liabilities and the variation they registered during fiscal year 2016.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

- *Summary of the statement of cash flows*

(in million of pesos)

	Fiscal year ended 12.31				
	2016	***2015***	***2014***	***2013***	***2012***
Cash generated by the operations	*447.8*	*16.4*	*33.8*	*178.9*	*65.7*
Income tax	*(142.1)*	*(277.4)*	*(131.9)*	*20.4*	*114.1*
Accrued interest generated by liabilities	*271.5*	*149.0*	*118.2*	*79.4*	*138.7*
Net cash flow generated by (used in) the operations	***577.2***	***(112.0)***	***20.1***	***278.7***	***318.5***
Purchases of property, plant and equipment	*(328.6)*	*(159.3)*	*(120.7)*	*(82.9)*	*(48.2)*
Collection of dividends	*15.2*	*-*	*-*	*0.8*	*0.7*
Variation of short-term investments (non-cash equivalents)	*24.5*	*193.3*	*(30.4)*	*7.8*	*101.5*
Net cash flow (used in) generated by the investing activities	***(288.9)***	***34.0***	***(151.1)***	***(74.3)***	***54.0***
Decrease (increase) in attachments and guarantee deposits	*-*	*-*	*4.8*	*(16.7)*	*(13.1)*
Loans payment	*(295.6)*	*(25.9)*	*(62.2)*	*(10.1)*	*(485.3)*
Net cash flow used in financing activities	***(295.6)***	***(25.9)***	***(57.4)***	***(26.8)***	***(498.4)***
Net (decrease) increase in cash and cash equivalents	***(7.3)***	***(103.9)***	***(188.4)***	***177.6***	***(125.9)***
Cash and cash equivalents at the beginning of the fiscal year	***209.6***	***250.5***	***350.2***	***123.9***	***208.2***
Financial results generated by cash	***48.6***	***63.0***	***88.7***	***48.7***	***41.6***
Cash and cash equivalents at the end of the fiscal year	***250.9***	***209.6***	***250.5***	***350.2***	***123.9***

- *Breakdown of cash and cash equivalents*

(in million of pesos)

	Fiscal year ended 12.31				
	2016	***2015***	***2014***	***2013***	***2012***
Cash and banks	*34.0*	*91.1*	*66.8*	*90.3*	*11.5*
Time deposits in US$	*50.6*	*81.5*	*153.8*	*177.3*	*64.4*
Time deposits in $	*-*	*-*	*-*	*12.2*	*-*
Mutual funds in US$	*-*	*-*	*29.9*	*32.6*	*-*
Government bonds in $	*-*	*-*	*-*	*-*	*3.4*
Mutual funds in $	*152.8*	*37.0*	*-*	*36.6*	*44.6*
LEBAC Bonds in $	*13.5*	*-*	*-*	*-*	*-*
Stock exchange securities in $	*-*	*-*	*-*	*1.2*	*-*
Cash and cash equivalents at the end of the fiscal year	***250.9***	***209.6***	***250.5***	***350.2***	***123.9***

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, 2016. 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 Public Emergency Law No. 25,561 ("LEP") in early 2002 and the ongoing renewal thereof since then until December 31, 2017, the gas carriage rates were converted into Argentine pesos and frozen. The regulation issued after the enactment of the LEP did not establish any alternative mechanism for the adjustment of rates, and this lack of an alternative mechanism led to the direct breakdown of the economic-financial equation of the License (as defined in Note 1 to the Company's financial statements as of December 31, 2016).

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

As a consequence, the Company filed the judicial action referred in Note 18.1.6 to the financial statements as of December 31, 2016.

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 have replaced the Company in that role since 2004. These trusts are financed through rates that largely exceeded, at the moment of their establishment, the rate collected by TGN.

In addition, a strong upward pressure on prices and the Argentine peso devaluation against the US dollar had a material effect on the Company's expenses and, despite the constant efforts to use resources efficiently, operational and financial costs have significantly increased. In this context, the shareholders' equity has been significantly reduced.

The joint effect of the mentioned rate freezing, the steady increase in costs and the devaluation of the Argentine peso against the US dollar has materially affected the operating results of TGN, which has recorded losses from 2011 up to and including the first quarter of 2016. TGN has not received and is not receiving any subsidy from the National State.

In April 2014, the ENARGAS implemented the Temporary Agreement for rate adjustment entered into in 2008, ratified by the National Executive Branch in 2010, which approved an increase of 8% in gas carriage rates as from April 1st, 2014; 14% accumulated as from June 1st, 2014, and 20% accumulated as from August 1st, 2014. The incremental collection had to be allocated to investments approved by the ENARGAS. The Company complied with this obligation.

Subsequently, on June 5, 2015, the ENARGAS enforced, through Resolution I 3348, new gas carriage rate schedules that implied a 69.1% increase as from May 1st of that year.

In February 2016, TGN entered into a second Temporary Agreement with the Ministries of Finance and of Energy and Mining ("MINEM"), that set the basic guidelines for a temporary adjustment of its rates and a future Comprehensive Rates Review ("CRR"), subject to the execution of a comprehensive contractual renegotiation agreement.

On March 29, 2016, the MINEM issued Resolution No. 31/16 instructing the ENARGAS to conduct CRR procedures with all the natural gas carriage and distribution licensees (in a term no longer than a year since the issuance of that resolution) and to make a sufficient temporary adjustment to the gas carriage and distribution rates to cover their costs, on account of the future CRR. This resolution established that the temporary adjustment of rates must be related to the execution of a mandatory investment plan and that the stage of public hearings will be carried out within CRR procedures. Licensees will not be allowed to distribute dividends without ENARGAS' prior authorization until the completion of such mandatory investment plan.

The aforementioned start of the CRR process implies for the Company, among others, the challenge to overcome the National State's requirement to add an indemnity clause in its favor, which would transfer to TGN the effects of judgments or arbitration awards that, in relation to its License, should sentence the Argentine Republic to pay damages to the Company's shareholders based on the effect of the LEP.

Likewise, on March 28, 2016 the MINEM issued Resolution No. 28/16 (jointly with Resolution No. 31/16, the "MINEM Resolutions") approving new natural gas prices in the access points to the carriage systems including eligibility criteria for residential users to have access to the benefit of "social rates".

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

On March 31, 2016, the ENARGAS issued resolution I/3723, establishing a temporary increase of 289.2% on TGN's rates as from April 1st, 2016. Additionally, the ENARGAS established a mandatory investment plan for $ 1.041 billion to be carried out in a term of one year, under administrative penalties. Meanwhile, TGN will not be allowed to distribute dividends without ENARGAS' prior authorization.

As from May 2016 various courts from different jurisdictions began to issue injunctions, suspending or limiting the temporary increases in the distribution rates, which include the price of gas and the carriage rates, generally based on the failure to conduct public hearings before their enforcement.

In particular, a ruling by La Plata Federal Court of Appeals, Room II, declared the invalidity of the MINEM Resolutions due to their failure to comply with the requirement of prior public hearings. This judgment caused a breakdown in the payments chain and forced TGN to suspend the mandatory investment plan as well as to delay payments to its suppliers.

The Room II judgment was ratified by the National Supreme Court of Justice in August 2016, benefiting all residential users across the country. As a result, between September 16 and 18, 2016, the MINEM and the ENARGAS conducted a public hearing in which the three gas rate components were analyzed, i.e. the price of gas at well head, carriage and distribution margins.

On October 6, 2016 the MINEM issued its Resolution N° 212/16 approving new natural gas prices in the access points to the carriage systems. Likewise, the ENARGAS issued its Resolution I/4053 re-establishing the 289.2% temporary increase in TGN´s rates as from October 7, 2016. The ENARGAS maintained the mandatory investment plan for $ 1.041 billion and the prohibition against distribution of dividends without prior authorization. The Company considers that the investment plan should be reviewed considering the negative effect of the mentioned judicial rulings on the billings for the period between April and September, 2016 and the delay in the execution of the works.

Although Resolution I/4053 provides certainty regarding future incomes, there are controversies between the Company and four natural gas distribution companies, in relation to the collectability of the carriage services provided by TGN from April to October 6th, 2016, used by the natural gas distribution companies in relation to their non-residential customers, as the natural gas distribution companies have argued against the pro rata criteria applied by TGN based on ENARGAS instructions as stated in Resolution I/3961 (refer to Note 18.1.8 to the Company´s financial statements as of December 31, 2016). In addition, an injunction issued by a Federal Court of the Province of Córdoba requested by an association that invokes the representation of Small and Medium Companies, suspending the increases set by the Resolutions that were in force from April 1st, 2016 to October 6, 2016, due to the failure to conduct public hearings before their enforcement, was subsequently revoked by the Federal Court of Appeals of the Province of Córdoba, invoking lack of locus standi of that association.

As a result of the judicial cancellation of the rate increase established as from April 2016, the Company was affected by the breakdown in the payment chain of its main customers, which led to its having to reschedule payments to its contractors and suppliers for the first time in its history, as well as to partially suspend the mandatory investment plan in progress.

The rate increase implemented throughout the year has enabled the Company to break the series of 21 consecutive quarters with negative operating results, finance its operating and maintenance expenses, execute certain works and settle its financial maturities. However, in light of the demands of the gas pipeline system operation and maintenance, it is still necessary to complete the CRR process in order to have fair and reasonable

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

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

rates that comply with the Gas Law (Section 38) standard and that those new rate levels are maintained in real values over time.

Both Law No. 24,076 and the LEP establish that the rate must be sufficient to cover operating costs and to obtain reasonable profitability. Additionally, the License mentions that the National State must pay compensation to TGN in the event of a rate freezing or price control, as it has in fact occurred since July, 1999.

