TRANSPORTADORA
DE GAS DEL NORTE S.A.

Financial Statements as of December 31, 2018 in thousand Pesos, on a comparative basis

TRANSPORTADORA DE GAS DEL NORTE S.A.

Registered address: Don Bosco 3672 – 3rd floor – City of Buenos Aires.

FINANCIAL STATEMENTS as of December 31, 2018, on a comparative basis.

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

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

Registration number with the Superintendency of Corporations: 11,667 – Book 112 - Volume A - 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; August 18, 2006 and September 15, 2017.

Date of expiry of Company's existence: December 1st, 2091.

Controlling shareholder: Gasinvest S.A.
Registered address: Avda. Roque Sáenz Peña 938 – 3rd floor – City of Buenos Aires.
Main activity: investments in securities, real estate and financial activities.
Percentage of shares held by controlling shareholder: 56.354%.
Percentage of votes held by controlling shareholder: 56.354%.

Nominal Capital Structure (Note 15)

Classes of Shares	Subscribed and Paid-in	
	12.31.18	**12.31.17**
	Thousand $	
Book-entry class A common shares, of $1 par value each and entitled to one vote per share	179,264	179,264
Book-entry class B common shares, of $1 par value each and entitled to one vote per share[1]	172,235	172,235
Book-entry class C common shares, of $1 par value each and entitled to one vote per share[2]	87,875	87,875
Total	**439,374**	**439,374**

[1] Authorized for public offering in Argentina and admitted for listing on Bolsas y Mercados Argentinos S.A.
[2] Authorized for public offering in Argentina. Listed on Bolsas y Mercados Argentinos S.A.

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. Tº 1 Fº 17
Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. Tº 155 Fº 146

Juan José Valdez Follino
Regular Statutory Auditor

Emilio Daneri Conte-Grand
President

TRANSPORTADORA DE GAS DEL NORTE S.A.

INDEX

TRANSPORTADORA DE GAS DEL NORTE S.A.

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

As required under applicable statutory and legal provisions, the Board of Directors of Transportadora de Gas del Norte S.A., hereinafter “TGN” or “the Company”, herein submits to the Shareholders, for their consideration, the Annual Report, the Report on the Extent of Compliance with the Code of Corporate Governance, Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Shareholders’ Equity, Statement of Cash Flows, Notes, Overview and Additional Information to the Notes required under Title IV, Chapter III, Article 12 of the National Securities Commission (“CNV”) regulations, for the twenty-seventh fiscal year running from January 1, 2018 to December 31, 2018, which information should be jointly read reviewed and interpreted in order to have a full picture of relevant corporate matters during the year.

BOARD AND SUPERVISORY COMMITTEE

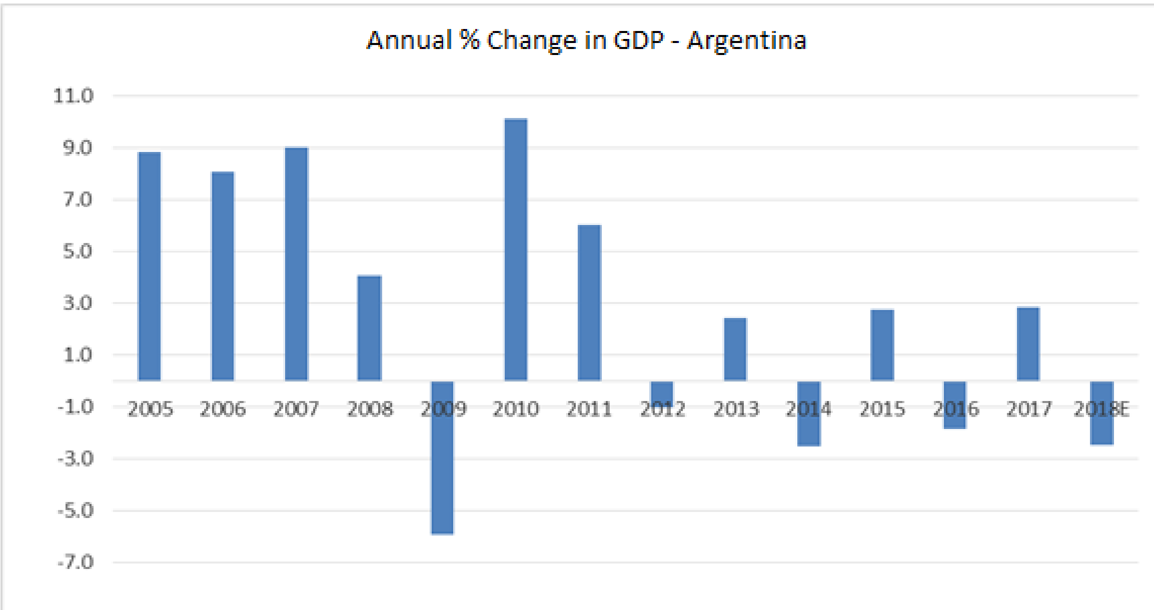
	Regular Directors	**Alternate Directors**
Chairman:	Emilio Daneri Conte-Grand	Carlos Bautista
Assistant Chairman:	Néstor Rafaelli	Fernando Victor Peláez
	Luis Alberto Santos	Martín Novillo
	Ricardo Markous	Marcelo Brichetto
	Ignacio Casares	Carlos Guillermo Pappier
	Angel Carlos Rabuffetti	Juan José Mata
	Jorge Dimopulos	Emilio Nadra
	Pablo Lozada	Marco Quiroga Cortínez
	Juan Pablo Freijo	Fernando Moreno
	Enrique Waterhouse	Pablo Mautone
	Hugo Vivot	Rufino Arce
	Sergio Revilla Cornejo	Roberto Helbling
	Alberto Saggese	Bernardo Velar de Irigoyen
	Martín Molina	Pablo Mineo Tsutsumi Acuña

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. FOR THE TWENTY-SEVENTH FISCAL YEAR BEGINNING ON JANUARY 1, 2018 AND ENDING ON DECEMBER 31, 2018.

1 – ECONOMIC CONTEXT

After a Gross Domestic Product ("GDP") 2.9% growth and lower inflation in 2017, the Argentine economy faced, in 2018, a 2.5% slowdown in terms of economic activity and a marked increase in the Consumer Price Index ("CPI") as disclosed by the National Institute of Statistics and Census ("INDEC") as a result of significant crop fails due to scarce rainfall, an increase in volatility which impacted on emerging economies as a consequence of interest rate rises decreed by the US Federal Reserve in 2018, and a deteriorating international perception about Argentina's revenue generating capacity. The government had assumed in their budget for 2018 a 3.5% growth.



Source: INDEC

Consequently, the Argentine economy experienced a strong devaluation of its currency, which depreciated 102.2% as against the US dollar which quoted at $37.7[1] as of year-end. Said increase negatively impacted on the CPI which by year-end reached as high as 47.7%[2] (as compared to 24.8% in 2017), well above the assumed 15.7% included in the national budget for 2018. On the other hand, wholesale prices went up 73.5%[3] (as compared to 18.8% in 2017).

As for the trade balance, records as of December 2018 show a growth in exports by 5.1% and a decrease in imports by 2.2%. As a result, the trade balance showed, as of December 2018, a deficit of US$ 3,820 million, well below 2017 deficit for US$ 8,309 million.

In revenue terms, the government's initial primary deficit target was 3.2% of the GDP; however, in light of the foreign exchange instability going on in the country, said target was lowered to 2.7% in May. In January 2019 the Ministry of Economy announced that said target had been accomplished with a primary deficit of 2.4% for 2018.

---

[1] According to data from the Central Bank of Argentina (BCRA).
[2] According to data from the National Institute of Statistics and Census (INDEC).
[3] According to data from the National Institute of Statistics and Census (INDEC).

Despite some improvement in revenue matters, the foreign exchange instability persisted, so the national government announced in June a US$ 50 billion, 36 month stand-by arrangement with the International Monetary Fund ("IMF") which provided, among other things, for:

- A primary deficit of 1.3% for 2019 and primary balance for 2020;

- Elimination of transfers from the Central Bank of Argentina ("BCRA") to the National Treasury;

- Repurchase of non-transferable Treasury bills held by BCRA and reduction of outstanding Central Bank bonds ("LEBAC"); and

- A new charter for the BCRA to give such entity a greater autonomy and self-sufficiency, to be approved by Congress.

Three months later, in September, said arrangement was revised to increase it to US$ 56.3 billion, and supplemented with the following terms and conditions, among others:

- A primary balance for 2019 and a 1% primary surplus for 2020;

- Disbursable amounts would lose their precautionary status and will be used to support budget instead;

- Fiscal and financial policy: The National Treasury shall proceeds from dollar-denominated debt issues with the BCRA. Furthermore, any proceeds from the Sustainability Guarantee Fund ("FGS") would be recognized as revenue, for up to 0.4% of the GDP, and;

- Foreign currency and monetary policy: In order to lessen depreciation expectations, the BCRA may, outside the no-intervention zone between an inflation-adjusted lower and upper limit, either purchase or sell up to US$ 150 million daily through sterilized auctions. Also, the government will no longer be able to sell dollars through government-owned banks and shall reduce its futures stock. As for the monetary policy and so that inflation drops, monetary aggregates will be tracked; for this purpose the BCRA will not expand the monetary base before June 2019, and only then a seasonal adjustment would be adopted in December 2019.

In order to accomplish the primary balance agreed with the IMF, the national government implemented a number of measures, among them, a cut in expenditures and a higher tax on exports. In terms of expenditures, the reduction of subsidies will be achieved by increasing utility rates and transferring certain transportation and electricity subsidies to the City of Buenos Aires and the Province of Buenos Aires, respectively. Certain capital expenditures will also be cut, particularly in sectors such as energy and transport: Transfers to provinces will also be reduced in exchange of assignment of resources. Revenues will comprise, under 2019 National Budget, principal proceeds from FGS repayments and substantial export duties.

Despite measures adopted and an improved performance in primary deficit terms under 2019 national budget, the country risk ended 2018 a 132.8% higher, at 817 basis points.

Another aspect to be highlighted is Argentina having been selected to host the G20 summit, which contributed to a slightly better perception of the country worldwide.

At international level, the Brazilian economy, which is strongly tied to ours, shows a 1.4% increase in their GDP, with an annual inflation rate of 3.8%. Furthermore, global economic growth projections are in the range of 3.7%[4] despite trade tension between China and US, which remains in place.

[4] According to data on IMF World Economic Outlook.

2 – GAS INDUSTRY IN ARGENTINA

Unlike other countries in the region, natural gas is the predominant energy source in Argentina, representing almost 50% of the energy matrix.

Primary Energy Supply by Source (2017)

	Oil	Natural Gas	Coal	Nuclear	Hydroelectricity	Renewable	TOTAL
USA	40.9%	28.4%	14.9%	8.6%	3.0%	4.2%	100.0%
Canada	31.1%	28.5%	5.3%	6.3%	25.8%	3.0%	100.0%
Mexico	45.9%	39.8%	6.9%	1.3%	3.8%	2.3%	100.0%
Total average North America	39.3%	32.3%	9.0%	5.4%	10.9%	3.2%	100.0%
Argentina	36.8%	48.5%	1.3%	1.6%	10.9%	0.8%	100.0%
Brazil	46.1%	11.2%	5.6%	1.2%	28.4%	7.5%	100.0%
Chile	47.8%	13.6%	17.5%	0.0%	13.3%	7.8%	100.0%
Colombia	39.2%	20.2%	9.4%	0.0%	30.5%	0.9%	100.0%
Ecuador	68.5%	3.0%	0.0%	0.0%	27.3%	0.6%	100.0%
Peru	46.7%	22.4%	3.9%	0.0%	25.1%	2.3%	100.0%
Trinidad & Tobago	12.2%	87.8%	0.0%	0.0%	0.0%	0.0%	100.0%
Venezuela	32.6%	43.7%	0.4%	0.0%	23.5%	0.0%	100.0%
Others South and Central America	63.8%	5.8%	3.1%	0.0%	21.9%	5.3%	100.0%
Total average South and Central America	43.7%	28.5%	4.6%	0.3%	20.1%	2.8%	100.0%

Source: BP Statistical Review of World Energy.

In late 2017 (most recently published data) proven natural gas reserves amounted to approximately 355 thousand MMm3 and, as of that date, the reserve horizon was 7.6 years, considering 2018 production.

Additionally, in accordance with data published by the Argentine Oil and Gas Institute (IAPG), non-proven reserves and contingent resources, as of such date, represented over 150% of proven reserves, among which non-conventional reservoir projects located in Vaca Muerta formation in Neuquina Basin stand out.

Following a 21% drop in gas production between 2004 and 2014, the industry started to recover showing a cumulative increase of 14% against 2014. Note that while total gas production showed a year-on-year increase of 5% in 2018[5], production of non-conventional resources -*shale and tight gas* – grew by approximately 40%, showing the importance of this type of reservoirs as part of gas resources in Argentina. Said increase was led by Neuquina Basin which contributed a 4.6% to total production, and a 36% to non-conventional production. Even though Austral Basin production volumes were significantly lower, it proved to be the most dynamic in terms of non-conventional gas production, with a year-on-year increase of 166%.