It should also be noted that accumulated losses, not allocated yet, amount to $ 386.3 million as of December 31, 2016. Consequently, TGN continues to be within the scope of Section 206 of the Argentine Business Organizations Act. As for this matter, TGN's Ordinary and Extraordinary Shareholders' Meeting held on April 14, 2016 decided to monitor the Company's financial situation during the current fiscal year and postpone the application of Section 206 of the Argentine Business Organizations Act until the Shareholders' Meeting that will consider these financial statements is held.

III) COMPARATIVE BALANCE SHEET STRUCTURE AT DECEMBER 31, 2016, 2015, 2014, 2013 and 2012

(in million of pesos)

	At 12.31				
	2016	***2015***	***2014***	***2013***	***2012***
Non-current assets	*3,704*	*3,130*	*2,535*	*2,329*	*2,197*
Current assets	*881*	*745*	*724*	*809*	*639*
Total	***4,585***	***3,875***	***3,259***	***3,138***	***2,836***
Shareholders´equity	*56*	*312*	*830*	*1,086*	*1,057*
Non-current liabilities	*3,418*	*3,109*	*1,859*	*1,654*	*1,434*
Current liabilities	*1,111*	*454*	*570*	*398*	*345*
Subtotal liabilities	*4,529*	*3,563*	*2,429*	*2,052*	*1,779*
Total	***4,585***	***3,875***	***3,259***	***3,138***	***2,836***

IV) COMPARATIVE STRUCTURE OF COMPREHENSIVE RESULTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2016, 2015, 2014, 2013 and 2012

(in million of pesos)

	At 12.31				
	2016	***2015***	***2014***	***2013***	***2012***
Income (loss) before other net income and expenses	***267.9***	***(327.0)***	***(248.0)***	***(146.1)***	***(57.6)***
Other net income and expenses	*(59.8)*	*(24.7)*	*29.6*	*170.8*	*(12.4)*
Income (loss) before financial results	***208.1***	***(351.7)***	***(218.4)***	***24.7***	***(70.0)***
Net financial results	*(608.0)*	*(450.9)*	*(175.7)*	*(258.9)*	*(177.9)*
Result from loans restructuring	-	-	-	*280.7*	*575.2*
Results from investments in affiliate companies	*(1.0)*	*7.7*	*5.6*	*2.8*	*1.5*
Result before income tax	***(400.9)***	***(794.9)***	***(388.5)***	***49.3***	***328.8***
Income tax	*142.1*	*277.4*	*131.9*	*(20.4)*	*(114.1)*
(Loss) income for the fiscal year	***(258.8)***	***(517.5)***	***(256.6)***	***28.9***	***214.7***
Other comprehensive results	*2.8*	-	-	-	-
Comprehensive (loss) income for the fiscal year	***(256.0)***	***(517.5)***	***(256.6)***	***28.9***	***214.7***

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF INFORMATION CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

V) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE FISCAL YEARS ENDED DECEMBER 31, 2016, 2015, 2014, 2013 and 2012

Volume dispatched in million of cubic meters:

According to the type of carriage agreement

	At 12.31				
	2016	***2015***	***2014***	***2013***	***2012***
Firm carriage	*15,734*	*16,052*	*15,789*	*14,918*	*14,394*
Interruptible carriage and Exchange and displacement	*7,770*	*7,673*	*7,633*	*6,902*	*6,670*
Total	***23,504***	***23,725***	***23,422***	***21,820***	***21,064***

According to the type of source

	At 12.31				
	2016	***2015***	***2014***	***2013***	***2012***
Northern Gas pipeline	*10,225*	*10,525*	*10,698*	*8,687*	*8,415*
Central west Gas pipeline	*13,279*	*13,200*	*12,724*	*13,133*	*12,649*
Total	***23,504***	***23,725***	***23,422***	***21,820***	***21,064***

According to its destination

	At 12.31				
	2016	***2015***	***2014***	***2013***	***2012***
Domestic market	*23,494*	*23,495*	*23,345*	*21,755*	*21,047*
Foreign market	*10*	*230*	*77*	*65*	*17*
Total	***23,504***	***23,725***	***23,422***	***21,820***	***21,064***

VI) COMPARATIVE INDICATORS AT DECEMBER 31, 2016, 2015, 2014, 2013 and 2012

	At 12.31				
	2016	***2015***	***2014***	***2013***	***2012***
Current liquidity (1)	*0.79*	*1.64*	*1.27*	*2.03*	*1.85*
Solvency (2)	*0.01*	*0.09*	*0.34*	*0.53*	*0.59*
Freezing capital (3)	*0.81*	*0.81*	*0.78*	*0.74*	*0.77*
Result on investment (4)	*(1.39)*	*(0.91)*	*(0.27)*	*0.03*	*0.23*

(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, February 22, 2017

Emilio Daneri Conte-Grand
President

Transportadora de Gas del Norte S.A.

BALANCE SHEET AT DECEMBER 31, 2016 COMPARATIVE WITH THAT AT DECEMBER 31, 2015 (in thousands of pesos)

	Note	12.31.2016	12.31.2015
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	2,009,912	1,844,199
Investments in affiliate companies	**7**	5,364	18,488
Materials and spare parts	**10**	88,740	73,335
Other accounts receivable	**11**	132,934	110,250
Deferred income tax asset	**8**	302,918	160,795
Trade accounts receivable	**12**	1,121,815	873,647
Investments at amortised cost	**9**	42,370	49,619
Total non-current assets		3,704,053	3,130,333
Current assets			
Materials and spare parts		21,542	17,483
Other accounts receivable	**11**	60,323	149,204
Trade accounts receivable	**12**	437,855	241,510
Investments at amortised cost	**9**	8,731	8,867
Investments at fair value	**9**	101,296	118,431
Cash and cash equivalents	**13**	250,865	209,602
Total current assets		880,612	745,097
Total assets		4,584,665	3,875,430

Transportadora de Gas del Norte S.A.

BALANCE SHEET AT DECEMBER 31, 2016 COMPARATIVE WITH THAT AT DECEMBER 31, 2015 (in thousands of pesos)

	Note	12.31.2016	12.31.2015
SHAREHOLDERS´ EQUITY			
Common stock	**14**	439,374	439,374
Inflation adjustment of common stock		-	390,185
Other reserves		2,796	25
Retained earnings		(386,304)	(517,663)
Total shareholders´ equity		55,866	311,921
LIABILITIES			
Non-current liabilities			
Contingencies	**18**	25,158	74,023
Loans	**15**	2,945,213	2,733,958
Other debts	**16**	49,977	45,725
Trade accounts payable	**17**	397,114	255,401
Total non-current liabilities		3,417,462	3,109,107
Current liabilities			
Contingencies	**18**	88,947	26,916
Loans	**15**	482,615	127,388
Salaries and social security contributions		118,573	67,943
Taxes payable		67,063	9,710
Other debts	**16**	32,756	30,434
Trade accounts payable	**17**	321,383	192,011
Total current liabilities		1,111,337	454,402
Total liabilities		4,528,799	3,563,509
Total liabilities and shareholders´ equity		4,584,665	3,875,430

The accompanying notes 1 to 28 are an integral part of these financial statements.

Transportadora de Gas del Norte S.A.

STATEMENT OF COMPREHENSIVE INCOME AT DECEMBER 31, 2016 AND 2015 (in thousands of pesos)

	Note	12.31.2016	12.31.2015
Revenues	19	1,835,265	752,992
Cost of services	20	(1,078,742)	(844,021)
Gross profit (loss)		**756,523**	**(91,029)**
Selling expenses	20	(176,390)	(15,222)
Administrative expenses	20	(312,335)	(220,771)
Income (loss) before other net income and expenses		**267,798**	**(327,022)**
Other net income and expenses	21	(59,755)	(24,745)
Income (loss) before financial results		**208,043**	**(351,767)**
Financial results			
Generated by exchange rate differences	22	(401,136)	(484,110)
Financial income	22	87,038	253,949
Financial expenses	22	(293,891)	(220,775)
Net financial results		**(607,989)**	**(450,936)**
Results from investments in affiliate companies	7	(1,003)	7,681
Result before income tax		**(400,949)**	**(795,022)**
Income tax			
Current		-	(3,045)
Deferred		142,123	280,404
Subtotal income tax	8	**142,123**	**277,359**
Loss for the fiscal year		**(258,826)**	**(517,663)**
Items that will be reclassified into profit or loss			
Changes in the fair value of the derivatives held as cash flows hedge	3.3.1.1	(25)	25
Affiliate companies' financial statements currency translation adjustment	7	2,796	-
Other comprehensive results for the fiscal year [(1)]		**2,771**	**25**
Comprehensive loss for the fiscal year		**(256,055)**	**(517,638)**
Net result per share	23	(0.5891)	(1.1782)

[(1)] The comprehensive results for the fiscal year are disclosed net from the income tax effect.

The accompanying notes 1 to 28 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, 2016 AND 2015 (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, 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**
Resolution of Ordinary Shareholders' Meeting held on April 14, 2016:							
Absorption of the loss for the fiscal year 2015 against the Inflation adjustment of common stock.	-	(390,185)	-	-	-	390,185	-
Loss for the fiscal year	-	-	-	-	-	(258,826)	(258,826)
Changes in the fair value of derivatives held as hedge	-	-	-	-	(25)	-	(25)
Affiliate companies' financial statements currency translation adjustment	-	-	-	-	2,796	-	2,796
Subtotal comprehensive loss for the fiscal year	**-**	**-**	**-**	**-**	**2,771**	**(258,826)**	**(265,055)**
Balances at December 31, 2016	**439,374**	**-**	**-**	**-**	**2,796**	**(386,304)**	**55,866**

The accompanying notes 1 to 28 are an integral part of these financial statements.

Transportadora de Gas del Norte S.A.

STATEMENT OF CASH FLOWS AT DECEMBER 31, 2016 AND 2015 (in thousands of pesos)

	Note	12.31.2016	12.31.2015
Loss for the fiscal year		(258,826)	(517,663)
Adjustments to reach cash generated by (used in) the operations:			
Property, plant and equipment depreciation		159,251	143,934
Net book value of disposed property, plant and equipment		3,646	1,711
Income tax	**8**	(142,123)	(277,359)
Accrued interest generated by liabilities	**22**	271,559	149,001
Increase in allowances and provisions for contingencies (net of recoveries)		399,051	449,470
Exchange rate differences and other net financial results		541,351	905,864
Results from investments in affiliate companies		1,003	(7,681)
Net changes in operating assets and liabilities:			
Increase in trade accounts receivable		(803,129)	(943,258)
Decrease (increase) in other accounts receivable		60,121	(126,404)
Increase in materials and spare parts		(28,025)	(38,305)
Increase in trade accounts payable		271,085	141,397
Increase in salaries and social security contributions		50,630	6,280
Increase (decrease) in taxes payable		57,353	(9,445)
Increase in other debts		6,574	13,414
Decrease in contingencies		(12,357)	(2,918)
Net cash flow generated by (used in) the operations		**577,164**	**(111,962)**
Purchases of property, plant and equipment	**6**	(328,610)	(159,343)
Dividends collection		15,209	-
Changes in short-term investments (non-cash equivalents)		24,520	193,275
Net cash flow (used in) generated by investing activities		**(288,881)**	**33,932**
Cash flow hedge operations		(25)	25
Loans payment		(295,611)	(25,850)
Net cash flow used in financing activities		**(295,636)**	**(25,825)**
Net decrease in cash and cash equivalents		**(7,353)**	**(103,855)**
Cash and cash equivalents at the beginning of the fiscal year		209,602	250,489
Financial results generated by cash		48,616	62,968
Cash and cash equivalents at the end of the fiscal year	**13**	**250,865**	**209,602**

The accompanying notes 1 to 28 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, 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. 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, that are described in Note 18.1.4 and 18.1.5.

(iii) In 2016 TGN entered into a Temporary Agreement under which it obtained a significant increase in its rates. Additionally, during said fiscal year, the Energy and Mining Ministry ("MINEM") instructed ENARGAS to carry out the Comprehensive Rate Review ("CRR") process with all natural gas carriage and distribution Licensees (see Note 1.3.3). Until such comprehensive review is implemented and its result provides the Company with a fair and reasonable level of rates, there is still uncertainty as to the generation of a future cash flow that allows repayment of financial debt and the normal course of the Company's business.

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, 2016 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. Section 38 of 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

Upon enactment of the LEP in early 2002 and the ongoing renewal thereof since then until December 31, 2017, the gas carriage rates were converted into Argentine pesos and frozen. The regulation issued after the enactment of the LEP did not establish any alternative mechanism for the adjustment of rates, and this lack of an alternative mechanism led to the direct breakdown of the economic-financial equation of the License. As a consequence, the Company filed the judicial action referred in Note 18.1.6.

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 have replaced the Company in that role since 2004. These trusts are financed through rates that largely exceeded, at the moment of their establishment, the rate collected by TGN.

In addition, a strong upward pressure on prices and the Argentine peso devaluation against the US dollar had a material effect on the Company's expenses and, despite the constant efforts to use resources efficiently, operational and financial costs have significantly increased. In this context, the shareholders' equity has been significantly reduced.

The joint effect of the mentioned rate freezing, the steady increase in costs and the devaluation of the Argentine peso against the US dollar has materially affected the operating results of TGN, which has recorded losses from 2011 up to and including the first quarter of 2016. TGN has not received and is not receiving any subsidy from the National State.

In April 2014, the ENARGAS implemented the Temporary Agreement for rate adjustment entered into in 2008, ratified by the National Executive Branch in 2010, which approved an increase of 8% in gas carriage rates as from April 1st, 2014; 14% accumulated as from June 1st, 2014, and 20% accumulated as from August 1st, 2014. The incremental collection had to be allocated to investments approved by the ENARGAS. The Company complied with this obligation.

Subsequently, on June 5, 2015, the ENARGAS enforced, through Resolution I 3348, new gas carriage rate schedules that implied a 69.1% increase as from May 1st of that year.

In February 2016, TGN entered into a second Temporary Agreement with the Ministry of Finance and the MINEM, that set the basic guidelines for a temporary adjustment of its rates and a future CRR, subject to the execution of a comprehensive contractual renegotiation agreement.

On March 29, 2016, the MINEM issued Resolution No. 31/16 instructing the ENARGAS to conduct CRR procedures with all the natural gas carriage and distribution licensees (in a term no longer than a year since the issuance of that resolution) and to make a sufficient temporary adjustment to the gas carriage and distribution rates to cover their costs, on account of the future CRR. This resolution established that the temporary adjustment of rates must be related to the execution of a mandatory investment plan and that the stage of public hearings will be carried out within CRR procedures. Licensees will not be allowed to distribute dividends without ENARGAS' prior authorization until the completion of such mandatory investment plan.

The aforementioned start of the CRR process implies for the Company, among others, the challenge to overcome the National State's requirement to add an indemnity clause in its favor, which would transfer to TGN the effects of judgments or arbitration awards that, in relation to its License, should sentence the Argentine Republic to pay damages to the Company's shareholders based on the effect of the LEP.

Likewise, on March 28, 2016 the MINEM issued Resolution No. 28/16 (jointly with Resolution No. 31/16, the "MINEM Resolutions") approving new natural gas prices in the access points to the carriage systems including eligibility criteria for residential users to have access to the benefit of "social rates".

On March 31, 2016, the ENARGAS issued resolution I/3723, establishing a temporary increase of 289.2% on TGN's rates as from April 1st, 2016. Additionally, the ENARGAS established a mandatory investment plan for $ 1.041 billion to be carried out in a term of one year, under administrative penalties. Meanwhile, TGN will not be allowed to distribute dividends without ENARGAS' prior authorization.

As from May 2016 various courts from different jurisdictions began to issue injunctions, suspending or limiting the temporary increases in the distribution rates, which include the price of gas and the carriage rates, generally based on the failure to conduct public hearings before their enforcement.

In particular, a ruling by La Plata Federal Court of Appeals, Room II, declared the invalidity of the MINEM Resolutions due to their failure to comply with the requirement of prior public hearings. This judgment caused a breakdown in the payments chain and forced TGN to suspend the mandatory investment plan as well as to delay payments to its suppliers.

The Room II judgment was ratified by the National Supreme Court of Justice in August 2016, benefiting all residential users across the country. As a result, between September 16 and 18, 2016, the MINEM and the ENARGAS conducted a public hearing in which the three gas rate components were analyzed, i.e. the price of gas at well head, carriage and distribution margins.

On October 6, 2016 the MINEM issued its Resolution N° 212/16 approving new natural gas prices in the access points to the carriage systems. Likewise, the ENARGAS issued its Resolution I/4053 re-establishing the 289.2% temporary increase in TGN´s rates as from October 7, 2016. The ENARGAS maintained the mandatory investment plan for $ 1.041 billion and the prohibition against distribution of dividends without prior authorization. The Company considers that the investment plan should be reviewed considering the negative effect of the mentioned judicial rulings on the billings for the period between April and September, 2016 and the delay in the execution of the works.

Although Resolution I/4053 provides certainty regarding future incomes, there are controversies between the Company and four natural gas distribution companies, in relation to the collectability of the carriage services provided by TGN from April to October 6th, 2016, used by the natural gas distribution companies in relation to their non-residential customers, as the natural gas distribution companies have argued against the pro rata criteria applied by TGN based on ENARGAS instructions as stated in Resolution I/3961 (refer to Note 18.1.8). In addition, an injunction issued by a Federal Court of the Province of Córdoba requested by an association that invokes the representation of Small and Medium Companies, suspending the increases set by the Resolutions that were in force from April 1st, 2016 to October 6, 2016, due to the failure to conduct public hearings before their enforcement, was subsequently revoked by the Federal Court of Appeals of the Province of Córdoba, invoking lack of locus standi of that association.

As a result of the judicial cancellation of the rate increase established as from April 2016, the Company was affected by the breakdown in the payment chain of its main customers, which led to its having to reschedule payments to its contractors and suppliers for the first time in its history, as well as to partially suspend the mandatory investment plan in progress.

The rate increase implemented throughout the year has enabled the Company to break the series of 21 consecutive quarters with negative operating results, finance its operating and maintenance expenses, execute certain works and settle its financial maturities. However, in light of the demands of the gas pipeline system operation and maintenance, it is still necessary to complete the CRR process in order to have fair and reasonable rates that comply with the Gas Law (Section 38) standard, and that those new rate levels are maintained in real values over time.

Both Law No. 24,076 and the LEP establish that the rate must be sufficient to cover operating costs and to obtain reasonable profitability. Additionally, the License mentions that the National State must pay compensation to TGN in the event of a rate freezing or price control, as it has in fact occurred since July, 1999.

It should also be noted that accumulated losses, not allocated yet, amount to $ 386.3 million as of December 31, 2016. Consequently, TGN continues to be within the scope of Section 206 of the Argentine Business Organizations Act (“LGS”). As for this matter, TGN’s Ordinary and Extraordinary Shareholders’ Meeting held on April 14, 2016 decided to monitor the Company’s financial situation during the current fiscal year and postpone the application of Section 206 of the LGS until the Shareholders’ Meeting that will consider these financial statements is held.

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.

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 $ 1,181.9 million and $ 1,808.4 million, respectively, as of December 31, 2016, so the Company has set up an allowance of $ 1,495 million to cover the uncollectible past due balance for the carriage service. Disputes with these customers are described in Notes 18.1.4 and 18.1.5 to the Company´s financial statements.

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") and adopted by the National Securities Commission ("CNV").

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 – Use of estimates

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 (refer to Note 1.2 (iii)).

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 – 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").