5 Actual data for December 2017-November 2018 period.

Gas imports still account for a large share of supply; however, that share has reduced in the past year as a result of an increase in local production. Liquefied natural gas ("LNG") imports through regasification tankers located in Escobar and Bahía Blanca, both in the Province of Buenos Aires, plus volumes from localities of Mejillones and Quinteros, in Chile, totaled 3,781 MMm3 in 2018, a 20% drop as compared to 2017, while imports from Bolivia totaled 6,014 MMm3, which means a year-on-year decrease of 9%.

In particular, imports from Bolivia were significantly reduced as from October 2018 when selling prices to non-distributor users charged by Integración Energética Argentina S.A. ("IEASA") became in line with import costs. In February 2019, IEASA renegotiated contractual volumes under their contract with YPFB, by reducing for two years "take or pay" volumes to 11MMm3/d for January-April and October-December periods, to 16 MMm3/d for the months of May and September, and to 18MMm3/d for June to August period. Simultaneously, export volumes significantly increased as from October 2018 when local producers were again allowed to export gas against no import-back commitment. So gas exports reached 455 MMm3, i.e. a 481% increase as compared to 2017.

NATURAL GAS – 2017 Reserves and 2018 Production [MMm3]

Basin	Proven Reserves	Probable Reserves	Proven + 50% Probable	Production (*)	Horizon: (Proven Reserves/Production) [Years]
Austral	117,170	79,461	156,900	11,505	10.2
San Jorge Gulf	43,441	14,620	50,751	4,978	8.7
Neuquina and Cuyana	177,491	94,106	224,544	28,228	6.3
Northwest	17,358	801	17,759	2,135	8.1
TOTAL ARGENTINA	**355,460**	**188,988**	**449,953**	**46,845**	**7.6**

Source: Argentine Oil & Gas Institute (IAPG).
(*) 2018 Production: covers production from December 2017 to November 2018, at actual calories.

From the privatization of the natural gas utility service in late 1992 to 2018 there was an accumulated growth in domestic demand of approximately 127%, with a relevant 214% growth in demand for compressed natural gas ("CNG") and a 74% growth in industrial demand. Also, the electricity generation segment showed a significant 224% rise due to the greater electricity demand and growth of the thermoelectricity sector.

Domestic Gas Demand – [MMm3/d]

	1993 to 1997 (4)	1998 to 2002 (4)	2003 to 2007 (4)	2008 to 2012 (4)	2013	2014	2015	2016	2017	2018 (5)
Residential (1)	16.5	18.8	22.0	27.2	31.6	30.4	30.9	32.6	29.3	32.2
Commercial	2.5	2.7	3.1	3.5	3.9	3.6	3.7	3.8	3.5	3.7
Industrial (2)	20.9	23.0	27.7	29.3	30.0	30.1	30.7	29.2	30.6	32.0
Electricity Generators	19.8	25.6	29.2	35.5	39.6	39.8	40.9	43.6	47.3	51.9
CNG	2.8	4.6	8.1	7.4	7.6	7.8	8.1	7.7	7.0	6.6
Official Entities	0.9	0.9	1.1	1.2	1.2	1.2	1.2	1.3	1.2	1.2
PTR + Patagonian gas pipelines (3)	8.5	10.7	18.9	18.1	15.7	17.2	16.4	15.4	15.8	13.1
Subtotal commercial use	**71.9**	**86.5**	**110.2**	**122.2**	**129.7**	**130.3**	**131.7**	**133.6**	**134.5**	**140.6**
Fuel gas and withheld at gas pipeline	8.4	13.3	15.7	17.7	17.1	17.3	18.3	19.5	19.5	19.3
Total demand	**80.2**	**99.8**	**125.9**	**139.8**	**146.8**	**147.6**	**150.0**	**153.1**	**154.1**	**159.9**

(1) Includes Sub-distributors.
(2) Does not include Cerri Plant comprised in Plant Thermal Reduction ("PTR").
(3) Includes volume used in PTR (Mega, Refinor, Cerri, Tierra del Fuego, etc.) and Patagonian gas pipelines.
(4) Five-year average.
(5) 2018, considering estimated data for November and December.
Sources: ENARGAS and Argentina's National Secretary of Energy.

Residential gas demand increased by approximately 10% in 2018 mainly as a result of a colder weather than in 2017. Demand from commercial users grew by 6% with respect to previous year. The industrial sector maintained an annual growth of 5%. As for CNG, demand has decreased by 6% as compared to 2017. Finally, gas demand for power generation has continued to grow since 2015, with a 10% increase during the year.

The National Government entered into agreements to import natural gas from Bolivia, which represented 10.6% of the total volume used in 2018, meaning a 10% drop with respect to previous year as a result of a lower demand from said source in the last portion of the year.

Additionally, in 2008, a LNG regasification tanker was connected to Bahia Blanca node (Province of Buenos Aires), providing injections that contributed to cover the decline in domestic gas supply over those years. In order to increase the supply for winter peak demand in areas of Greater Buenos Aires and the 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 a facility operated by YPF S.A., which was in turn connected to Argentina's main gas pipeline system. Both regasification operations (Escobar and Bahia Blanca) accounted for 6.3% of the total volume of gas used in Argentina in 2018.

Finally, just like in the past two years, imports from Chile were authorized, accounting for 0.4% of annual utilization.

Gas Supply by source

Source		Annual Volume (MMm3)					
		2013	2014	2015	2016	2017	2018
Production from Argentine Basins (1)	AUSTRAL	10,514	10,015	9,654	10,592	10,612	11,505
	SAN JORGE GULF	5,234	5,302	5,715	5,704	5,373	4,978
	NEUQUINA and CUYANA	22,700	23,274	24,684	26,021	26,284	28,228
	NORTHWEST	3,260	2,893	2,852	2,671	2,424	2,135
Imports from Bolivia (2)		5,719	6,013	5,977	5,767	6,618	6,014
LNG injection (2)	BAHIA BLANCA	3,296	3,261	3,095	2,230	2,213	1,691
	ESCOBAR	2,706	2,653	2,473	2,592	2,258	1,876
Imports from Chile (2)		-	-	-	357	275	214

Sources:

(1) National Secretary of Energy. Gross production.

(2) Daily reports – ENARGAS.

3 – REGULATORY ASPECTS

As a provider of an essential utility service, TGN is subject to governmental regulation based on Act No. 24,076 (the "Natural Gas Act"), the enforcement authority of which is the National Gas Regulatory Entity ("ENARGAS"). In January 2002, the Public Emergency and Exchange System Reform Law No. 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 transportation and distribution services within the framework of the Natural Gas Act, by establishing the "pesification" of rates and the cancellation of their semi-annual adjustment by the US Producer Price Index ("PPI"). The LEP authorized the National Executive Branch ("PEN") to renegotiate utility service contracts based on the following criteria: 1) the impact of rates on the economy's competitiveness and distribution of income; 2) service quality and investment plans, when contractually established; 3) users' interest and availability of service; 4) safety of the systems comprised; 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 effective term of the LEP until December 2017.

Renegotiation of License

From 2002 to 2015 no significant progress was made in the License renegotiation. Transitional rate increases granted to TGN in 2014 and 2015 were quite far from meeting the rate standards set forth under the Natural Gas Act, and did not revert the continuous operating losses sustained by the Company to the point of finding itself covered by the situation foreseen in Section 206 of the General Company Law ("GCL").

In February 2016 the new Administration entrusted the renegotiation of natural gas distribution and transportation licenses to the former Ministry of Energy and Mining ("MINEM") and the Ministry of Finance. After successfully reaching an interim agreement with the authorities, TGN obtained average interim rate increases toward the Comprehensive Rate Review ("CRR") of 162.83% between April 1, 2017 and March 31, 2018, in exchange for a mandatory investment plan for $456 million to be implemented during said period.

In March 2016, ENARGAS started a CRR process with all natural gas transportation and distribution licensees. Said process was completed one year after, in March 2017.

On March 30, 2017, the Company entered into an agreement with the Ministry of Finance and MINEM for the comprehensive renegotiation of the License (the "Comprehensive Agreement"), which came into force in March 2018 upon approval by PEN. With such approval, the CRR would also come into force meaning for TGN mandatory investments for approximately $5,600 million (as of December 2016, adjustable in line with rate adjustments) between 2017 and 2022.

The Comprehensive Agreement provides for semiannual rate adjustments by the cost of service in order to maintain the economic-financial sustainability and quality of service.

Following the approval of the Comprehensive Agreement, TGN abandoned the lawsuit filed against the National Government claiming damages suffered by the Company as a result of the pesification and subsequent freeze of its rates. Likewise, its controlling company Gasinvest S.A. ("Gasinvest") and those of its shareholders representing at least two thirds of Gasinvest capital have waived their rights and dismissed the action for damages against the National Government as a result of the rate pesification and PPI adjustment elimination set forth under the LEP. Note that the Comprehensive Agreement contains an indemnity clause for the benefit of the National Government, which requires TGN to hold the latter harmless from and against any final judgments or awards by which Argentina might be forced to pay damages in connection with the emergency situation established by the LEP and/or PPI adjustment elimination. Said indemnity will take the form of sustainable investments additional to those established under the CRR, the cost of which cannot be transferred to users of the transportation system, and shall not be reflected in TGN capital base.

In April and October 2018 TGN transportation rates increased by 47% & 19.7%, respectively, by application of the non-automatic adjustment clause contained in the Comprehensive Agreement.

In November 2018, ENARGAS Board instructed their Storage and Supplies Department to prepare a report about possible regulatory alternatives for the establishment of a Point of Entry into the transportation system at Escobar (Province of Buenos Aires), and to determine a rate for "Greater Buenos Aires – Greater Buenos Aires" route. Their implementation would lead to a change in TGN current rate scheme so the Company will timely review the impact of this.

4 – FINANCIAL POSITION

Syndicated Loan

As of year-end, TGN total debt fully consisted of a syndicated loan (the "Loan") taken in October 2017 with Industrial and Commercial Bank of China Limited (Dubai Branch), Citibank N.A. and Itaú Unibanco S.A. (Nassau Branch) for a total amount of US$ 220 million with principal and interest repayable semiannually. The Loan principal would be repaid as follows:

Date	Description	Principal Percentage
April 2019	Principal Repayment	25%
October 2019	Principal Repayment	25%
April 2020	Principal Repayment	25%
October 2020	Principal Repayment	25%

During 2018 interest payments for US$ 11.3 million have been made in due time and manner. As of year-end, interest rate reached 6.15%. Main terms and conditions for the loan are described in Note 16.1 to the Company's financial statements as of December 31, 2018.

Notes Program

The creation of a global program for the issuance of simple non-convertible unsecured and unsubordinated notes for up to US$ 600 million or the equivalent thereof in other currencies, was approved at the Ordinary and Extraordinary Shareholders Meeting held on March 30, 2017, which is currently completely available. The public offering of notes to be issued under the program has been authorized by the National Securities Commission ("CNV") Resolution No.19,474/18 dated April 19, 2018.

Financial Placements

As of year-end, the vast majority of available cash was invested in US dollar denominated instruments with a high credit rating such as time deposits placed with prime entities, US Treasury Bonds among others, of high liquidity and with a global portfolio maturity shorter than 180 days. Investments as of year-end are described in Note 9 to the Company's financial statements as of December 31, 2018.

5 – TGN'S ACTIVITY

With a 6,806-kilometer gas pipeline network, TGN provides the natural gas transportation service through high-pressure gas pipelines in the Central and Northern regions of Argentina.

Through its two main gas pipelines, *North*ern and *Central West*, TGN serves eight of the nine gas distributors as well as several power plants and industries across fifteen Argentine provinces. TGN's system is connected to the *GasAndes* and *NorAndino* gas pipelines, built for the transmission of gas to the Central and Northern regions of Chile, respectively; to the "Entrerriano" Gas Pipeline, which transports gas to the Province of Entre Ríos and the Uruguayan coastline, to Transportadora de Gas del Mercosur S.A pipeline and to the *"Northeastern pipeline".*

Since the beginning of its operations in 1992, TGN has, both on its own and in association with third parties, expanded its transportation capacity from 22.6 MMm3/d to 59.7 MMm3/d, representing a 164% increase. These expansions, as well as the large number of maintenance and reliability works carried out, required investments by TGN for approximately US$ 1,387 million. In physical terms, those expansions required the installation of 2,619 km of new gas pipelines, the construction of eight new compressor stations, and the installation of twenty-one turbo-compressors, which added 216,250 HP of installed capacity.

At fiscal year-end, the Company's firm transportation agreements totaled 48.12 MMm3/d, of which 23.19 MMm3/d are related to the Northern pipeline and 24.93 MMm3/d to the Central West.

At the beginning of 2018, TGN submitted an expansion project to ENARGAS consisting in the installation of a compressor station in Cardales (Province of Buenos Aires) in order to supply 5 MMm3/d to electric power stations in Argentina's coastline and Center regions. This volume should be injected into TGN´s system in the district of General Rodriguez (Province of Buenos Aires) from TGS´s system. In parallel, TGS simultaneously submitted an alternative project that includes a pipeline section. The regulatory agency sent cross notices of said two projects and both TGN and TGS filed technical and commercial objections to its counterpart's project. To date, ENARGAS has made no decision on the feasibility of either project.

6 – OPERATIONAL HIGHLIGHTS

Gas Transportation

As this year's highlights, mention should be made to the increase of gas availability at Neuquina Basin as a result of non-conventional gas production and the decrease in gas imports from Bolivia in the second half of the year.