(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, 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.

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, 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, 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 18.1.5 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 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, bank deposits and time deposits are valued at their amortised cost. Mutual funds and the LEBAC bonds 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.

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 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 26) 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 – Financial reporting in hyperinflationary economies

The International Accounting Standard N° 29 ("IAS 29") requires that financial statements of an entity whose functional currency is that of an hyperinflationary economy, whether they are based on historic or current cost, have to be stated in terms of the current measurement unit at the ending date of the reported period. Consequently, in general terms, non-monetary items have to include the inflation produced since their acquisition or their revaluation date, as appropriate. When assessing whether an economy is hyperinflationary, the standard provides with a series of indicators to be considered, among which it is included a three-year accumulated inflation rate approaching or exceeding 100%.

As of December 31, 2016, it is not possible to determine the accumulated inflation rate corresponding to the three-year period ended on that date using the official National Statistics and Census Institute ("INDEC") database, due to the fact that during October 2015 that office discontinued the calculation of its "Internal Wholesale Price Index", which was again calculated as from January 2016.

According to what was previously mentioned, at the end of the reported fiscal year, the Board of Directors has assessed that the Argentine Peso does not fulfill the necessary requirements to be considered as the currency of a hyperinflationary economy, according to the guidelines set in IAS 29. Additionally, it has taken into account the government's forecasts in relation to the decline tendency of inflation levels. Consequently, these interim condensed financial statements have not been stated in constant currency.

However, certain macroeconomic indicators that affect the Company´s business, such as personnel costs and the prices of supplies, have experienced significant annual variations over the last years. This circumstance have to be considered when evaluating and analyzing the Company´s financial position and results reported in these interim condensed financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

3.2 – Capitalization risk administration

The following table shows the Company’s capitalization as of December 31, 2016 and 2015:

	12.31.2016	12.31.2015
Current loans	482,615	127,388
Non-current loans	2,945,213	2,733,958
Total loans	3,427,828	2,861,346
Common stock	439,374	439,374
Inflation adjustment of common stock	-	390,185
Other reserves	2,796	25
Retained earnings	(386,304)	(517,663)
Total shareholders´ equity	55,866	311,921
Total capitalization	3,483,694	3,173,267

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 part of its costs and all of its financial debt are 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 $ 21.9 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 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 was 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. Contracts corresponding to fiscal year 2016 are disclosed below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

Type of transaction	Amount (in US$ millions)	Maturity	Risk hedged
US dollar future purchase – ROFEX	1.5	March 2016	Financial interests cash payment for US$ 1.5 million in March 2016
US dollar future purchase – ROFEX	1.5	June 2016	Financial interests cash payment for US$ 1.5 million in June 2016
US dollar future purchase – ROFEX	2.5	September 2016	Financial interests cash payment for US$ 2.5 million in September 2016
US dollar future purchase – ROFEX	4.0	December 2016	Financial interests cash payment for US$ 4.0 million in December 2016

At December 31, 2016, the mentioned hedge instruments have fallen due and were fully cancelled. The result generated by contracts corresponding to fiscal year 2016 was a $ 1.5 million loss, which is included in "Net Financial Results – Financial expenses – Results from changes in fair values" (Note 22).

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.

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 liabilities grouped on the basis of the remaining terms, from the date of the financial statements to the date of maturity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

At December 31, 2016	Less than 3 months	Between 3 months and a year	Between 1 and 2 years	More than 2 years	Fell due / Without set term
Loans	-	482,615	-	2,945,213	-
Other liabilities (except Contingencies)	346,190	10,488	25,170	100,680	504,338

At December 31, 2015	Less than 3 months	Between 3 months and a year	Between 1 and 2 years	More than 2 years	Fell due / Without set term
Loans	-	127,388	352,674	2,381,284	-
Other liabilities (except Contingencies)	244,591	55,026	6,468	29,375	265,764

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, 2016. 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, 2016 and 2015:

	12.31.2016	12.31.2015
Financial assets at fair value:		
Mutual funds	152,734	37,010
LEBAC bonds in $	13,532	-
Government bonds	101,296	118,431
Total financial assets at fair value	267,567	155,441

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 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 (refer to Note 1.2 (iii)). 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 has started to being prepared on a quarterly basis and in millions of pesos as from 2016 first quarter 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 purchases of "Property, plant and equipment".

Below is the information provided to the CODM (in millions of pesos):

	12.31.2016	12.31.2015
Revenues	1,835.3	753.0
Operating costs	(1,408.2)	(936.1)
Management EBITDA	427.1	(183.1)
Purchases of property, plant and equipment	328.6	159.3

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

	12.31.2016	12.31.2015
Management EBITDA in millions of pesos	427.1	(183.1)
Property, plant and equipment depreciation	(159.2)	(143.9)
Other net income and expenses	(59.8)	(24.7)
Net financial results	(608.0)	(451.0)
Results from investments in affiliate companies	(1.0)	7.7
Result before income tax	(400.9)	(795.0)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

6 - PROPERTY, PLANT AND EQUIPMENT

	12.31.2016										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	12.31.2016	12.31.2015
Land	3,401	-	-	-	3,401	-	-	-	-	-	3,401	3,401
Buildings and constructions	79,228	-	-	339	79,567	31,076	1,595	-	-	32,671	46,896	48,152
Installations	2,373	-	-	9,554	11,927	1,287	318	-	-	1,605	10,322	1,086
Gas pipelines	2,109,831	-	(758)	67,911	2,176,984	1,043,959	61,302	(13)	-	1,105,248	1,071,736	1,065,872
Investments in pipeline maintenances	229,190	-	-	78,206	307,396	79,632	25,947	-	-	105,579	201,817	149,558
High-pressure branch lines	980	-	-	28,604	29,584	465	179	-	-	644	28,940	515
Compressor plants	1,010,836	-	(1,240)	45,568	1,055,164	731,511	51,136	(244)	-	782,403	272,761	279,325
High-pressure control and/or measurement stations	73,495	-	(4)	12,606	86,097	58,759	2,597	(4)	-	61,352	24,745	14,736
Other technical installations	51,912	-	-	888	52,800	41,497	2,047	-	-	43,544	9,256	10,415
Machinery, equipment and tools	29,936	4,839	(177)	-	34,598	26,891	1,514	(177)	(8)	28,220	6,378	3,045
IT and telecommunication systems	91,090	25,592	(2,574)	-	114,108	62,907	7,270	(1,926)	-	68,251	45,857	28,183
Vehicles	32,945	1,684	(288)	-	34,341	20,671	3,933	(279)	8	24,333	10,008	12,274
Furniture and office supplies	12,391	1,315	(8)	-	13,698	10,327	382	(6)	-	10,703	2,995	2,064
Assets held at third-parties facilities	14,015	-	(1,163)	1,612	14,464	10,938	1,031	(1,155)	-	10,814	3,650	3,077
Work in process	168,442	295,180	(1,238)	(245,288)	217,096	-	-	-	-	-	217,096	168,442
Gas stock	54,054	-	-	-	54,054	-	-	-	-	-	54,054	54,054
Total as of December 31, 2016	3,964,119	328,610	(7,450)	-	4,285,279	2,119,920	159,251	(3,804)	-	2,275,367	2,009,912	-
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

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 – Impairment test of non-financial, non-current assets

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.

As mentioned in Note 1.3.3, it is still necessary to complete the CRR process. In this sense and in order to contemplate the previously mentioned discounted future cash flow estimation risk, the Company has considered two main alternative scenarios, weighted with base on occurrence probability:

a) The first main scenario does not contemplate the completion of the CRR process and thus, neither new rate increases are projected nor the bi-annual rate adequation mechanism is considered. A 5% occurrence probability has been assigned to this scenario and;

b) The second main scenario contemplate the completion of the CRR process and has been divided into other three scenarios:

    1. Most likely: considers the implementation, as from April 2017, of a rate increase and the subsequent bi-annual rate adequation mechanism. Assigned occurrence probability: 70%.

    2. Alternative I: considers the implementation, as from April 2017, of a lower rate increase and the subsequent bi-annual rate adequation mechanism. Assigned occurrence probability: 5%.

    3. Alternative II: considers the implementation, as from April 2017, of a higher rate increase and the subsequent bi-annual rate adequation mechanism. Assigned occurrence probability: 20%.

Based on the discounted future cash flows method, weighted according to probabilities assigned to each scenario, the Company´s Board of Directors estimates that the non-current non-financial assets’ recoverable value does not exceeds its book value as of December 31, 2016.

6.2 – Commitments

As of December 31, 2016, the Company possesses contractual commitments with suppliers for the acquisition of Property, plant and equipment items for 349,145.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

7 - INVESTMENTS IN AFFILIATE COMPANIES

	12.31.2016	12.31.2015
Balances at the beginning of the fiscal year	18,488	10,807
Dividends distribution	(14,917)	-
Results from investments in affiliate companies [(1)]	1,793	7,681
Balances at fiscal year-end	5,364	18,488

[(1)] Includes 2,796 that have been charged to “Other comprehensive income” in the statement of comprehensive income as of December 31, 2016.

Transportadora de Gas del Norte S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

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							
								Latest financial statements						
	Shares	Face value			12.31.16	12.31.15	Main activity	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	5,364	18,488	Operation and maintenance services of gas pipelines	12.31.16	18	-	10,928	10,946	49.0
Companhía Operadora do Rio Grande do Sul	Common	(2) 1 per share	49	0.1	698	602	Operation and maintenance services of gas pipelines	12.31.16	1	789	635	1,425	49.0
Impairment of investment					(698)	(602)							
Total					**5,364**	**18,488**							

(1) Chilean pesos
(2) Brazilian reais

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

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:

	12.31.2016	12.31.2015
Deferred income tax assets	899,804	715,603
Deferred income tax liabilities	(596,886)	(554,808)
Deferred income tax net asset	302,918	160,795

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

Deferred income tax assets	Trade accounts payable and financial liabilities	Materials and spare parts	Other accounts receivable	Contingencies	Tax-loss carryforward	Directors' fees	Total
Balances at December 31, 2014	44,123	47,735	2,044	35,427	90,805	281	220,415
Charged to statement of comprehensive income	29,080	41,022	(501)	9,823	415,584	180	495,188
Balances at December 31, 2015	73,203	88,757	1,543	45,250	506,389	461	715,603
Charged to statement of comprehensive income	15,184	22,778	1,210	39,825	105,412	(208)	184,201
Balances at December 31, 2016	88,387	111,535	2,753	85,075	611,801	253	899,804

Deferred income tax liabilities	Investments at fair value	Property, plant and equipment	Trade accounts receivable	Total
Balances at December 31, 2014	(288,875)	(49,503)	(1,646)	(340,024)
Charged to statement of comprehensive income	16,246	(233,004)	1,974	(214,784)
Balances at December 31, 2015	(272,629)	(282,507)	328	(554,808)
Charged to statement of comprehensive income	11,480	(49,872)	(3,686)	(42,078)
Balances at December 31, 2016	(261,149)	(332,379)	(3,358)	(596,886)

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:

	12.31.2016	12.31.2015
Result before income tax	(400,949)	(795,022)
Statutory income tax rate	35%	35%
Income tax charge at statutory tax rate	140,332	278,258
Exceptions at statutory income tax rate:		
- Adjustment to income tax provision and amended tax returns	2,398	(6,794)
- Results from investments in affiliate companies	(351)	2,688
- Others	(256)	3,207
Total income tax charge	142,123	277,359

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

Below there is a detail of the breakdown of the minimum presumed income tax credits accumulated at December 31, 2016:

Fiscal year	Amount	Expiration year
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	20,342	2025
2016 (estimated)	23,412	2026
Balance as of December 31, 2016	131,000	

Below there is a detail of the breakdown of the tax-loss carryforwards accumulated by the Company as of December 31, 2016:

Fiscal year	Amount	Expiration year
2013	19,480	2018
2014	229,756	2019
2015	1,204,441	2020
2016 (estimated)	294,327	2021
Balance as of December 31, 2016	1,748,004	

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 built on the basis of the best estimate in accordance with the guidelines pointed out in Note 4. 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

	12.31.2016	12.31.2015
Financial assets at fair value [(1)]:		
Classified as “Investments at fair value”:		
Government bonds in US$	34,201	101,031
Government bonds in $	67,095	17,400
Subtotal	101,296	118,431
Classified as “Cash and cash equivalents”:		
Mutual funds in $ (Note 13)	152,734	37,010
LEBAC bonds in $ (Note 13)	13,537	-
Subtotal	166,271	37,010
Total financial assets at fair value – Current	**267,567**	**155,441**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

	12.31.2016	12.31.2015
Financial assets at amortised cost:		
Current:		
Classified as “Investments at amortised cost”:		
VRD bonds in $	8,731	8,867
Subtotal	8,731	8,867
Classified as “Cash and cash equivalents”:		
Cash and banks (Note 13)	34,038	91,067
Time deposits in US$ (2) (Note 13)	50,556	81,525
Subtotal	84,594	172,592
Classified as “Trade accounts receivable” and “Other accounts receivable”	476,516	295,933
Total financial assets at amortised cost – Current	**569,841**	**477,392**
Non-Current:		
Classified as “Investments at amortised cost”:		
Other investments in US$	6,237	5,111
VRD bonds in $	36,133	44,508
Subtotal	42,370	49,619
Classified as “Trade accounts receivable” and “Other accounts receivable”	1,123,749	875,906
Total financial assets at amortised cost – Non-Current	**1,166,119**	**925,525**
Financial liabilities at amortised cost:		
Current:		
Loans	482,615	127,388
Trade accounts payable, other debts and taxes payable	281,207	210,546
Total financial liabilities at amortised cost – Current	**763,822**	**337,934**
Non-Current:		
Loans	2,945,213	2,733,958
Trade accounts payable, other debts and taxes payable	397,114	255,401
Total financial liabilities at amortised cost – Non-Current	**3,342,327**	**2,989,359**

(1) All financial assets at fair value have been measured using Level 1 fair values. 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, 2016 and December 31, 2015.

(2) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

Credit quality of the financial assets is as follows:

	12.31.2016	12.31.2015
AA	132,058	-
A-1	50,556	81,525
A	20,676	-
B-	101,296	-
Other financial assets without a credit quality grade	1,698,941	1,476,833
Total	2,003,527	1,558,358

10 - MATERIALS AND SPARE PARTS

Non-current		
Spare parts and consumption materials	184,322	159,789
Allowance for slow-moving and obsolescence	(95,582)	(86,454)
Total non-current materials and spare parts	88,740	73,335

11 - OTHER ACCOUNTS RECEIVABLE

Non-current		
Minimum presumed income tax (Note 8)	131,000	107,990
Sundry	1,934	2,260
Total other accounts receivable - Non-current	132,934	110,250
Current		
Commercial indemnifications and accidents recoveries	12,737	-
VAT, net	-	5,583
Tax credits	7,696	13,305
Key management personnel (Note 24)	7,876	6,836
Prepaid expenses and advances	13,834	95,048
Attachments, guarantee court deposits and expenses to be collected	242	231
Guarantees granted in relation to hedge operations (Note 3.3.1.1)	9,874	8,110
Assistance fees - controlling shareholder (Note 24)	58	42
Other receivables - affiliate companies (Note 24)	1,578	892
Other receivables - related parties (Note 24)	7,971	11,393
Transactions on behalf of third parties	476	3,016
Allowance for doubtful accounts	(6,334)	(828)
Receivables from sundry sales and others	4,315	5,576
Total other accounts receivable – Current	60,323	149,204

12 - TRADE ACCOUNTS RECEIVABLE

Non-current		
Trade accounts receivable with third parties	2,993,879	2,450,552
Less: Discount at present value	(376,925)	(351,629)
Less: Allowance for doubtful accounts and disputed amounts	(1,495,139)	(1,225,276)
Total trade accounts receivable - Non-current	1,121,815	873,647

Current

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

	12.31.2016	12.31.2015
Trade accounts receivable with third parties	436,686	222,540
Trade accounts receivable with related parties (Note 24)	122,574	52,518
Less: Allowance for doubtful accounts and disputed amounts	(121,405)	(33,548)
Total trade accounts receivable – Current	437,855	241,510

At December 31, 2016 there were 52,549 in past due trade accounts receivable but not affected by an allowance. The aging of those receivables is as follows:

	12.31.2016	12.31.2015
Balances past due from 0 and up to 3 months	6,071	17,141
Balances past due from 3 months	46,478	15,310
Total	52,549	32,451

At December 31, 2016 and 2015 the amount of the allowance for doubtful accounts and disputed amounts is 1,616,544 and 1,258,824 respectively. The variations in the allowance for doubtful accounts and disputed amounts are as follow:

	12.31.2016	12.31.2015
Balances at the beginning of the fiscal year	1,258,824	819,283
Increases (net of recoveries)	357,720	439,541
Balances at the end of the fiscal year	1,616,544	1,258,824

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:

	12.31.2016	12.31.2015
To be due	245,309	170,443
Past due from 0 up to 6 months	184,540	93,375
Past due over 6 months	3,123,291	2,461,792
Total	3,553,140	2,725,610

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:

	12.31.2016	12.31.2015
Argentine Peso	508,198	155,675
US Dollar	3.044,941	2,569,935
Total	3,553,139	2,725,610

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

13 - CASH AND CASH EQUIVALENTS

	12.31.2016	12.31.2015
Cash and banks	34,038	91,067
Mutual funds in $	152,734	37,010
LEBAC bonds in $	13,537	-
Time deposits in US$	50,556	81,525
Total cash and cash equivalents	250,865	209,602

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.

Accumulated losses, not allocated yet, amount to $ 386.3 million as of December 31, 2016, which implies that TGN continues to be under the scope of Section 206 of the LGS. As for this matter, it is worth mentioning that TGN's Ordinary and Extraordinary Shareholders' Meeting held on April 14, 2016 decided to monitor the Company´s financial situation evolution during the current fiscal year and postpone the application of Section 206 of the LGS until the Shareholders' Meeting that will consider these financial statements is held.

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 LGS, 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.

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 LGS, the Company cannot distribute any profits until that reserve is reimbursed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

Furthermore, 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).

15 - LOANS

As of December 31, 2016 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 capitalized interests by 100% until August 22, 2015 and by 50% until August 22, 2016. As from that date they cannot capitalize interests.

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 1st, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

16 - OTHER DEBTS

	12.31.2016	12.31.2015
Non-current		
Provision for easements	49,977	45,725
Total other debts - Non-current	49,977	45,725
Current		
Section 9.6.2 - Basic rules of the License	14,899	16,890
Provision for easements	6,523	4,719
Key management personnel (Note 24)	7,894	6,851
Advanced collections	1,061	1,121
Verification and control rate	1,335	-
Sundry debts and customer's warrants	1,044	853
Total other debts - Current	32,756	30,434

17 - TRADE ACCOUNTS PAYABLE

	12.31.2016	12.31.2015
Non-current		
AES Argentina Generación S.A.	125,850	35,569
Other related parties (Note 24)	271,264	219,832
Total trade accounts payable - Non-current	397,114	255,401
Current		
Suppliers - purchases and services	155,063	54,172
AES Argentina Generación S.A.	13,634	2,695
Administration trust ("Importation of natural gas") (Note 27)	-	6,519
Other related parties (Note 24)	4,084	-
Unbilled services and purchases	148,602	128,625
Total trade accounts payable - Current	321,383	192,011

18 - CONTINGENCIES

Provisions for labor, civil and contentious lawsuits	Non-current	Current
Balances at December 31, 2014	-	93,980
– Increases net of recoveries	-	9,877
– Transfers	-	(2,918)
– Decreases (payment / usage)	74,023	(74,023)
Balances at December 31, 2015	74,023	26,916
– Increases net of recoveries	8,732	16,791
– Decreases (payment / usage)	-	(12,357)
– Transfers	(57,597)	57,597
Balances at December 31, 2016	25,158	88,947

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 there are 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 that had been appealed by TGN to the National Supreme Court of Justice through a petition in error and have been subsequently confirmed by the that court, which make them payable.