Although winter temperatures were near the average for recent years, residential consumption was lower. This situation allowed the increase of the gas supply for industrial consumption and power generation.

The volume of gas received by TGN reached 19,904 MMm3, that is to say, an average of 54.53 MMm3/d, distributed as follows: 24.82 MMm3/d, Central West pipeline, 20.56 MMm3/d, Northern pipeline, and 9.15 MMm3/d, in the Province of Buenos Aires through a LNG regasification terminal located in the district of Escobar (Province of Buenos Aires), plus those volumes received from TGS.

Maximum gas injection values at intake were 30.17 MMm3/d in Central West pipeline and 25.12 MMm3/d in Northern pipeline.

In the case of the Northern pipeline, average gas injection by domestic producers was 4.75 MMm3/d, while injection of gas from Bolivia reached an average of 15.76 MMm3/d and 87.1 MMm3 of natural gas were injected from the regasification terminal located at Mejillones, Chile, and transported through the Norandino pipeline, at a rate of 1.3 MMm3/d between July and September.

In the Central West pipeline, in addition to domestic production, 104.6 MMm3 of natural gas from regasified LNG were received from Chile via the GasAndes pipeline, at a rate of 2.8 MMm3/d between July and August.

Regarding the input in the Province of Buenos Aires, an average of 5.6 MMm3/d of LNG was received in the district of Escobar, Province of Buenos Aires, and 3.7 MMm3/d was received from TGS, in the district of General Rodríguez, also in said province.

A 108 MMm3 gas volume was exported to Chile through the Central West and Gas Andes pipelines, at a rate of 1.5 MMm3/d between November and December.

Integrity of Facilities

- The annual cathodic protection indicator required by ENARGAS was met, with positive results in the audit performed.
- Pipeline in-line inspection programs were carried out, consisting of running specific tools along 3,180 km of pipelines. These inspections were carried out using different kinds of technologies for both a more in-depth detection of threats and the georeferencing of the system.
- Progress was made in the implementation of a new method of quantitative risk calculation and an integrity risk assessment software (PIMSlider) associated with "SAP-ARCGIS" integration project in order to improve the risk assessment process as required by "Part O" of the Argentine Gas Standard 100 (Argentine Gas Code)
- The new "Part G" of the Argentine Gas Code continued to be implemented along 20% of the pipeline system, as required under said code. It also requires that the level of risk present around

gas pipelines be reviewed, in order to take appropriate risk mitigation steps.

- New technologies for quantification of defects and on-site electronic reporting, such as utilization of defect scanners and tablets to collect georeferenced on-site survey data were implemented.

- We continued with the implementation of the Third-party Damage Prevention Program in compliance with API 1,162 standard, with a focus on outreaching to target different audiences and strengthening the relationship between pipeline operators. Main actions carried out during the fiscal year are described below:

  - Stage two of the third-party damage prevention action plan was implemented in the Municipality of the City of Alderetes (Province of Tucumán), an area which has been identified as a class 3 location.

  - The "*Door to Door*" campaign was carried out in the City of Tartagal (Province of Salta).

  - The "Radio broadcast program" continued to be implemented in the towns near locations of greater exposure, and was extended to localities close to Central West pipeline.

  - "Educational Damage Prevention Workshops" were conducted at 40 primary schools near gas pipelines.

  - The "Interference Management System" was developed in order to keep track and record all interferences.

  - The activities conducted by damage prevention agents continued to be strengthened, consolidating their relationship with the different damage prevention program recipients.

  - TGN participated in various trade fairs and conferences organized by producers conducting activities nearby pipelines. Some of these were: *Agroactiva* (Armstrong, Province of Santa Fe), *Apronor* (Province of Tucumán), *Fiesta del Trigo* (Leones, Province of Córdoba), *Festival del Cabrito* (Frías, Province of Santiago del Estero), etc.

  - The "Staking Campaign" was conducted along Central West pipeline to add sign posts along various sections of said pipeline.

Projects and works on gas pipelines, meter and regulating stations and compressor plants

Within the framework of the mandatory investment plan, TGN carried out a program of projects and works to maintain its transportation system. The main activities performed are described below:

- Pipe sections were replaced to accommodate the design factor (4.8 km in total) along Northern Pipeline at the following localities: El Cadillal (Province of Tucumán), Virgen de la Peña and Cremer Plant (Province of Salta), and along Central West pipeline, at the following localities: La Paz and La Dormida, both in the Province of Mendoza.

- Recoating along various Northern Pipeline sections in the Provinces of Córdoba and Salta (approximately 60 km.) was completed.

- Two Northern Pipeline crossings along Provincial Route No. 347 at El Cadillal locality (Province of Tucumán) were repaired.

- Solar equipment boards upgrading at Pichanal compressor plant was completed. Boards upgrading at La Mora and Cochico compressor plants are making progress and works started to upgrade "Ruston" boards at La Paz and San Jerónimo compressor plants.

- Meter and regulating stations were connected to other pipelines in the localities of Barrio Quilino, Morrison and Bell Ville (all of them in the Province of Córdoba) and other works were started in the Provinces of Catamarca and La Rioja toward a greater reliability and operating flexibility of the pipeline system.

- The replacement of the fire, smoke and gas detection system was completed at Pichanal and Baldissera turbo-compressor plants.

- The first stage for upgrading electronic line break valves along Northern Pipeline was completed with the installation of 25 control panels.

- The replacement of control panels at Miraflores compressor plant was completed and works started for their replacement at La Mora compressor plant.

- Erosion control works and crossing repairs were implemented for the protection of pipelines along different rivers and streams in the Northern pipeline system.

Operation and maintenance

- An overhaul program on turbo- and motor-compressors was carried out.

- San Jerónimo compressor plant workshop was revamped to be able to overhaul Ruston turbines there in order to carry on with the maintenance quality process under the program.

- 39 technical audits, including physical inspections of facilities and review of maintenance records were conducted, and the pertinent reports were submitted to ENARGAS.

- The following bypasses were commissioned:

  - Tratayen – Tecpetrol.
  - El Corcobo – Pluspetrol.

- The following meter stations were commissioned:

  - Regional Route 2 (Province of Córdoba).
  - Mathew III Thermal Power Plant.
  - Tambúes Cogeneration Thermal Power Plant.

- The "SCADA host" migration (change of hardware and systems virtualization) and start-up was conducted.

- ORMAT power generators (gas turbines) were replaced by a photovoltaic system in Central and Southern regions.

7 – 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 transportation services to foreign destinations and caused a steady decline in the use of firm gas transportation services. Although TGN was able to enter into settlement agreements with some foreign customers for the early termination of contracts in exchange for economic compensation (which nevertheless have caused a negative net effect on TGN's expected cash flows), two legal disputes with YPF S.A. and the Chilean distributor Metrogas S.A., which are described in Notes 20.1.4 and 20.1.5 respectively, to the Company's Financial Statements as of December 31, 2018, remain unsettled.

8 - QUALITY, SAFETY, HEALTH AND ENVIRONMENT

The most relevant events during the fiscal year were:

- The Integrated Management System ("SIG") re-certification audit was conducted, updating the SIG to conform to ISO 9001 and 14001 (2015 version) standards, as well as the OHSAS 18001-2007 standard re-certification audit. Said audits were conducted by Det Norske Veritas during the month of March.

- A prevention culture program was implemented, including a diagnosis report of the areas for improvement in order to take actions toward strengthening the company's prevention culture.

- In terms of "Occupational Health", the cardio-protected company program was completed and TGN's Main Offices has finally obtained the certification of cardio-protected area.

- In terms of "Quality" the annual plan for project related audits was completed and quality standards for the execution of said projects, as well as for maintenance of major equipment and vendor improvement were developed.
- In the field of "Environment", the annual monitoring program was completed, including measurement of gaseous emissions from stacks and noise measurement at compressor plants and regulating stations, as required under service quality indicators set forth under applicable resolutions and standards.
- The "Environmental Awareness" campaign among all employees was further implemented, with a focus on efficient waste management and emission control.

9 – HUMAN RESOURCES

Development

The Development area promotes several activities aimed at training, retaining and motivating human resources to achieve business success, now and in the future, including:

- In line with our usual practice, "Exchange Sessions and Integration Sessions" were held in March and November, led by the Operations Management Department and General Management Department, respectively, where several organizational and wider aspects were reviewed, experiences were shared, certain issues were discussed, and several challenges standing ahead of us for the next year were raised.

- Follow-up of 2017-2018 action plans resulting from the Climate Survey conducted in 2017 was made.

- The "2017 Management Performance" process, consisting of various stages and concluding with the determination of annual objectives was performed.

- Workshops were conducted with external consultants on the following issues: "Feedback", "Individual Development Plans" and "Methodologies to Define Objectives".

- The "People Review" process was conducted; this effort includes a number of meetings with area leaders designed at defining specific development actions targeted at key people and a succession plan for TGN main positions.

- Actions were taken toward the design of a technical career for "Technical and Maintenance" departments.

- The second "Young Professionals" program started in July. Said young professionals are spread across the Operations Department and Commercial and Regulatory Affairs Department.

- The following activities were undertaken during the first six month period of the program:
    - Information Session
    - Technical and management training
    - Technical visits
    - Monthly follow-up meetings
    - Individual follow-up interviews

- As part of career and internal development opportunity efforts, successful internal search processes based on the required profiles and needs in each area were conducted during the fiscal year.

- As part of the “Talking to Leaders” initiative, several meetings were held among leaders and staff, aimed at creating a communication space for sharing ideas and views.

Compensation

- TGN agreed to a 35% salary increase for employees under a collective bargaining agreement, a one-time payment of $2,800 in December, plus annual bonus and a fixed year-end bonus equivalent to $29,077 paid in January 2019.

- Employees outside collective bargaining agreements obtained increases in the order of 36.20% and, additionally, except for managers and directors, a fixed bonus equivalent to $30,000 that was paid in January 2019.

- On the other hand, for TGN to be in line with market-driven compensation practices that allow to attract, retain and motivate staff, a new “Compensation Policy” for non-unionized staff has been put in place. Under said policy, their salaries are subject to increases in comparable “energy and construction” companies. In addition to external competitiveness, other essential factors, such as internal equity, relative weight of each position within the organization and individual performance of each employee are also taken into account to define the remuneration of each employee.

- In line with the Compensation Policy, a new “Relocation Policy” has been implemented that allows mobility and development of employees at those locations where TGN operates. This policy is in line with market practices for relocations within the country and provides employees more attractive career opportunities.

Training

Training employees is an ongoing priority in order to support operational reliability of the pipeline system and the Company’s growth. The Knowledge Transfer Center continued to develop training programs led by technical experts.

- The training program for young professionals covering management and technical activities started.

- The program for new regional hires continued, tutored by each Division Chief.

- Teaching methodologies were focused on e-learning and virtual reality through technological platforms, allowing virtual and on-line training of employees, thus broadening the scope of the Knowledge Transfer Center with the “Virtual Knowledge Transfer Center”.

- Management programs were focused on business specific areas and positions, with the “Leadership Strengthening” program for the management team earning a key place. The “Leadership Forum” among Division Chiefs, among others, continued.

- The Company promoted individual activities with external entities at domestic and international level, as well as attendance to industry conferences.

Recruitment

TGN has recruited additional personnel in order to be able to meet new corporate challenges, as well as to fill vacancies as a result of retirements and regular replacements. Sixty-four recruitment processes were completed, of which 63% has been assigned to the Operations Department.

A new edition of the "Young Professionals Program" was launched with the recruitment of engineering students about to graduate, who were assigned to different areas and are currently receiving training.

10 – CORPORATE SOCIAL RESPONSIBILITY

Social Responsibility is, for TGN, a part of the sustainable development concept, and consists in embedding social and environmental variables into its operational practices. In this connection, TGN intends to maximize the sustainability of the gas transportation service and scale up its contribution to the national energy development.

To strengthen bonds with stakeholders, particularly neighboring communities, TGN supported its "RONDA" corporate volunteer program. The involvement of volunteers in community actions lead to projects that contribute to the common good, add value to TGN's services and motivate employees to channel their vocational desires and concerns about their own communities.

During 2018, the volunteers participated in projects such as damage prevention and education and awareness of energy demand issues. Further programs proposed by volunteers have been designed and implemented.

Programs and actions were structured around the following strategic axes: i) Education; ii) Citizenship building; iii) Environmental care; and iv) Local value chain development. The execution of works required to conduct due diligence processes and implement prevention plans to maximize positive impacts by hiring local labor and services.

Project Risk Management

Practices and actions aimed at preventing the occurrence of damage to people in areas of high social conflict were implemented through partnerships with public sector institutions, grassroots organizations and other private players. Due diligence processes were conducted for each project in order to asses risks, design manners of intervention and implement conflict prevention and mitigation actions.

Value Chain Program – Development of Local Suppliers

The "Value Chain" program is a ten-year tradition for the development of local suppliers. This program was designed to favor the development of people capable of providing services through small companies. During 2018 a completely new program was designed and implemented for already established suppliers. This program focused on learning objectives so that suppliers could understand main gas industry practices (production, transportation and distribution), risk assessment techniques, implementation of business strategies and analysis of different contracting modalities based on costs and risks.