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 ("TFN"). 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. In June 2016, the Company requested the TFN to make the case file available for the parties to present their final arguments.

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 tax authorities' pretention that all the Company´s essential assets ought to be fully depreciated at the end of the License, considering it has 45-year duration (according to AFIP). On February 2006 TGN challenged certain official assessments by filing the pertinent appeals with the TFN, which are still pending resolution. In June 2016, the Company requested the TFN to make the case file available for the parties to present their final arguments.

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 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. The Company filed a motion to proceed *in forma pauperis*.

18.1.5 - 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.

18.1.6 - 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, the Company filed a motion to proceed *in forma pauperis.* Having concluded the period allowed to produce evidence, both parties presented their arguments and the case was submitted for judgment in September 2016.

18.1.7 - 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.

18.1.8 – Controversies with gas distributors

In March 2016, ENARGAS established a temporary increase of 289.2% in TGN's rates as from April 1, 2016, which was annulled for residential users by the Supreme Court of Justice of the Nation in August, 2016 since no prior public hearing had been held. As a result, in September that year, MINEM and ENARGAS held a public hearing in which the three gas rate components were analyzed, i.e. the price of gas at well head, carriage and distribution margins, after which ENARGAS reestablished the aforementioned temporary increase as from October 7, 2016. However, distributors Metrogas S.A., Litoral Gas S.A., Distribuidora de Gas del Centro S.A. and Distribuidora de Gas Cuyana S.A. contested the pro-rata criteria of transport provided by TGN between April and October 6, 2016, used by the distributors to serve their non-residential customers, based on ENARGAS instructions through Resolution I/3961 and stopped paying transport service invoices for an aggregate amount of $ 126.5 million. The Company filed the corresponding complaints with ENARGAS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

19 - REVENUES

	12.31.2016	12.31.2015
Gas carriage service		
Gas carriage service	1,677,000	668,546
Allowance for disputed amounts	-	(25,266)
Subtotal gas carriage service	1,677,000	643,280
Other services		
Gas pipelines operation and maintenance and others	156,965	82,754
Management fees - Gas Trust Program (Note 26)	1,300	26,958
Subtotal other services	158,265	109,712
Total revenues	1,835,265	752,992

Transportadora de Gas del Norte S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

20 - EXPENSES BY NATURE

Item	Cost of services	Selling expenses	Administrative expenses	Total at 12.31.2016	Total at 12.31.2015
Board of directors' fees	-	-	4,053	**4,053**	**3,777**
Statutory auditors committee's fees	-	-	2,723	**2,723**	**2,052**
Fees for professional services	14,866	25	16,325	**31,216**	**29,075**
Salaries, wages and other personnel benefits	301,507	4,550	138,914	**444,971**	**324,206**
Social security contributions	60,471	1,003	33,313	**94,787**	**63,349**
Technical assistance fees	13,108	-	-	**13,108**	**10,084**
Consumption of materials and spare parts	52,685	10	292	**52,987**	**38,230**
Third party services and supplies	34,255	142	1,469	**35,866**	**26,472**
Maintenance and repair of property, plant and equipment	343,761	242	5,995	**349,998**	**268,674**
Travel expenses	38,747	133	4,642	**43,522**	**34,548**
Freight and transportation	5,511	-	19	**5,530**	**4,288**
Post and telecommunications expenses	2,352	107	1,699	**4,158**	**2,912**
Insurance	22,348	2	1,920	**24,270**	**15,624**
Office supplies	4,739	66	3,716	**8,521**	**6,648**
Rentals	5,585	73	1,189	**6,847**	**3,360**
Easements	8,072	-	-	**8,072**	**23,451**
Taxes, rates and contributions	978	75,342	74,915	**151,235**	**90,054**
Property, plant and equipment depreciation	157,021	319	1,911	**159,251**	**143,934**
Doubtful accounts	-	94,329	-	**94,329**	**(9,924)**
Contingencies	-		16,999	**16,999**	**(6,580)**
Slow-moving and obsolete materials and spare parts	9,141	-	-	**9,141**	**1,811**
Others	3,595	47	2,241	**5,883**	**3,969**
Total at December 31, 2016	**1,078,742**	**176,390**	**312,335**	**1,567,467**	**-**
Total at December 31, 2015	**844,021**	**15,222**	**220,771**	**-**	**1,080,014**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

21 - OTHER NET INCOME AND EXPENSES

	12.31.2016	12.31.2015
Income from commercial indemnifications	10,903	51
Compensation for damages adjustment (1)	(109,879)	(20,774)
Net result from disposal of property, plant and equipment	219	3,075
Court fees	-	(32,850)
Net income from sundry sales, accidents recoveries and others	39,002	25,753
Total other net income and expenses	(59,755)	(24,745)

(1) During the fiscal years ended December 31, 2016 and 2015, the Company has recognized losses for $ 109.9 million and $ 20.8 million, respectively, in relation to the compromise and settlement agreement entered into with AES Argentina Generación S.A. in 2012 (and lately modified in 2014). These losses are the result of measuring the liability with AES Argentina Generación S.A. on the basis of the gas carriage rates in force, as mentioned in Note 1.3 to the Company's financial statements.

22 - NET FINANCIAL RESULTS

	12.31.2016	12.31.2015
Generated by exchange rate differences		
Income on exchange rate variation	320,912	598,793
Expenses on exchange rate variation	(722,048)	(1,082,903)
Total financial results generated by exchange rate differences	(401,136)	(484,110)
Financial income		
Interest	56,704	41,145
Results from changes in fair values	28,410	195,848
Allowances recovered and others	1,924	1,853
Results on discounting at present value	-	15,103
Total financial income	87,038	253,949
Financial expenses		
Interest	(256,937)	(149,001)
Results from changes in fair values	(2,208)	-
Results on discounting at present value	(32,001)	(69,299)
Commissions, expenses, taxes on banking and financial operations	(2,745)	(2,475)
Total financial expenses	(293,891)	(220,775)
Total net financial results	(607,989)	(450,936)

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, 2016 and 2015, by the weighted average of outstanding ordinary shares, which made a total of 439,373,939 shares at those dates. At December 31, 2016 and 2015 there are neither negotiable obligations nor other debt securities convertible into shares, so no diluted earnings per share have been disclosed.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

24 - RELATED PARTIES

The transactions performed between related parties are the following:

	12.31.2016	12.31.2015
Controlling shareholder		
Other net income		
Gasinvest S.A.	178	128
Total other net income	178	128
Affiliate companies		
Revenues		
Comgas Andina S.A.	1,198	815
Companhia Operadora do Rio Grande do Sul	307	207
Total revenues	1,505	1,022
Recovery of expenses		
Companhia Operadora do Rio Grande do Sul.	31	-
Comgas Andina S.A.	386	191
Total recovery of expenses	417	191
Collection of dividends		
Comgas Andina S.A.	15,209	-
Total collection of dividends	15,209	-
Other related parties		
Revenues		
Litoral Gas S.A.	283,592	95,617
Siderar S.A.	45,542	12,914
Siderca S.A.	29,855	8,479
Transportadora de Gas del Mercosur S.A.	11,734	7,867
Total Gas Marketing Cono Sur S.A. (Note 24.1)	277	311
Gasoducto Gasandes Argentina S.A.	3,092	1,327
Total revenues	374,092	126,515
Cost of services		
Total Gas y Electricidad Argentina S.A. (Note 24.1)	(287)	(1,667)
Total Especialidades Argentina S.A. (Note 24.1)	-	(21)
Tecpetrol S.A.	(2,356)	(1,667)
Compañía General de Combustibles S.A.	(2,356)	(1,667)
Litoral Gas S.A.	(1,079)	-
Siderca S.A.	-	(8)
Total cost of services	(6,078)	(5,030)
Administrative expenses		
Cainzos, Fernández & Premrou Soc. Civ.	(1,402)	(1,522)
Total administrative expenses	(1,402)	(1,522)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

	12.31.2016	12.31.2015
Other net income and expenses		
Gasoducto Gasandes Argentina S.A.	176	33
Total Austral S.A. (Note 24.1)	-	99
Tecpetrol S.A.	182	97
Compañía General de Combustibles S.A.	184	97
Total other net income and expenses	542	326
Financial income		
Transportadora de Gas del Mercosur S.A.	2,926	2,630
Litoral Gas S.A.	1,885	711
Total financial income	4,811	3,341
Financial expenses (interest)		
Tecpetrol S.A.	(2,596)	(944)
Compañía General de Combustibles S.A.	(2,596)	(944)
Total Gas y Electricidad Argentina S.A. (Note 24.1)	(198)	(944)
VR Global Partners L.P.	(11,199)	(6,090)
Total financial expenses	(16,589)	(8,922)
Recovery of expenses		
Transportadora de Gas del Mercosur S.A.	8	731
Total recovery of expenses	8	731
Materials and spare parts and property, plant and equipment purchases		
Litoral Gas S.A.	(1,652)	-
Siderca S.A.	(4,047)	-
Siat S.A.	(13,879)	(15,680)
Total materials and spare parts and property, plant and equipment purchases	(19,578)	(15,680)
Key management personnel		
Board of directors' fees	(4,053)	(3,777)
Statutory auditors committee's fees	(2,723)	(2,052)

Balances with related parties are the following:

	12.31.2016	12.31.2015
Trade accounts receivable		
Other related parties		
Transportadora de Gas del Mercosur S.A.	50,407	28,053
Litoral Gas S.A.	62,578	21,542
Siderar S.A.	5,660	1,521
Siderca S.A.	3,717	993
Total Gas Marketing Cono Sur S.A. (Note 24.1)	n/a	234
Gasoducto Gasandes Argentina S.A.	212	175
Total trade accounts receivables - other related parties	122,574	52,518

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

	12.31.2016	12.31.2015
Other accounts receivable		
Assistance fees - controlling shareholder		
Gasinvest S.A.	58	42
Total assistance fees - controlling shareholder	58	42
Other receivables - affiliate companies		
Comgas Andina S.A.	1,025	457
Companhia Operadora do Rio Grande do Sul	553	435
Total other receivables - affiliate companies	1,578	892
Other receivables - related parties		
Siat S.A.	7,846	10,945
Total Austral S.A. (Note 24.1)	n/a	166
Litoral Gas S.A.	118	118
Transportadora de Gas del Mercosur S.A.	7	84
Gasoducto Gasandes Argentina S.A.	-	80
Total other receivables - related parties	7,971	11,393
Key management personnel		
Fees to the Board of directors and to the statutory auditors committee paid in advance	7,876	6,836
Total key management personnel	7,876	6,836
Loans		
Other related parties		
VR Global Partners L.P.	156,990	126,086
Total other related parties	156,990	126,086
Trade accounts payable		
Other related parties		
Total Gas y Electricidad Argentina S.A. (Note 24.1)	n/a	73,207
Litoral Gas S.A.	368	-
Transportadora de Gas del Mercosur S.A.	28	-
Siat S.A.	656	-
Tecpetrol S.A.	137,017	73,207
Compañía General de Combustibles S.A.	137,279	73,418
Total other related parties	275,348	219,832
Other debts		
Key management personnel		
Provision for fees to the Board of directors and to the statutory auditors committee	7,894	6,851
Total key management personnel	7,894	6,851

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.

24.1 Purchase and sale of shares

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. Consequently, in Note 24 transactions accrued with Total (and its related parties) are reported until that date and no balances with those companies are disclosed as of December 31, 2016.

25 - 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.

26 - 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.

26.1 - 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/d 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 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.

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

In 2006 a second expansion project of 15.2 MMm3/d 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 26.1 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". In October 2016, MINEM issued an order to rescind the construction contract entered into by and between the aforementioned Trust and the firm Odebrecht S.A., which in practice meant the cessation of expansion works. 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.

27 - “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. TGN had to 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 should have been proportionally distributed between all the items included in the respective invoice.

On April 1st, 2016, the MINEM issued resolution No. 28/16, according to which, the inclusion of Decree No. 2067/08 charges in invoices to be made as from that date, is discontinued.

28 - SUBSEQUENT EVENTS

Subsequent to December 31, 2016, 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, 2016 (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 Gas del Estado S.E. ("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, 2016 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, 2016.

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

	12.31.2016		
	Receivables (1)	**Loans (2)**	**Other payables (3)**
Past due			
From 01.01.2006 up to 12.31.2006	770	-	11
From 01.01.2007 up to 12.31.2007	134,014	-	51
From 01.01.2008 up to 12.31.2008	159,866	-	33
From 01.01.2009 up to 12.31.2009	531,067	-	265
From 01.01.2010 up to 12.31.2010	690,364	-	163
From 01.01.2011 up to 12.31.2011	340,170	-	29,057
From 01.01.2012 up to 12.31.2012	338,722	-	14,101
From 01.01.2013 up to 12.31.2013	339,903	-	194,578
From 01.01.2013 up to 12.31.2014	357,148	-	108,545
From 01.01.2015 up to 12.31.2015	147,750	-	8,926
From 01.01.2016 up to 03.31.2016	9,026	-	3,635
From 04.01.2016 up to 06.30.2016	41,352	-	4,136
From 07.01.2016 up to 09.30.2016	162,844	-	6,514
From 10.01.2016 up to 12.31.2016	41,184	-	6,051

(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.

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, 2016 (in thousands of pesos, except where specifically mentioned).

	12.31.2016		
	Receivables (1)	**Loans (2)**	**Other payables (3)**
Without due date			
To be due	751,242	-	128,272
03.31.2017			
06.30.2017			
09.30.2017	20,022	-	346,190
12.31.2017	48	-	3,146
12.31.2018	159	-	3,146
12.31.2019	371	482,615	4,196
12.31.2020	1,163	-	12,585
12.31.2021	760	2,945,213	12,585
12.31.2022	-	-	12,585
12.31.2023	-	-	12,585
12.31.2024	-	-	12,585
12.31.2025	-	-	12,585
12.31.2026	-	-	12,585
12.31.2027	-	-	12,585
Total at 12.31.2016	**4,067,945**	**3,427,828**	**986,866**

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

	12.31.2016		
	Receivables (1)	**Loans (2)**	**Other payables (3)**
In local currency	987,030	-	523,175
In foreign currency	3,067,971	3,427,828	462,630
In-kind	12,944	-	1,061
Total at 12.31.2016	**4,067,945**	**3,427,828**	**986,866**
Balances subject to adjustment	-	-	-
Balances not subject to adjustment	-	3,427,828	986,866
Total at 12.31.2016	**-**	**3,427,828**	**986,866**
Interest bearing balances	2,621	3,105,050	134,582
Non-interest bearing balances	4,065,324	322,778	852,284
Total at 12.31.2016	**4,067,945**	**3,427,828**	**986,866**

(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 - Argentine Business Organizations Act, Section 33 -, in capital and total votes:

See Note 7 to the Company's financial statements as of December 31, 2016.

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, 2016 (in thousands of pesos, except where specifically mentioned).

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 01.01.2016 up to 12.31.2016	-	-	-	-
Without due date	1,025	-	439	-
To be due				
From 01.01.2017 up to 03.31.2017	-	-	114	-
Total at 12.31.2016	**1,025**	**-**	**553**	**-**
In local currency	-	-	-	-
In foreign currency	1,025	-	553	-
In-kind	-	-	-	-
Total at 12.31.2016	**1,025**	**-**	**553**	**-**
Balances subject to adjustment	-	-	-	-
Balances not subject to adjustment	1,025	-	553	-
Total at 12.31.2016	**1,025**	**-**	**553**	**-**
Interest bearing balances	-	-	-	-
Non-interest bearing balances	1,025	-	553	-
Total at 12.31.2016	**1,025**	**-**	**553**	**-**

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 $ 95.6 million and are totally written-off. (Refer to Note 10 to the Company's financial statements as of December 31, 2016).

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, 2016.

9. Technically appraised fixed assets:

None.

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 Argentine Business Organizations Act:

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, 2016.

- 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, 2016.

vi. Insurance:

13. Insurance covering the Company's tangible assets:

Property insured	Risks covered	Amount insured in thousands	Book value in thousands of $
• Personal and real property allocated to the provision of services, except for machinery and equipment	All physical risks and loss of profits	US$ 87,000	271,452
	Liability insurance	US$ 50,000	
• Compressor plants	Terrorism	US$ 35,000	272,761
• Machinery	Machinery breakdown	US$ 10,000	109,055
• Automobiles:			
- Management's fleet	Limited liability insurance	$ 6,000	982
	Total loss car accident	$ 6,594	
	Total or partial loss due to fire, robbery or theft	$ 6,594	
- Operational fleet (cars and pick ups)	Limited liability insurance	$ 6,000	9,026
- Trucks and trailers	Limited liability insurance	$ 18,000	-
• Personal property located in Head Office and IT equipments	Fire of contents	US$ 8,650	10,319
	Theft	US$ 10	

vii. Positive and negative contingencies:

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

Allowances and provisions balances amount to 1,845,437. 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.

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, 2016.

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.

On October 6, 2016 the MINEM issued its Resolution N° 212/16 approving new natural gas prices in the access points to the carriage systems. Likewise, the ENARGAS issued its Resolution I/4053 re-establishing the 289.2% temporary increase in TGN´s rates as from October 7, 2016. The ENARGAS maintained the mandatory investment plan for $ 1.041 billion and the prohibition to distribute dividends without prior authorization. Refer to Note 1.3.3 to the Company´s financial statements as of December 31, 2016.

Autonomous City of Buenos Aires, February 22, 2017

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, 2016 (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, 2016.

ANNEX B - INTANGIBLE ASSETS

Not applicable.

ANNEX C - INVESTMENTS IN OTHER COMPANIES (Section 33 – Argentine Business Organizations Act)

See Note 7 to the Company's financial statements as of December 31, 2016.

ANNEX D - OTHER INVESTMENTS

	Book value at 12.31.2016	Book value at 12.31.2015
Mutual funds in $	152,734	37,010
LEBAC bonds in $	13,537	-
Government bonds in US$	34,201	101,031
Government bonds in $	67,095	17,400
VRD Bonds in $	8,731	8,867
Time deposits in US$	50,556	81,525
Total current	**326,854**	**245,833**
Other investments in US$	6,237	5,111
VRD Bonds in $	36,133	44,508
Total non current	**42,370**	**49,619**

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, 2016 (in thousands of pesos, except where specifically mentioned).