JUNTOS Program – Damage Prevention

The objective of this program is to raise awareness among children and adults about the importance of preventing damage in gas pipelines and other facilities. Working together with the education community, and particularly with children and young people, we seek to raise awareness among surface owners, communities, companies, city councils and other players to avoid activities that may endanger the normal operation of pipelines. This program started in 2017 in the North-West region of Argentina. During 2018, 27 workshops in different provinces were conducted.

Science Club

This program aims at promoting learning through play and experimentation. It is sponsored by the "Organization of Ibero-American States" (OEI) and supported by the Ministries of Education from concerned provinces. This activity was implemented in schools from towns close to gas pipelines in the provinces of Salta, San Luis and Mendoza. It was conducted at six schools with the participation of 375 students.

Encouraging Reading: 20-20 Reading Program

The program aims at promoting the practice of reading among children. It focuses on the reading habit and how prone students are to reading. This program was implemented at six schools in Oran City, Province of Salta in 2018. Those schools received 1,152 books as part of this program.

Graduation Promotion Program

This program, developed by *Fundación Cimientos*, is supported by TGN. The program supports students who are at risk of dropping their secondary education. Under this program, TGN funds annual scholarships to students who attend secondary school. It also provides personalized education assistance and participation of young students in meetings, gatherings and discussions.

11 – COMPENSATION POLICY

The Board of Directors' compensation is determined by the Shareholders' Meeting for each fiscal year. The compensation policy for Company's managers and chief officers establishes a monthly fixed basic compensation and a variable additional amount payable on an annual basis. While the fixed component is established according to the level of responsibility inherent to the position and market values, the variable component consists of an additional amount based on performance and achievement of the year's objectives. The Company's policy does not establish option or other plans for its personnel.

12 – DECISION-MAKING POLICY

The Company Bylaws establishes 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 Capital Markets Act No. 26,831 (as amended by Act No. 27,440, the "Capital Markets Act") and applicable provisions of the CNV. The director appointed by Class C shareholders shall not have such status.

TGN's controlling company, Gasinvest, is entitled to designate a majority of regular and alternate directors (the nine directors appointed by Class A). Compañía General de Combustibles S.A. and Tecpetrol Internacional SLU, who jointly hold 81.71% of Gasinvest' s common shares, have entered into a Shareholders' Agreement ("the Agreement") to cover certain aspects related with their interest in TGN, such as the number of directors that each of the shareholders may designate and 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 equivalent document,
- *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 on TGN´s Board of Directors and/or any other Company committee,

vi. issuance or redemption of TGN shares,
vii. TGN's dissolution, liquidation or bankruptcy proceedings,
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 by TGN of any agreement 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 contracts for the supply of goods and/or services must comply with mechanisms that assure a plurality of technically and economically qualified bidders to ensure that contracts are carried out on an arm's-length basis, in observance of TGN's organization and management policies and standards.

Also, contracts for the acquisition of goods and/or services with a company and/or its controlling and/or controlled companies that together exceed the amount of US$ 4 million must be approved by the Board of Directors.

The internal supervision of the Company's affairs is performed by a Supervisory Committee consisting of three regular and three alternate statutory auditors: (i) two regular members and their alternates are appointed at a Special Class A and Class B Shareholders' Meeting, 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. Supervisory Committee meetings are held with the presence of an absolute majority of members, and decisions are adopted by a majority of present votes, without prejudice to the rights of the dissenting statutory auditor. The members of the Supervisory Committee have the duty and right to attend Board and Shareholders' Meetings, call such meetings, request that items be included on the agenda and, in general, supervise all matters related to the Company and its compliance with the law and Bylaws.

13 – AUDIT COMMITTEE

Pursuant to the provisions of the Public Offering Transparency Regime set forth in the Capital Markets Act and regulations thereunder, companies that offer their shares to the public must set up an Audit Committee made up by at least three Board members, a majority of which must be independent as required by CNV regulations.

During the fiscal year, TGN's Audit Committee performed the functions entrusted to it by the law and its internal regulations, in line with an Annual Plan submitted to the Board of Directors and the Supervisory Committee. The audit report forms part of the Company's annual financial statements.

14 – COMPANY'S INTERNAL CONTROL

The Internal Audit Department, which gives advice to the Board of Directors, is responsible for regularly reviewing internal control system in order to enhance the quality of processes, their documentation and reporting. Internal control is a process carried out by Management and the rest of the personnel, designed to provide a reasonable degree of 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 informed by the Internal Audit Department about identified internal control weaknesses, as well as corrective actions taken.

Additionally, during 2018, TGN created the Compliance Officer position, reporting to the Board through the Audit Committee, with the main responsibility of developing and implementing the integrity plan approved by the Board.

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

Balances and transactions between the Company and its controlling company, foreign related companies, other related parties and key management personnel are presented in Note 26 to TGN´s financial statements as of December 31, 2018. Individuals and companies comprised in Section 72 of the Capital Markets Act have been included as related parties.

16 – FUTURE OUTLOOK

Rate increases implemented between 2016 and 2018 have allowed the Company to finance its operation and maintenance expenses, carry out certain works and meet its financial liabilities when due. So that rates are maintained at fair values in the course of time to be able to meet pipeline operation and maintenance requirements, the CRR conducted by ENARGAS establishes non-automatic biannual transportation rate adjustments between five year rate reviews, due to variations seen in the cost of service, aimed at maintaining the economic-financial sustainability and the quality of the service rendered.

The Company believes that steps taken in 2016 and 2018 by the PEN, the MINEM and ENARGAS meant a significant progress toward normalization of its rates and restoration of the sector's regulatory framework, particularly, Section 38 of the Natural Gas Act, that establishes that rates must be enough to cover reasonable operating costs, taxes and depreciation, and also allow for a reasonable return.

Although the CRR established non-automatic biannual rate adjustments by applying the Wholesale Price Index – General Level – ("IPIM"), at the time of the biannual adjustment applicable as from October 1, 2018, the ENARGAS resolved to apply the simple average of the IPIM (February-August 2018), the "Construction Cost Index" (February-August 2018), and the "Labor Cost Index" (December 2017-June 2018), which resulted in an increase (19.7%) lower than would have otherwise resulted by applying the IPIM (30.5%).

The Company has been unable to confirm whether the ENARGAS has reasonably analyzed and concluded that the polynomial formula applied for said biannual adjustment actually maintains the economic-financial sustainability and quality of the service rendered by TGN, as required under item 7.1 of the Comprehensive Agreement. Assuming that the regulator intended to soften the rate impact on consumers through a price control, the Company requested ENARGAS to discuss the terms of an equivalent compensation, including a review of the scope of the mandatory investment plan, as established in item 9.8 of the Basic Rules of the License.

The Company is confident that transportation rates will remain at constant values along time in order to be able to meet expenses and investments required for gas pipeline operation and maintenance.

17 – PROFIT ALLOCATION PROPOSAL

Fiscal year 2018 resulted in a profit of $3,721,943 thousand and retained earnings as of December 31, 2018 as shown in the Statement of Changes of Shareholders' Equity amounted to a profit of $5,385,238 thousand that reflect the currency devaluation adjustment carried out during the fiscal year.

Consequently, the Board of Directors proposes the Shareholders that the above mentioned retained earnings be allocated as follows: (i) $1,383 thousand against the negative balance under "Other Reserves"; (ii) $1,698,967 thousand to restore the Statutory Reserve as required under Section 70 of the General Company Law; (iii) payment of a cash dividend for the amount of $ $2,132,350 thousand; and (iv) the balance of $1,552,538 thousand toward retained earnings.

Additionally, the Board proposes to pay a compensation of $15,862 thousand to Board members, and $4,431 thousand to Supervisory Committee's members.

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

City of Buenos Aires, March 7, 2019

Emilio Daneri Conte-Grand
President

Juan José Valdez Follino
Regular Statutory Auditor

Transportadora de Gas del Norte S.A.

ANNEX
REPORT ON THE EXTENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
PRINCIPLE I. ESTABLISH TRANSPARENCY AMONG ISSUER, RELEVANT ECONOMIC GROUP AND RELATED PARTIES				
Recommendation I.1: Ensure disclosure by the Board of policies applicable to the relationship among Issuer, relevant Economic Group and related parties.				
Answer whether: 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 Board members, senior managers, statutory auditors and/or Supervisory Committee members, within Issuer's economic group. Explain main guidelines of the internal regulation or policy.	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 managers are subject to and comply with Section 271 of the Argentine General Company Law. Internal procedures include compliance with regulations.
Recommendation I.2: Ensure the existence of mechanisms preventing conflicts of interest.				
Answer whether: Issuer has, notwithstanding current regulations, clear policies and specific procedures to identify, handle and address conflicts of interest between Board members, senior managers, statutory auditors and/or Supervisory Committee members, and Issuer or related parties. Describe relevant aspects.	X			Notwithstanding Section 271 of the Argentine GCL, to which TGN is subject, the Company's Code of Ethics has specific provisions intended to prevent, handle and address conflicts of interest between Board members, senior managers and statutory auditors and TGN or its related parties.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
Recommendation I.3: Prevent improper use of privileged information.				
Answer whether: Issuer has, notwithstanding current regulations, reasonable policies and mechanisms to prevent improper use of privileged information by Board members, senior managers, statutory auditors, Supervisory Committee members, controlling or substantial shareholders, involved professionals and other persons listed in Section 72 of the Capital Markets Act. Describe relevant aspects.	X			In accordance with TGN´s Code of Ethics, those who, by reason of their position or role in the Company, hold information about events not yet disclosed to the public and because of their importance, might impair placement or trading of the Company´s securities, should keep such information strictly confidential by refraining from sharing it with third parties and dealing with such securities until such information is disclosed to the public.
PRINCIPLE II. PROVIDE THE BASIS FOR A SOUND MANAGEMENT AND SUPERVISION OF ISSUER				
Recommendation II. 1: Ensure that Issuer's affairs and strategies are managed and supervised by the Board.				
Answer whether: II.1.1 the Board approves:				
II.1.1.1 the strategic or business plan, as well as management objectives and annual budgets,	X			As the body responsible for the Company's administration, the Board approves (within the annual budget) and supervises compliance with TGN policies and strategies, subject to control by shareholders. As part of the annual budget, the Board approves TGN business plan and management objectives for each fiscal year.
II.1.1.2 the investment policy (in terms of financial assets and fixed assets) and financing policy,	X			TGN has an investment policy approved by the Board that is implemented by a Financial Committee (including an external independent expert) and monitored by the Board and the Internal Audit Department.
II.1.1.3 corporate governance policy (compliance with the Code of Corporate Governance),	X			As the body responsible for the Company's administration, the Board approves the company's policies relating to corporate governance.

Transportadora de Gas del Norte S.A.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
II.1.1.4 the selection, evaluation and compensation policy for senior managers,		X		Policies relating to the selection, evaluation and training of senior managers are developed by the General Management Department together with the Human Resources Department. The Board consent is required for hiring senior managers. Compensation for these positions is approved by the Board as part of the annual budget and then reviewed by the Audit Committee.
II.1.1.5 the policy for assignment of responsibilities to senior managers,			X	Policies relating to the assignment of responsibilities to senior managers are developed by the General Management Department together with the Human Resources Department, and reported to the Chairman.
II.1.1.6: the appointment of successors to senior managers,		X		The Chairman, the General Management Department and the Human Resources Department are responsible for appointing successors to senior managers, reporting to the Board of Directors. The Board of Directors approves the appointment of the Chief Executive Officer, Chief Operations Officer, Chief Financial & Administrative Officer, Chief HR Officer, Chief Legal Officer, Chief Commercial & Regulatory Affairs Officer and Compliance Officer, as well as senior managers.
II.1.1.7 the corporate social responsibility policy,			X	The Corporate Social Responsibility policy is designed by the General Management Department.
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, subject to the control of the Internal Audit Department. The risk control system (including frauds) is designed to anticipate events inherent to the gas transportation business in a proactive way, establish an operational risk profile, reduce the occurrence of events and fulfill regulatory requirements. As for internal control, the Company has established the methodology issued by the Committee of Sponsoring of the Treadway Commission (“COSO”) as a framework to assess the quality of internal controls.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
II.1.1.9 the policy for ongoing training to Board members and senior management. If available, please describe main aspects of such policy.		X		Most of TGN Board members have a sound professional and academic background and a proven track record in executive positions at local and international companies within the energy sector. Based on the above, the Board does not consider it necessary to implement a training and development plan for its members. Senior management training is developed as part of TGN general training policy designed by the Human Resources Department and monitored by the General Management Department.
II.1.2 If relevant, add other policies followed by the Board which have not been mentioned and describe their main aspects.	X			The Board approved a procedure for ensuring complete and timely disclosure of relevant information.
II.1.3 Issuer has a policy aimed at ensuring the availability of relevant information for the Board decision making process and for direct consultation by management level, for all members alike (executives, external and independent) in sufficient advance so as to allow for an appropriate review of its contents. Explain.	X			Directors, managers and statutory auditors are informed on an ongoing basis about all relevant business issues, the knowledge of which is necessary for the performance of their duties. The Company issues a monthly management control report, apart from reports sent to the Board in connection with the financial statements. Furthermore, specific reports are also released at the discretion of Management or at the request of the Board.
II.1.4. Issues referred to the Board consideration are accompanied by a risk analysis associated with decisions that may be adopted, taking into account the corporate risk level defined as acceptable by Issuer. Explain.	X			When making any decision, the Board first identifies associated risks, assesses their probability of occurrence and establishes their potential impact.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
Recommendation II.2: Ensure an effective Control over Issuer administration.				
Answer whether the Board monitors:				
II.2.1 compliance with annual budget and business plan,	X			The Company's Board monitors compliance with the annual budget and business plan, based on monthly management control reports and other reports issued management at the time of considering the quarterly and annual financial statements.
II.2.2 the performance of senior managers and compliance with the objectives set for them (level of projected versus actual profit, financial rating, quality of accounting report, market share, etc.). Describe relevant aspects of the Management Control policy of Issuer by describing techniques used and frequency of monitoring by the Board.		X		The Board monitors the performance of Management as part of the Company's overall performance control. The internal control process is aimed at providing reasonable assurance as to whether the company's objectives are met, considering the efficiency and effectiveness of operations, reliability of financial information and compliance with standards and applicable laws.
Recommendation II.3: Disclose the Board performance assessment process and its impact.				
Answer whether: II.3.1 Each Board member complies with the Bylaws and, if applicable, with Internal Regulations. Describe main Internal Regulations. State the degree of compliance with Bylaws and Internal Regulations.	X			Each Board member complies with the provisions of TGN Bylaws and legislation applicable to it. The Board has no internal regulations. .