ANNEX E - ALLOWANCES AND PROVISIONS

Description	12.31.16					12.31.15
	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	602	96	-	-	698	602
Materials and spare parts						
Allowance for slow-moving and obsolete materials and spare parts	86,454	9,128 (1)	-	-	95,582	86,454
Other accounts receivable						
Allowance for receivables from actions for refund	11,966	208 (2)	-	-	12,174	11,966
Trade accounts receivables						
Allowance for doubtful accounts and disputed amounts	1,225,276	269,863 (3)	-	-	1,495,139	1.225.276
Current assets						
Other accounts receivable						
Allowance for doubtful accounts	828	5,576 (4)	-	(70)	6,334	828
Trade accounts receivables						
Allowance for doubtful accounts and disputed amounts	33,548	88,753 (4)	-	(896)	121,405	33,548
Total allowances deducted from assets	**1,358,674**	**373,624**	**-**	**(966)**	**1,731,332**	**1,358,674**
Included in liabilities						
Non-current liabilities						
Contingencies						
Provisions for labor, civil and contentious lawsuits	74,023	8,732	(57,597)	-	25,158	74,023
Current liabilities						
Contingencies						
Provisions for labor, civil and contentious lawsuits	26,916	16,791 (5)	57,597	(12,357)	88,947	26,916
Total provisions included in liabilities	**100,939**	**25,523**	**-**	**(12,357)**	**114,105**	**100,939**
Total at 12.31.16	**-**	**399,147**	**-**	**(13,323)**	**1,845,437**	**-**
Total at 12.31.15	**1,012,869**	**449,662**	**-**	**(2,918)**	**-**	**1,459,613**

(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, 2016).
(2) Charged to Administrative expenses - Contingencies (Note 20 to the Company´s financial statements as of December 31, 2016).
(3) Charged to Net financial results - Generated by exchange rate differences (Note 22 to the Company´s financial statements as of December 31, 2016).
(4) Charged to Selling expenses - Doubtful accounts (Note 20 to the Company´s financial statements as of December 31, 2016).
(5) Charged to Net financial results - Financial expenses – Results on discounting at present value (Note 22 to the Company´s financial statements as of December 31, 2016).

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, 2016 (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, 2016.

ANNEX G - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

	12.31.16				12.31.15		
	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.	$ch	232,208	0.0231	5,364	$ch	938,477	18,488
Companhía Operadora do Rio Grande do Sul	R$	166	4.20	698	R$	154	602
				6,062			19,090
Trade accounts receivable							
Trade accounts receivable with third parties	US$	189,378	15.79	2,990,279	US$	189,378	2,450,552
				2,990,279			2,450,552
Investments at amortised cost							
Other investments	US$	395	15.79	6,237	US$	395	5,111
				6,237			5,111
Total non-current assets				**3,002,578**			**2,474,753**
CURRENT ASSETS							
Other accounts receivable							
Commercial indemnifications	US$	807	15.79	12,737			-
Prepaid expenses and advances	US$	541	15.79	8,542	US$	3,253	42,094
	£	8	19.47	156	£	285	5,458
	€	1	16.625	17	€	55	774
Other receivables – affiliate companies	US$	72	15.79	1,139	US$	46	590
	R$	105	4.20	439	R$	77	302
				23,030			49,218
Trade accounts receivable							
Trade accounts receivable with third parties	US$	302	15.79	4,769	US$	6,974	90,240
Trade accounts receivable with related parties	US$	3,160	15.79	49,893	US$	2,243	29,018
				54,662			119,258
Investments at fair value							
Government bonds	US$	2,166	15.79	34,201	US$	7,808	101,031
				34,201			101,031
Cash and cash equivalents							
Time deposits	US$	3,202	15.79	50,556	US$	6,300	81,525
Balances in bank accounts	US$	1,566	15.79	24,733	US$	4,037	52,238
				75,289			133,763
Total current assets				**187,182**			**403,270**
Total assets				**3,189,760**			**2,878,023**

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, 2016 (in thousands of pesos, except where specifically mentioned).

	12.31.16				12.31.15		
	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)]
LIABILITIES							
NON-CURRENT LIABILITIES							
Loans							
Step-up Notes							
Principal	US$	150,066	15.89	2,384,549	US$	150,066	1,956,861
Interests	US$	9,485	15.89	150,717	US$	10,429	135,994
Capitalized interests	US$	25,799	15.89	409,947	US$	22,119	288,428
Five-Year Negotiable Obligations							
Principal				-	US$	19,545	254,867
Capitalized interests				-	US$	7,501	97,808
				2,945,213			2,733,958
Trade accounts payable							
Other related parties	US$	16,139	15.89	256,449	US$	16,155	210,661
Total non-current liabilities				**3,201,662**			**2,944,619**
CURRENT LIABILITIES							
Trade accounts payable							
Suppliers – purchases and services	US$	7,556	15.89	120,065	US$	2,774	36,173
	£	64	19.64	1,257	£	196	3,791
Unbilled services and purchases	US$	5,322	15.89	84,567	US$	4,170	54,377
	£	14	19.64	275	£	38	735
	€	1	16.77	17	€	6	85
				206,181			95,161
Loans							
Five-Year Negotiable Obligations							
Principal	US$	19,544	15.89	310,554	US$	9,769	127,388
Capitalized interests	US$	10,828	15.89	172,061			-
				482,615			127,388
Total current liabilities				**688,796**			**222,549**
Total liabilities				**3,890,458**			**3,167,168**

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 ARGENTINE BUSINESS ORGANIZATIONS ACT, SECTION 64, SUB-SECTION I.b)

See Note 20 to the Company´s financial statements at December 31, 2016.

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, 2016, 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 2015 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 auditing standards in force in Argentina established in Technical Pronouncement No. 32 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE). These standards 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 misstatements.

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, 2016, 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 conclusion, we want to emphasize the information contained in notes 1 and 2.1 to the attached financial statements. These notes indicate that the modifications made to the Company's license upon enactment of the Public Emergency Law in January 2002, have generated accumulated losses not yet allocated amounting to $ 386.3 million as of the fiscal year ended December 31, 2016 and, as a result, the Company falls within the scope of section 206 of the General Companies Law. Although the Company in this fiscal year was allowed a significant increase in its tariffs, the existence of a material uncertainty remains as to the generation of sufficient cash flows to meet its financial debts and conduct business as usual, which raises significant doubts 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, 2016 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 $ 15,821,664, 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, 2016 account for:

   e.1) 86.5% of the total fees for services billed to the Company for all items during that fiscal year;
   e.2) 93.3% 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) 80.2% of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;

   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, February 22, 2017

PRICE WATERHOUSE & CO. S.R.L.

by (Partner)

Carlos N. Martínez

STATUTORY AUDIT COMMITTEE'S REPORT

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

In accordance with the provisions of Section 294, Subsection 5 of the Argentine Companies Law 19,550 and Section 62 of the Buenos Aires Stock Exchange Listing Rules, in their relevant parts, we have conducted a review, with scope mentioned below, of Transportadora de Gas del Norte S.A.´s Balance Sheet as of December 31, 2016 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, the Inventory, the Annual report 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´s Board of Directors 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, as they were issued by the International Accounting Standard Board (IASB). Likewise, the Company´s Board of Directors is responsible for the existence of the necessary internal control in order to allow the preparation of proper financial statements without any significant errors or irregularities. 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, our review was based on the examination of all the above mentioned documents performed by the independent auditors of Transportadora de Gas del Norte S.A., in accordance with the International Standards on Auditing (ISAs). These standards were adopted in Argentina through Technical Resolution No. 32 of the FACPCE, as issued by the International Auditing and Assurance Standards Board, 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.

An audit includes an examination, on a selective basis, of elements that support the information disclosed in the financial statements. The chosen methodology depends on the auditor judgment and includes an assessment of the risk regarding significant irregularities that may affect the financial statements due to fraud or error. When assessing the risk, the auditor has to analyze the existent internal control related to the reasonable presentation of the Company´s financial statements, in order to choose the suitable audit procedures regarding the circumstances, which does not imply a judgment of the internal control. The audit includes an opinion in relation to applied accounting policies, the reasonability of the estimates and significant assumptions used by the Company´s Board of Directors and also regarding the fair presentation of financial statements. In relation to the Staturoy Auditor´s standards in force, established by the FACPCE Technical Resolution N°15, we have reviewed the relevant information contained in the examined documents, its accordance with the corporate decisions exposed in minutes and the adequation of those decisions to the Law, the By-laws and to internal procedures, in relation to their formal and documentary aspects. We have not assessed business criteria regarding the gas carriage utility service, its marketing and administrative aspects, since the operation and management themselves is the sole responsibility of the Company and is out of the scope of the Statutory Audit Committee´s work.

We share and agree with the emphasis paragraph of the Independent Auditors' report dated February 22, 2017.

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.

In order to carry out our professional work on the previously mentioned documents, we have based our review on the auditor´s work and on the Report of Independent Accountants issued by the company of independent auditors Price Waterhouse & Co. S.R.L. and signed by its partner, Carlos N. Martinez (CPA), on February 22, 2017, and insofar as concerns matters within our competence, we are in conditions to report that:

a) Financial Statements as of December 31, 2016 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, insofar as concerns matters within our competence, we have no remarks to make.

c) Board of Directors´ Annual Report related to the fiscal year ended on December 31, 2016 contains the information required by Section 66 of the Argentine Companies Law 19,550, being the assertions related to the economic context in which the Company operated, the Company´s management and future events included in that document, the sole responsibility of the Company´s Board of Directors. Insofar as concerns matters within our competence, accounting figures included in the mentioned document come arise from Company´s accounting records and related documentation. In addition, we have reviewed the Report on the extent of compliance with the Code of Corporate Governance, 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 and Audit Committee´s 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 Report of Independent Accountants, which states as follows:

   i) the accounting policies applied to prepare the financial statements as of December 31, 2016 are consistent with professional accounting standards in force, 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 checked that the financial statements of Transportadora de Gas del Norte S.A. are copied in the “Inventory and Financial Statements” book and comply with which is required by the Argentine Companies Law and by the CNV regulations. Books and accounting records are maintained, in their formal aspects, in conformity with the corresponding regulations and fulfill the integrity and security conditions required by the CNV when they were authorized.

g) 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, February 22, 2017

Statutory Audit Committee
Oscar Piccinelli
Syndic