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
II.3.2 The Board discloses its management results versus objectives set at the beginning of the period, so that shareholders may assess the degree of compliance with those objectives, including both financial and non-financial aspects. Additionally, the Board assesses degree of compliance with policies mentioned in Recommendation II, items II.1.1 and II.1.2. Describe main aspects of assessment by Shareholders at their General Meeting of degree about compliance by the Board with objectives set and 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 submits to the Ordinary Shareholders' Meeting the annual report and financial statements that reflect their management results. The Board´s performance has been always approved at the General Shareholders' Meeting.
Recommendation II.4: A significant number of external independent members on Issuer's Board.				
Answer whether: II.4.1 the number of executive, external independent members (as defined by this Committee regulations) of the Board is proportional to Issuer's capital structure. Explain.	X			The Corporate Bylaws establishes that the Board shall consist of 14 regular directors and same number of alternates. Of the 14 directors: (i) nine regular directors and their respective alternates are elected by Class A Shares at a Special Shareholders Meeting for said class (at least one shall be independent); (ii) four regular directors and their respective alternates are elected by Class B Shares at a Special Shareholders Meeting for said class (at least one shall be independent), and (iii) one regular director and the respective alternate are elected by Class C Shares at a Special Shareholders Meeting for said class. Currently, TGN has 3 independent directors and, therefore, complies with Recommendation II.4.2 (at least 20% of members are independent). All of them are appointed for one year.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
II.4.2 During the year, the shareholders adopted, at a General Meeting, a policy to maintain a proportion of at least 20% of independent members on the Board. Please describe the relevant aspects of such policy and any shareholders' agreement that establishes their manner of appointment and term. Inform whether independent status of Board members has been challenged during the year or if any abstention has occurred due to conflict of interests.		X		See answer 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 GCL.
Recommendation II.5: Have regulations and procedures in place for selecting and proposing Board members and senior managers.				
Answer whether: II.5.1. Issuer has an Appointment Committee,			X	There is no such committee.
II.5.1.1 such committee is made up by at least three Board members, most of them independent,				N/A
II.5.1.2 such committee is chaired by an independent Board member,				N/A
II.5.1.3: such committee has qualified members experienced in human resources issues,				N/A
II.5.1.4 such committee meets at least twice a year.				N/A

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
II.5.1.5 such committee's decisions are binding on Shareholders or just a recommendation about selection of Board members.				N/A
II.5.2 In case there is an Appointment Committee, answer whether said Committee:				N/A
II.5.2.1 ensures that its regulations are annually reviewed and proposes modifications to the Board for its approval,				N/A
II.5.2.2 proposes criteria (qualification, experience, professional and ethical standing, among others) for the selection of new Board members and senior management,				N/A
II.5.2.3: identifies Board candidates to be proposed by the Committee to the General Shareholders' Meeting,				N/A
II. 5.2.4 recommends Board members for appointment to the different Board committees, according to their professional background,				N/A
II. 5.2.5 recommends that the Chairman should not be the same person as Issuer's General Manager,				N/A (However, TGN's Chairman is not the General Manager).
II. 5.2.6 ensures that Board members and senior management curriculum vitae are available at Issuer's website, including Board members' terms of office,				N/A (However, this information is available at CNV's financial information highway, as part of the information memorandum for placement of notes).

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
II.5.2.7 assures a succession plan is in place for Board members and senior management.				N/A
II.5.3 If relevant, add any policies implemented by Issuer's Appointment Committee not mentioned in previous section.				N/A
Recommendation II.6: Evaluate the convenience that Board members and/or statutory auditors and/or supervisory committee members perform duties at other Issuers.				
Answer whether: Issuer sets restrictions for Board members and/or statutory auditors and/or supervisory committee members to perform duties at other entities not belonging to Issuer's economic group. Specify said restriction and any breach thereof during the year.			X	Based on past years' experience, the Board considers that having Board members and/or statutory auditors performing duties as such in other entities does not affect the Company, this notwithstanding Section 272 of the Argentine GCL. However, any such restriction should be established at a Shareholders' Meeting.
Recommendation II.7: Ensure training and career development for Issuer's Board members and senior management. Answer whether:				
II.7.1 Issuer has ongoing training programs for its Board members and senior management, including, among others, their roles and responsibilities, integral corporate risk management, knowledge specific to business and its regulations, corporate governance dynamics, and corporate social responsibility matters. In the case of Audit Committee members, international accounting, audit and internal control standards, and specific capital market regulations. Describe programs developed during the year and their degree of compliance.		X		See answer to II.1.1.9.

	Compliance Total (1)	Compliance Partial (1)	Non-compliance (1)	Report (2) or Explain (3)
II.7.2 Issuer encourages ongoing training among Board members and senior management, through means other than those mentioned in II.7.1, so that they improve their educational backgrounds and add value to Issuer. Describe how 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 must have a policy on integral corporate risk management and monitor its correct implementation. Answer whether:				
III.1 Issuer has policies on integral corporate risk management (fulfillment of strategic, operational, financial, reporting, accounting, statutory and regulatory goals, among others). Describe the most relevant aspects of those policies.		X		The Company has internal rules for implementing risk controls designed to (i) anticipate events inherent to gas transportation operations in a proactive manner, (ii) establish an operational risk profile, (iii) reduce the occurrence of events, and (iv) meet regulatory requirements. Internal audit verifies the application of those rules. Also, the Company has ISO 9001 (quality management), ISO 14001 (environmental management) and OHSAS 18001 (occupational health and safety) standards certified externally. Additionally, the Company has a Risk Matrix.
III.2 There is a Risk Management Committee within the Board of Directors or General Management Department. Inform whether there is a procedure manual in place and describe main risk factors specific to Issuer or its business and risk mitigation actions. 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 Issuer's General Management Department regarding integral corporate risk management.	X			There is a Risk Management Committee within the Steering Committee. This committee monthly monitors the Integral Risk Matrix evolution. Main risk factors comprise: failures, breakages or incidents on facilities. For these, mitigation actions are established in a work program aimed at assuring safe service provision, according to industry´s best practices. Additionally, the Audit Committee defines its annual plan considering the nature of business and the environment in which said business takes place (including risks inherent to Company's business and operations).

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
III.3 There is an independent role as part of Issuer's General Management Department, responsible for implementing integral risk management policies (such as a Risk Management Officer or equivalent). Explain.		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 assesses compliance with procedures applicable in different areas. This department reports hierarchically to the General Manager and functionally to the Board, and directly reports to the Chairman of the Board and the Audit Committee.
III.4 Integral risk management policies are regularly updated, in accordance with recommendations and well-known methodologies. Describe which ones (Enterprise Risk Management, according to the conceptual framework of COSO – Committee of Sponsoring Organizations of the Treadway Commission –, ISO 31000, IRAM 17551 standard, section 404 of Sarbanes-Oxley Act, among others).		X		Each Department performs a review of its procedures according to changes in regulations and internal operations and updates them, if applicable. See answer to II.1.1.8. .
III.5 The Board reports results from risk management oversight performed jointly with the General Management Department in financial statements and annual report. Specify main aspects reported.		X		The financial statements and annual report include references to both risks inherent to TGN business segment and their impact on the results of its operations.
<u>PRINCIPLE IV. SAFEGUARD THE INTEGRITY OF FINANCIAL INFORMATION THROUGH INDEPENDENT AUDITS</u>				
Recommendation IV: Assure independence and transparency in the roles of the Audit Committee and External Auditor. Answer whether:				
IV.1. The Board, when appointing Audit Committee members, taking into account that a 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 made up by three regular directors and three alternate directors, and the majority of them are independent. The Board deems 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)
	Total (1)	Partial (1)		
IV.2 There is an internal audit role that reports to the Audit Committee or Chairman of the Board and is responsible for assessing the internal control system. State if the Audit Committee or Board reviews annually the performance of the internal audit area and the degree of independence of their professional work, meaning that professionals responsible for that role are independent from all other operating areas and also independent from controlling shareholders or related entities that exercise significant influence on Issuer. Also, specify if the internal audit role performs its duties in accordance with international auditing standards issued by the *Institute of Internal Auditors* (IIA).	X			TGN has an Internal Audit Department, independent from other operating areas and shareholders or related entities that hierarchically answers to the General Manager and functionally to the Board of Directors, and directly reports to the Chairman of the Board and Audit Committee, which reviews its performance. This Department applies the IIA standards and, in accordance with three-year plans, supervises compliance with procedures related to internal control. The head of this department is independent as established in Recommendation IV.2.
IV.3 Audit Committee members annually review the qualification, independence and performance of External Auditors appointed by the Shareholders' Meeting. Describe the relevant aspects of the procedures applied to perform said review.	X			The Audit Committee, on a yearly basis, reviews the independent status and qualification of External Auditors based on the performance of their duties and the report about their independent status annually required of External Auditors by CNV.

	Compliance Total (1)	Compliance Partial (1)	Non-compliance (1)	Report (2) or Explain (3)
IV.4 Issuer has a policy on rotation of Supervisory Committee members and/or External Auditor; and in connection with the latter, and whether rotation relates to external audit firms or only their individual representatives.		X		Pursuant to the Corporate Bylaws, statutory auditors are appointed to the Supervisory Committee by Shareholders; therefore, establishing rotation policies for Supervisory Committee members goes beyond the powers of this Board. However, TGN Supervisory Committee has historically changed its members and chairmanship at reasonable intervals, in accordance with rules and usual practices. As for appointment and rotation of External Auditors, the same applies, except that the Company's external accounting audit firm follows procedures to ensure the qualification, independence and performance of its members (including mandatory rotation of the responsible partner in pre-established periods), which is in turn controlled by TGN Audit Committee. Also, the Company monitors compliance with National Securities Commission regulations. TGN statutory auditors do not carry out external audit activities for the Company. Also, those statutory auditors neither participate in nor are they associated with the firm that provides external audit services. They attend Board, Audit Committee and shareholders' meetings, as prescribed by law and the Company's bylaws. .
PRINCIPLE V. ACCESS TO INFORMATION BY SHAREHOLDERS				
Recommendation V.1: Ensure that shareholders have access to Issuer information. Answer whether:				
V.1.1 The Board holds regular briefing meetings with shareholders at the time of presentation of the interim financial statements. Specify the number and frequency of meetings held during the year.		X		The Board considers that the suitable means for ensuring that all shareholders receive the same information in terms of quality, quantity and timing is the CNV´s financial information highway and Buenos Aires Stock Exchange bulletin. For the time being, the Board does not hold regular briefing meetings with shareholders, except for the Shareholders' Annual Ordinary Meeting.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
V.1.2 Issuer has mechanisms for providing information to investors and a specialized area for handling their queries; whether Issuer has a website that can be accessed by shareholders and other investors, and serves as a point of contact among them. Describe.	X			In addition to what is mentioned in V.1.1., the Board considers that all relevant information about the Company, which in accordance with the Regulations is to be provided to the market, is disclosed in due time. The Company has a freely accessible website that contains a wide range of information about the Company's activities, in addition to information available to investors through CNV´s financial information highway. This site has a link to the National Securities Commission website and another link to the National Gas Regulatory Entity website. The Company replies to specific queries from investors through the Market Relations Officer.
Recommendation V.2: Promote active participation of all shareholders. Answer whether:				
V.2.1 The Board takes measures to promote the participation of all shareholders at General Shareholders' Meetings. Distinguish between measures required by law and those offered by Issuer to its shareholders voluntarily.	X			In order to promote the participation of shareholders, TGN strictly observes all regulatory requirements concerning publicity of its Shareholders' Meetings.
V.2.2 Regulations are in place to provide that information is made available to shareholders in sufficient advance to general meetings for decision-making purposes. Describe the main provisions of those regulations.			X	The proceedings of General Shareholders' Meetings are not governed by any specific regulations, but are subject to the Argentine GCL provisions, National Securities Commission regulations and those established in the Corporate Bylaws.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
V.2.3 Issuer has implemented mechanisms for minority shareholders to be able to propose issues to be discussed at General Shareholders' Meetings in accordance with applicable regulations. Explain.	X			The Board considers that regulations in force protect the right of minority shareholders to participate in meetings, if willing, and propose issues to be discussed, and complies with such regulations. TGN Board considers that the participation of minority shareholders in meetings is a healthy practice. The Board believes that all shareholders attending Shareholders' Meetings have their right to speak and vote thereat assured. From 1992 to date, no decision adopted by a TGN Shareholders' Meeting has been objected to.
V.2.4 Issuer has policies in place to encourage the participation of substantial shareholders, such as institutional investors. Explain.			X	The Board considers that the institutional investor is qualified enough to determine *per se* the desired level of involvement in the company's business.
V.2.5 At Shareholders' Meetings where Board members are to be appointed: (i) candidates' position regarding the adoption or non-adoption of a Code of Corporate Governance; and (ii) the reason for such position, are made known prior to voting.			X	Board members are proposed by the shareholders. So far, shareholders have not commented on their candidates' position regarding the Code of Corporate Governance. TGN Board formalizes its position about the Code of Corporate Governance through this Exhibit to the Annual Report.
Recommendation V.3: Ensure the principle of equality between shares and votes.				
Answer whether Issuer has a policy that promotes the principle of equality between shares and votes. Describe how the capital structure has changed over the last three years in terms of outstanding shares by class.	X			TGN bylaws establishes equality between shares and votes since all shares, irrespective of their class, carry the right to one vote. Over the last three years, the percentage of Class A, B and C shares has remained unchanged.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
Recommendation V.4: Establish mechanisms to protect all shareholders from takeovers.				
Answer whether Issuer abides by the System of Public Offering for Compulsory Acquisition. Otherwise, describe if there are other alternative mechanisms included in the bylaws, such as tag along rights or others.		X		The bylaws establish requirements for exercising tag along rights for the benefit of Class C shares.
Recommendation V.5: Encourage share dispersion of Issuer.				
Answer whether at least 20% of Issuer's common shares are dispersed. Otherwise, whether Issuer has a policy to increase its share dispersion in the market. Specify share dispersion as a percentage of Issuer's capital stock and changes in that percentage over the last three years.	X			The company's capital is divided into three classes of shares under the bylaws. One of those three classes, Class C, represents 20% of the capital stock and is traded on the Buenos Aires Stock Exchange.
Recommendation V.6: Ensure there is a transparent dividend policy in place. Answer whether:				
V.6.1 Issuer bylaws provides for a policy for distributing dividends in cash or in kind and whether such policy is approved at Shareholders' Meetings. If so, specify criteria, conditions and frequency for dividend payment.			X	Considering that the current energy policy aims at developing new gas resources in Neuquina Basin and that this together with the supply-demand balance could result in the need for transportation system expansions, the Board believes it advisable to maintain a certain degree of caution as regards the dividend policy, without sending any signal to the market that could be substantially dependent on the ability or not to invest in new expansion projects.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
V.6.2 Issuer has documented processes for proposing allocation of Issuer's retained earnings, including the creation of legal, statutory or voluntary reserves, their carry-forward to the following fiscal year and/or payment of dividends. Explain those processes and specify the shareholders' meeting where distribution of dividends in cash or in kind or non-distribution was approved, if not established in the corporate bylaws.		X		The allocation of retained earnings proposal is part of the process of preparing the financial statements and annual report. The last allocation of retained earnings, for fiscal year 2017, was approved at the Ordinary Shareholders Meeting held on April 12, 2018.
PRINCIPLE VI. MAINTAIN A DIRECT AND RESPONSIBLE RELATIONSHIP WITH THE COMMUNITY				
Recommendation VI: Provide Issuer related information to the community as well as a direct communication channel between the community and the company. Answer whether:				
VI.1 Issuer has an updated website for public access that not only contains relevant information about the company (bylaws, economic group, Board composition, financial statements, annual report, etc.) but also allows users to make inquiries.	X			TGN has an updated website that shows relevant information on the company and allows users to make inquiries through different forms created for such purpose. See item VIII.2.
VI.2 Issuer submits a Corporate Social Responsibility and Environmental Report annually, audited by an independent external auditor. If so, specify legal or geographic scope or coverage and where it is available. Specify rules or initiatives adopted in implementing its corporate social responsibility policy (Global Reporting Initiative and/or United Nations Global Compact, ISO 26,000, SA8000, Millennium Development Goals, SGE 21-Foretica, AA 1000, Ecuador Principles, among others).		X		TGN issues an Annual Sustainability Report that follows international standards in GRI G3 Guidelines ("Global Reporting Initiative"). This report is published on an annual basis in the United Nations website and is supervised by an external consultant who makes improvement recommendations. The Sustainability Report is also available on TGN website and includes, among other topics, measures adopted in connection with greater transparency of social responsibility actions. It also summarizes actions related to environmental protection adopted during the year.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
PRINCIPLE VII. FAIR AND RESPONSIBLE REMUNERATION				
Recommendation VII: Establish clear remuneration policies for Board members and senior managers, taking into account customary or statutory limitations based on the existence or non-existence of profits. Answer whether:				
VII.1. Issuer has a Remuneration Committee:			X	TGN has no Remuneration Committee.
VII.1.1 that is made up by at least three Board members, most of them independent,				N/A
VII.1.2 that is chaired by an independent Board member,				N/A
VII.1.3 has members who are qualified and experienced in human resource policy issues,				N/A
VII.1.4 that holds meetings at least twice a year,				N/A
VII.1.5 the decisions of which are not binding on the General Shareholders' Meeting or Supervisory Committee, and simply recommend a remuneration for Board members.				N/A
VII. 2 Issuer has a Remuneration Committee. If so, it:				

Transportadora de Gas del Norte S.A.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
VII.2.1 ensures there is a clear relationship between the performance of key employees and their fixed and variable remuneration, considering risks assumed and their management,				N/A
VII.2.2 supervises that the variable component of the remuneration of Board members and senior managers is linked to Issuer's medium and/or long term performance,				N/A
VII.2.3 reviews how Issuer's policies and practices compare to similar companies' remuneration and benefits and recommends changes, if necessary,				N/A
VII.2.4 defines and communicates policies on retention, promotion, dismissal and termination of key employees,				N/A
VII.2.5 establishes retirement guidelines for Issuer's Board members and senior managers,				N/A
VII.2.6 regularly reports to the Board and Shareholders about actions taken and topics discussed at its meetings,				N/A
VII.2.7 ensures attendance by the Chairman of the Remuneration Committee to such General Shareholders' Meeting where the Board remuneration is approved to explain remuneration policy for Board members and senior managers.				N/A

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
VII. 3 If relevant, specify those policies applied by Issuer's Remuneration Committee that have not been mentioned in previous item.				N/A
VII. 4 If there is no Remuneration Committee, explain how duties described in VII.2 are performed by the Board.		X		Some of the duties described in VII.2 are performed by the General Manager, in cooperation with the Human Resources Department, and reported to the Chairman. The Audit Committee reviews managers' remuneration.
PRINCIPLE VIII. PROMOTE BUSINESS ETHICS				
Recommendation VIII: Ensure ethical conduct by Issuer. Answer whether:				
VIII.1 Issuer has a Code of Business Conduct. Specify main guidelines and whether the Code is generally available to the public; whether said Code is signed at least by Board members and senior managers. Specify whether suppliers and customers are encouraged to follow the Code.	X			TGN has a Code of Ethics published in its website. Said code covers Social Responsibility, Corporate Principles, Ethical Values and Behavior Guidelines. The Code of Ethics contains values that must be observed by the Company and its employees when making decisions and taking actions. It also serves as a basis for assessing conducts within the Company. The Code of Ethics applies to TGN Board, Supervisory Committee and all TGN staff and that of its controlled companies. It also applies to relationships with contractors, subcontractors, suppliers, customers, public officers, shareholders and investors and third parties in general.
VIII.2 Issuer has mechanisms to receive complaints about any illicit or unethical conduct, either personally or electronically, that ensure that any information disclosed is handled in accordance with strict confidentiality, integrity, recording and maintenance standards. Specify whether reports are received and reviewed by Issuer's employees or external professionals for greater protection of reporter.	X			TGN has a communication channel by means of which employees, suppliers, customers and third parties in general can report any potential irregularity or infringement of the Code of Ethics. The general public may communicate by using the TRANSPARENT LINE form available at TGN website or by dialing the toll free number 0800-122-8464. Reports received are treated as strictly confidential and the name of reporter will not be disclosed, provided it is so allowed under the applicable law. The company's Conduct Review Committee will determine the course of action.

	Compliance		Non-compliance (1)	Report (2) or Explain (3)
	Total (1)	Partial (1)		
VIII.3 Issuer has policies, processes and systems for management and resolution of complaints mentioned in item VIII.2. Describe the most relevant aspects and specify the extent of involvement by the Audit Committee in such resolutions, particularly complaints about internal controls for reporting purposes and those related to behaviors on the part of Board members 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 described in VIII.2.
PRINCIPLE IX. ENHANCE THE SCOPE OF THE CODE				
Recommendation IX: Promote addition of good governance practices into the bylaws.				
Answer whether the Board intends to reflect the provisions of the Code of Corporate Governance, either in whole or in part, in the Company's bylaws, including the Board general and specific responsibilities. Specify which provisions have been actually included in the bylaws since the Code came into effect.			X	TGN Board shares the principles reflected in the Code of Corporate Governance and considers that its performance is in line with the Code provisions, even when the manner in which such provisions are implemented may differ in some cases. We believe that the bylaws provisions are consistent with the Code of Corporate Governance and do not conflict with any of the recommendations contained in the Code. As a result, the Board does not deem it necessary to amend the corporate bylaws at this moment. Additionally, Laws 19,550 and 26,831, jointly with the Code of Ethics, provide for a proper legal framework for the performance of the Company's directors, statutory auditors, managers and employees. During 2018, in line with the requirements established in law 27,401 on legal entities criminal liability, TGN's Board created the position of Compliance Officer, mainly responsible to put in place the integrity plan required under said law.

(1) Check where applicable.
(2) In case of total compliance, inform how Issuer complies with the principles and recommendations of the Code of Corporate Governance.
(3) In case of partial compliance or non-compliance, describe the reasons and inform the actions, if any, foreseen by Issuer's Board for the following fiscal year or years. Otherwise, describe the reasons why following the recommendation is not considered appropriate or applicable.

City of Buenos Aires, March 7, 2019

Emilio Daneri Conte-Grand
President

Juan José Valdez Follino
Regular Statutory Auditor

Transportadora de Gas del Norte S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2018 AND DECEMBER 31, 2017 (in thousand pesos)

	Note	12.31.2018	12.31.2017
ASSETS			
Non-current assets			
Property, plant and equipment, net	**6**	35,558,844	32,224,706
Investments in affiliated companies, net	**7**	28,006	14,576
Materials and spare parts, net	**11**	497,049	312,645
Other accounts receivable	**12**	9,986	219,037
Trade accounts receivable, net	**13**	3,214,708	2,118,041
Investments at amortized cost	**9**	19,384	51,801
Total non-current assets		39,327,977	34,940,806
Current assets			
Materials and spare parts		55,758	117,133
Other accounts receivable, net	**12**	303,382	151,455
Trade accounts receivable, net	**13**	1,426,635	1,322,863
Investments at amortized cost	**9**	2,450,464	12,764
Investments at fair value	**9**	363,352	174,209
Cash and cash equivalents	**14**	2,342,047	702,049
Total current assets		6,941,638	2,480,473
Total assets		46,269,615	37,421,279

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. Tº 1 Fº 17

Transportadora de Gas del Norte S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2018 AND DECEMBER 31, 2017 (in thousand pesos)

	Note	12.31.2018	12.31.2017
SHAREHOLDERS' EQUITY			
Common stock	**15**	439,374	439,374
Common stock integral adjustment		8,704,172	8,704,172
Property, plant and equipment revaluation allowance		14,420,109	12,570,171
Statutory reserve		129,743	-
Other reserves		(1,383)	(5,720)
Retained earnings		5,385,238	804,123
Total shareholders' equity		29,077,253	22,512,120
LIABILITIES			
Non-current liabilities			
Contingencies	**20**	-	37,681
Deferred income tax liability	**8**	6,406,100	7,481,799
Loans	**16**	4,136,620	5,975,825
Other debts	**18**	32,709	31,096
Trade accounts payable	**19**	242,390	228,738
Total non-current liabilities		10,817,819	13,755,139
Current liabilities			
Contingencies	**20**	165,997	112,714
Loans	**16**	4,243,336	46,139
Salaries and social security contributions		228,732	206,410
Income tax	**8**	882,828	-
Taxes payable	**17**	146,697	103,200
Other debts	**18**	70,438	155,204
Trade accounts payable	**19**	636,515	530,353
Total current liabilities		6,374,543	1,154,020
Total liabilities		17,192,362	14,909,159
Total liabilities and shareholders' equity		46,269,615	37,421,279

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

See our report dated March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. Tº 1 Fº 17
Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. Tº 155 Fº 146

Juan José Valdez Follino
Regular Statutory Auditor

Emilio Daneri Conte-Grand
President

Transportadora de Gas del Norte S.A.

STATEMENTS OF COMPREHENSIVE INCOME FOR FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017 (in thousand pesos)

	Note	12.31.2018	12.31.2017
Revenues	**21**	11,862,051	6,260,920
Cost of service	**22**	(6,008,603)	(3,805,636)
Gross profit		**5,853,448**	**2,455,284**
Selling expenses	**22**	(525,610)	(232,007)
Administrative expenses	**22**	(975,519)	(648,709)
Income before other net income and expenses		**4,352,319**	**1,574,568**
Other net income and expenses	**23**	(108,743)	(16,475)
Income before financial income		**4,243,576**	**1,558,093**
Net financial income			
Other net financial income	**24**	(2,018,183)	(525,265)
Financial income	**24**	154,896	549,885
Financial expenses	**24**	(414,115)	(646,988)
Gain on monetary position	**24**	589,275	719,115
Net financial loss (income)		**(1,688,127)**	**96,747**
Income from investments in affiliated companies	**7**	9,093	4,259
Income before income tax		**2,564,542**	**1,659,099**
Income tax			
Current	**8**	(426,647)	-
Special	**8**	(639,852)	-
Deferred	**8**	2,223,900	501,019
Subtotal income tax		**1,157,401**	**501,019**
Income for the fiscal year		**3,721,943**	**2,160,118**
Items that will be reclassified through profit or loss			
Affiliated companies' financial statements currency translation adjustment	**7**	4,337	433
Items that will not be reclassified through profit or loss			
Property, plant and equipment revaluation allowance	**2.6**	1,849,938	12,570,171
Other comprehensive income for fiscal year[(1)]		**1,854,275**	**12,570,604**
Comprehensive income for the year		**5,576,218**	**14,730,722**
Net income (loss) per share, basic and diluted	**25**	8.4710	4.9165

[(1)] Comprehensive income is shown net of income tax effect.

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

See our report dated March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

Juan José Valdez Follino
Regular Statutory Auditor

Emilio Daneri Conte-Grand
President

Transportadora de Gas del Norte S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017 (in thousand pesos)

ITEM	Common stock	Common stock integral adjustment	Property, plant and equipment revaluation allowance	Statutory reserve	Other reserves	Retained earnings	Total shareholders' equity
Balances as of December 31, 2016	**439,374**	**8,704,172**	**-**	**-**	**(6,153)**	**(1,355,995)**	**7,781,398**
Profit for fiscal year	-	-	-	-	-	2,160,118	2,160,118
Other comprehensive income	-	-	12,570,171	-	433	-	12,570,604
Balances as of December 31, 2017	**439,374**	**8,704,172**	**12,570,171**	**-**	**(5,720)**	**804,123**	**22,512,120**
Resolution at Ordinary Shareholders' Meeting dated April 12, 2018:							
Reinstatement of Statutory Reserve	-	-	-	129,743	-	(129,743)	-
Distribution of dividends in cash	-	-	-	-	-	(495,399)	(495,399)
Profit for fiscal year	-	-	-	-	-	3,721,943	3,721,943
Other comprehensive income	-	-	1,849,938	-	4,337	1,484,314	3,338,589
Balances as of December 31, 2018	**439,374**	**8,704,172**	**14,420,109**	**129,743**	**(1,383)**	**5,385,238**	**29,077,253**

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

See our report dated March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. Tº 1 Fº 17
Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. Tº 155 Fº 146

Juan José Valdez Follino
Regular Statutory Auditor

Emilio Daneri Conte-Grand
President

Transportadora de Gas del Norte S.A.

STATEMENTS OF CASH FLOWS FOR FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017 (in thousand pesos)

	Note	12.31.2018	12.31.2017
Profit for fiscal year		3,721,943	2,160,118
Adjustments to cash generated by (used in) operating activities:			
Property, plant and equipment depreciation	**6**	3,386,316	1,308,214
Residual value of property, plant and equipment written-off	**6**	4,796	2,228
Income tax	**8**	(1,157,401)	(501,019)
Accrued interest generated by liabilities	**24**	605,791	619,141
Accrued interest generated by assets	**24**	(115,489)	(444,916)
Increase in allowances and provisions (net of recoveries)		1,724,929	504,368
Exchange rate differences and other net financial income		238,478	(850,987)
Loss from investments in affiliated companies	**7**	(9,093)	(4,259)
Net changes in operating assets and liabilities:			
Increase in trade accounts receivable		(893,959)	(411,998)
Decrease (Increase) in other accounts receivable		102,934	(68,591)
Increase in materials and spare parts		(225,674)	(89,989)
Decrease in trade accounts payable		(55,755)	(643,288)
Increase (decrease) in salaries and social security contributions		22,322	(12,068)
Decrease in taxes payable		(140,198)	(24,363)
(Decrease) Increase in other debts		(83,153)	33,860
Decrease in contingencies		-	(127,720)
Net cash flow generated by operating activities		**7,126,787**	**1,448,731**
Acquisition of property, plant and equipment	**6**	(2,242,796)	(1,251,760)
Subscriptions net of recovery of investments at amortized cost and investments at fair value (non-cash equivalents)		(2,523,936)	8,974
Principal received from investments at amortized cost and investments at fair value		10,180	13,665
Interest received from investments at amortized cost and investments at fair value		17,957	19,025
Net cash flow used in investing activities		**(4,738,595)**	**(1,210,096)**
Syndicated loan, net of expenses	**16.2**	-	5,820,712
Payment of principal on notes		-	(5,544,864)
Interest payment	**16.2**	(400,989)	(437,119)
Dividend payment in cash		(495,399)	-
Net cash flow used in financing activities		**(896,388)**	**(161,271)**
Net increase in cash and cash equivalents		**1,491,804**	**77,364**
Cash and cash equivalents at the beginning of fiscal year		702,049	462,232
Financial income generated by cash		148,194	162,453
Cash and cash equivalents at the end of fiscal year	**14**	**2,342,047**	**702,049**

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

See our report dated March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

Juan José Valdez Follino
Regular Statutory Auditor

Emilio Daneri Conte-Grand
President

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated).

1 – OVERVIEW

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 on State Reform and 24,076 ("Natural Gas Act") and the issuance of National Executive Branch Decree No. 1,189/92 which regulates such law, whereby the privatization of the natural gas transportation 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 natural gas transportation through the exclusive utilization of its two pipelines in the northern and central-western regions of Argentina.

1.2 – The economic emergency and renegotiation of the License

The Public Emergency Law 25,561 ("LEP"), enacted in January 2002, established the pesification of the rates for natural gas transportation services within the domestic market and repealed the semi-annual adjustment mechanism based on the Producer Price Index ("PPI"). Furthermore, the LEP authorized the National Executive Branch to renegotiate public works and services contracts and rates. Under said legal framework the Company entered into with the national government, in March 2017, an Agreement toward amendment of its License (the "Comprehensive Agreement"), which was ratified and came into force with enactment of PEN Decree No. 251 on March 27, 2018. This put an end to the renegotiation process conducted under the LEP. The Comprehensive Agreement covers the contractual period from January 6, 2002 to the end of the License.

The Comprehensive Agreement requires the Company to hold the National Government harmless from and against any arbitration awards obtained by former shareholders CMS and Total prior to the execution of the Comprehensive Agreement. The amount of that indemnity, to be determined, will not include the proportional reduction percentage established under the respective payment agreements, will exclude default interest accrued against the National Government, and will be calculated at its present value. By way of illustration, the amounts awarded are as follows: CMS Gas Transmission Company v. Argentine Republic (Case No. ARB/01/8 in favor of CMS for US$ 133.2 million, dated May 12, 2005) and Total S.A. v. Argentine Republic (Case No. ARB/04/1 in favor of Total for US$ 85.2 million, dated November 27, 2013).

TGN shall indemnify the National Government –for such amount to be determined based on the above - only through sustainable investments, additional to those established by the National Gas Regulatory Entity ("ENARGAS") as mandatory investments in gas pipelines and complementary facilities in "Neuquina Basin". These investments shall not form part of the Company's rate base.

Furthermore, the Comprehensive Agreement established rules for the conduct of TGN rate review. See Note 1.3.3 to the Company's financial statements as of December 31, 2018.

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17

1 – OVERVIEW (Cont.)

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 ENARGAS establish the legal framework pursuant to which the Company carries out its business. 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 the Company may request from ENARGAS an extension of the License for an additional ten-year term. At that time ENARGAS is required to evaluate the Company's performance and make a recommendation to the National Executive Branch.

1.3.2 - Rates

Gas transportation rates were established under the License and are regulated by ENARGAS. Section 38 of the Natural Gas Act establishes that rates must allow covering reasonable operating costs, taxes and depreciation charges, enable to obtain a reasonable profit margin similar to that derived from other comparable or equivalent risky activities and must be in line with the degree of efficiency in the provision of the services. Rates are subject to:

i. adjustments under the five-year rate review by ENARGAS, concerning the "X" efficiency factor and "K" investment factor, where "X" reduces rates as a result of increased efficiency while "K" increases rates to promote unprofitable investments;
ii. non-recurring adjustments to reflect changes in costs resulting from changes in tax regulations (except for changes in income tax); and
iii. non-scheduled adjustments for other objective and justifiable reasons at the discretion of ENARGAS.

1.3.3 – Comprehensive rate review

From April 2014 to December 2017 TGN received successive interim rate increases until March 2018 when ENARGAS implemented the rates resulting from the Comprehensive Rate Review ("CRR") conducted by ENARGAS starting in March 2016. In return, between April 1, 2017 and March 31, 2022, the Company must implement a Mandatory Investment Plan ("MIP") for approximately $ 5.6 billion, which amount shall be adjusted in line with TGN rates. The Company is bound to both invest the amount committed and to carry out those works described under the MIP.

Under the regulatory framework the Company is entitled to charge a rate that allows it to cover its reasonable operating costs, depreciate assets, pay required taxes and obtain a fair and reasonable return similar to comparable risk activities, that is in line with the efficiency and satisfactory quality of the service rendered. Said regulatory framework further provides for non-automatic bi-annual transportation rate procedures for rate reviews, due to changes experienced in the cost of the service, in order to maintain the economic-financial balance and quality of the service.

1 – OVERVIEW (Cont.)

1.3 - Regulatory framework (Cont.)

1.3.3 – Comprehensive rate review (Cont.)

Even if ENARGAS established, as part of the CRR, that the biannual rate adjustment would be based on the Domestic Wholesale Price Index – General Level ("IPIM") published by the National Institute of Statistics and Census ("INDEC"), ENARGAS could consider other macroeconomic variables to reflect the impact of rate adjustments on household economies, by reference to levels of activity, salaries and retirement benefits, among others. Actually, the biannual rate adjustment applicable as of October 1, 2018 resulted from the simple average of IPIM, labor cost index and construction cost index published by INDEC.

1.3.4 – Technical Assistance Agreement

In December 2017, with ENARGAS' prior approval, TGN decided not to renew, at year end, the technical assistance agreement entered into with certain controlling shareholders as a result of their knowledge and experience. Consequently, the Company self-operates since January 1, 2018.

1.3.5 - Decrease in revenues from gas transportation for export

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 transportation services to foreign destinations and caused a steady decline in the use of firm gas transportation services. Although TGN was able to enter into settlement agreements with some foreign customers for the early termination of transportation contracts in exchange for economic compensation (which nevertheless have caused a negative net effect on TGN's expected cash flows), two legal disputes with YPF S.A. ("YPF") and the Chilean distributor Metrogas S.A. ("Metrogas"), which are described in Notes 20.1.4 and 20.1.5 respectively, to these financial statements, remain unsettled.

2 - PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The National Securities Commission ("CNV") under Title IV "Periodic Reporting Regime", Chapter III "Regulations relative to the manner of presentation and valuation criteria for financial statements" – Article 1 of its regulations, has established the application of Technical Resolution No. 26 of the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE"), as amended, which adopts International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), to certain entities encompassed by the public offering regime of Law No. 26,831, either because of their capital or negotiable obligations, or because those entities have requested authorization to be encompassed by said regime. Furthermore, the provisions of ENARGAS Resolution No. 1660/00 (as amended by Resolution No. 1903/00, also enacted by ENARGAS) regulating certain valuation and disclosure criteria for the regulated natural gas transportation and distribution activity have been applied. These criteria are similar to those established by IFRS. If applicable, certain amounts from prior years' financial statements have been reclassified in order to compare them to these financial statements.

2 - PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.1 – Use of estimates and accounting policies

The preparation of financial statements requires the Company´s Board to make estimates 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 estimates used in the preparation of financial statements.

2.2 – Going Concern

As of the date of these financial statements, there are no uncertainties as regards events or conditions that might cast doubt on the Company's ability to continue doing business normally as a going concern.

2.3 –Measuring Unit

International Accounting Standard N° 29 on "Financial Reporting in Hyperinflationary Economies" ("IAS 29") requires that financial statements of an entity which functional currency is that of an hyperinflationary economy, whether based on the historical or current cost approach, be stated in terms of the measuring unit current as of the closing date of the reporting period. Consequently, in general terms, non-monetary items should include actual inflation since their acquisition or revaluation date, as appropriate. Said requirements also apply to comparative information included in financial statements.

The standard describes a number of factors indicative of a hyperinflationary economy under IAS 29, such as when the cumulative inflation rate over three years approaches, or exceeds 100%. This is why Argentina's economy should be regarded as hyperinflationary as from July 1, 2018.

In turn, Law No. 27,468 (published in Official Gazette on December 4, 2018), amended article 10 of Law 23,928 as amended, by repealing all statutory or regulatory pieces of legislation that established or authorized price adjustment based on price increases, currency restatement, cost variation or other forms of boosting debts, taxes, prices or rates for goods, works or services. This does not apply to financial statements in respect of which the provisions of article 62 in fine of the General Company Law No 19,550 (as restated in 1984) as amended will continue to apply. Said legislation also repealed Decree No. 1269/2002 dated July 16, 2002 as amended, and delegated to PEN, through its supervisory entities, the power to establish the date as from which said provisions will apply to financial statements filed with it. Therefore, CNV instructed, through General Resolution 777/2018 (published in Official Gazette on December 28, 2018), that issuing entities subject to its supervision shall restate their annual, interim or special financial statements closed after December 31, 2018 in constant currency as per IAS 29.

2 - PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.3 - Measuring Unit (Cont.)

Pursuant to IAS 29 any entity reporting its financial statements in the currency of a hyperinflationary economy shall report them in the measuring unit current as of the date of those financial statements. All such amounts in the balance sheet as are not reported in terms of the measuring unit as of the date of the financial statements shall be adjusted by applying a general price index. All items in the statement of income shall be reported in terms of the measuring unit adjusted as of the date of the financial statements, by applying the general Price index variation experienced since the date when income and expenses were originally recognized in the financial statements.

The inflation adjustment to initial balances was determined considering the indexes established by FACPCE on the basis of price indexes published by INDEC. The average price index variation for the three month period ended December 31, 2018 was 12%, while the year-on-year variation amounted to 48%.

The main procedures for the inflation adjustment above mentioned are as follows:

- Monetary assets and liabilities reported at the balance sheet closing currency are not restated as they are already stated in terms of the measuring unit current at the date of the financial statements.
- Non-monetary assets and liabilities reported at cost at the balance sheet, and equity items, are restated by applying relevant adjustment rates.
- All statement of income items are adjusted by applying relevant conversion factors.
- The effect of inflation on the Company's net monetary position is shown in the statement of income, under "Net financial income", more specifically under "Gain/loss on monetary position".
- Comparative figures are adjusted for inflation following the same procedure described in the preceding items.

In initially applying the inflation adjustment, equity items have been restated as follows:

- Common stock has been restated as from the later of subscription date or date of last inflation-adjustment. The resulting amount has been reflected under "Common stock integral adjustment".
- The translation difference has been restated in real terms.
- Other reserves under the statement of income have not been restated initially.

2 - PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.4 - Investments in affiliated companies

Affiliated companies are all entities over which the Company exerts a significant influence. Investments in affiliated companies are valued using the equity method of accounting. Investments in affiliated 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 their financial statements (see Note 7 to these financial statements). TGN maintains an allowance to fully cover its investment in Brazilian company COPERG, because initial expectations about the business have not been fulfilled. That company's reduced level of activity will not allow recovering the investment made.

2.5 - Functional currency

(a) Functional and reporting currency

The Company's functional and reporting currency is the Argentine peso. The Argentine peso is the currency that best reflects the economic substance of the Company's relevant circumstances and underlying events taken as a whole. However, there are subsidiaries with a functional currency other than the peso (see Note 7 to these financial statements).

(b) Transactions and balances

Foreign currency transactions are converted into the functional currency based on the exchange rate prevailing at the date of the transactions or at the date of the financial statements in the case of accounts receivable or payable. Gains or losses resulting from exchange rates in force as at the date of the transaction and those in force at year end for foreign currency denominated assets and liabilities are recorded in the statement of comprehensive income. Exchange differences (gains or losses) are reported in the statement of comprehensive income under "Net financial income", while exchange differences resulting from interests in associated companies with functional currencies different from the Argentine peso (gains or losses) are reported in the statement of comprehensive income under "Other comprehensive income" for the fiscal year.

2.6 – Property, plant and equipment

The Company uses, between the two models foreseen in IAS 16 ("Property, plant and equipment"), the "revaluation model" for valuating: (i) its essential assets which include gas pipelines and branch lines, compressor plants, meter and regulating stations, other technical installations, certain plots of land, buildings and civil construction works, gas inventory and the SCADA system; and (ii) all other Lands and Buildings and civil construction works (collectively, "Revalued Assets").

Revaluation shall be conducted as often as necessary so that the book value will not significantly differ from the fair value of assets as of the date of each measurement. Cumulative depreciation as of each revaluation date shall be proportional to the change in the gross book value of the asset, so that the book value after revaluation is equal to its revalued amount.

2 - PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.6 – Property, plant and equipment (Cont.)

To measure the fair value of Revalued Assets the "income approach" established by IFRS 13 ("Fair Value Measurement") is used as valuation technique. The Company uses a discounted cash flow model based on estimates about future performance of certain inputs that are sensitive to the fair value determination process: (i) firm transportation capacity contracted and transportation volumes sold under interruptible and exchange and displacement modalities; (ii) gas transportation rates; (iii) operation and maintenance expenses; (iv) mandatory investments agreed with ENARGAS; (v) weighted discount rate; and (vi) macro-economic variables, such as the inflation rate, devaluation rate, etc.

Discounted cash flows used cover a period of 19 years, i.e. the ten years remaining to elapse until the due date of the initial 35 year License period (to take place in 2027) plus the ten year extension period the Company may apply for (National Executive Branch Decree 2255/92). Additionally, TGN has reflected under discounted cash flows an additional amount foreseen in the License upon expiration thereof, when the Company will be entitled to receive the lesser of the residual value of essential assets or the amount resulting from a new tender, net of expenses and taxes paid by the successful bidder. This latter amount has been recognized by the Company as a perpetual income as of that date.

The increase in the book value of an asset as a consequence of a revaluation is reported under "Other comprehensive income", net of the associated deferred income. When the book value of an asset is impaired as a result of a revaluation, said impairment will be reported under the income for the year to the extent it exceeds the balance standing in the "Property, plant and equipment revaluation allowance".

As required under CNV regulations for valuation of items of Property, plant and equipment at fair value, the Company entrusts said valuation to independent external experts who act as advisors to the Board, with the latter being ultimately responsible for said valuation.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated).

Transportadora de Gas del Norte S.A.

2 - PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.6 – Property, plant and equipment (Cont.)

Based on the measurement made in accordance with the revaluation model, the following differences have been identified with respect to book values measured by the 'cost model', for Revalued Assets as of December 31, 2018:

Revalued Assets	**Residual book value as of 12/31/2018 (cost model)**	**Higher value**	**Fair value as of 12/31/2018 (revaluation model)**
Gas pipelines and branch lines	11,257,528	15,342,283	26,599,811
Compressor plants	1,719,890	2,229,510	3,949,400
Meter and regulating stations	110,444	290,367	400,811
SCADA System	120,977	396,891	517,868
Lands	3,759	25,769	29,528
Buildings and civil construction works	352,098	314,989	667,087
Gas inventory	157,085	415,964	573,049
Other technical installations	59,928	248,832	308,760
Subtotal essential assets	**13,781,709**	**19,264,605**	**33,046,314**
Lands	1,298	15,206	16,504
Buildings and civil construction works	112,295	87,604	199,899
Subtotal non-essential assets	**113,593**	**102,810**	**216,403**
Total Revalued Assets	**13,895,302**	**19,367,415**	**33,262,717**

Depreciation, based on a component criterion, started to be recorded as of January 1, 2018, and is calculated using the straight line method based on the remaining useful life as of the revaluation date:

	Years of estimated remaining useful life
Gas pipelines and branch lines	4 and 19
Compressor plants	19
Meter and regulating stations	19
SCADA System	9
Gas inventory	n/a
Lands	n/a
Buildings and civil construction works	28
Other technical installations	5

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated).

2 - PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.6 – Property, plant and equipment (Cont.)

The depreciation charge in each fiscal year is recognized under Income for the fiscal year, except where reported under other assets' book value. "Property, plant and equipment revaluation allowance" reported under Shareholders' Equity decreases due to the use, retirement and disposal of Revalued Assets with a counter-entry in "Retained earnings" under Shareholders' Equity, with no negative impact on the income for the fiscal year. As for depreciation charges, the amount to be transferred to the account "Property, plant and equipment revaluation allowance" will be equal to the difference between depreciation calculated on the revalued asset and depreciation that would have been estimated on the basis of its initial cost, net of the deferred tax effect. If an impairment loss occurs, it shall be immediately recorded under income for the fiscal year unless the asset is accounted for under the revaluation method, in which event the impairment loss shall be treated as a decrease in the account "Property, plant and equipment revaluation allowance", and the excess will be attributed to income for the fiscal year.

Changes in "Property, plant and equipment revaluation allowance" during 2018 are described below:

Balance as of December 31, 2017	12,570,171
Reversal during 2018 fiscal year	(1,484,314)
Revaluation during 2018 fiscal year	3,334,252
Balance as of December 31, 2018	14,420,109

2.7 – Financial Instruments

2.7.1 – Recognition and Valuation

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

Investments are derecognized when the right to receive their cash flows expire or is transferred and the Company substantially ceases to have all the risks and rewards derived from ownership. Trade accounts receivable and other accounts receivable are valued at amortized 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 Income", in the fiscal year in which the aforementioned changes take place.

2 - PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.7 – Financial Instruments (Cont.)

2.7.2 - Classification

The Company classifies its financial instruments into the following categories: financial assets at fair value through profit or loss, financial assets at amortized cost and financial liabilities at amortized 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, which describes the criteria to value its investments in financial assets and establishes monitoring mechanisms to be followed by the General Management Department, as to the proper application of said criteria.

2.7.2.1 – 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.

2.7.2.2 – Financial Assets at Amortized Cost

The following items have been included in this category: term deposits, dollar denominated government bonds, bonds, other investments, trade accounts receivables and certain receivables classified as “Other accounts receivables”.

2.7.2.3 – Financial Liabilities at Amortized Cost

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

2.7.3 - Impairment

As of the date of issuance of each of its Financial Statements, the Company makes an estimate of the impairment of its financial assets, based on the expected loss model, where impairment is recognized during the life of the financial asset, considering historical loss data and reasonable estimates of future economic conditions.

2.8 - Materials and Spare Parts

Materials and spare parts are recorded at their historical cost adjusted for inflation. 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 utilization schedule. 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 based on its best estimate, the book value of materials and spare parts does not exceed their recoverable value.

2 – PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.9 – Trade Accounts Receivable and Other Accounts Receivable

Trade accounts receivable represent amounts due from customers for services rendered by the Company in the normal course of its business. If said amounts are expected to be received within one year or less, they are classified as current assets. Otherwise, they are disclosed as non-current assets. Non-current trade accounts receivable are principally related to customers in dispute described in Notes 20.1.4 and 20.1.5 to these financial statements, and have been valued according to the best estimate of receivables.

Other accounts receivable have been valued at amortized cost applying the effective interest rate method, net of an allowance for doubtful accounts. The allowance for doubtful accounts or disputed amounts for trade accounts receivable and other accounts receivable is recorded when there is objective evidence that past due amounts will not be recovered within original terms. Book value of trade accounts receivable and other accounts receivable does not present material differences when compared to their fair value.

2.10 – 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 term deposits are valued at their amortized cost. Mutual funds are valued at their fair value. Note 14 to these financial statements provides a breakdown of cash and cash equivalents.

2.11 – Common Stock

Common shares are recorded at their nominal value. The difference between common stock stated in constant currency and its historical nominal value is shown under “Common stock adjustment” in the statement of changes in shareholders’ equity.

2.12 Trade Accounts Payable and Other Debts

Trade accounts payable represent payment obligations for goods or 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 when the Company’s liabilities become due. Trade accounts payable and other debts have been valued at their amortized cost, using the effective interest rate method. Book value of trade accounts payable and other debts do not present material differences when compared to their fair value.

2 – PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.13 - Loans

Loans have been valued at their amortized cost. Any difference between loans received (net of transaction costs) and amounts repaid is recognized in the statement of comprehensive income, using the effective interest rate method. Loans are classified as current or non-current liabilities, depending on when principal and interest payments become due.

2.14 – 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 determine the 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 regulations in effect at the time of issuance of these Financial Statements.

On December 29, 2017 the National Executive Branch enacted Law 27,430 – Income Tax. This law has introduced several changes regarding income tax treatment, including gradual tax rate reductions for Argentine companies from 35% to 30% for fiscal years beginning on January 1, 2018 until December 31, 2019, and a further reduction to 25% for fiscal years beginning on January 1, 2020, included.

(b) Minimum Presumed Income Tax

The Company determines the minimum presumed income tax (“IGMP”) by applying the current 1% rate on taxable assets at the end of each fiscal year. This tax is in addition to the income tax and the Company’s tax liability in each fiscal year will be the higher of these two taxes. However, if in any fiscal year the IGMP exceeds the income tax liability, said excess will be allocated toward the income tax liability as may accrue during any of the ten following fiscal years. Note that as provided in article 76, Title V of Law 27,260, the IGMP is repealed for fiscal years beginning as of January 1, 2019.

(c) Tax on dividends

Law 27,430, above mentioned, has introduced a tax on dividends or retained earnings, applicable among others, to Argentine companies or permanent establishments either of individuals, undivided estates or foreign beneficiaries, on the following premises:

(i) dividends derived from earnings accrued during fiscal years beginning January 1, 2018 up to December 31, 2019, shall be subject to a 7% withholding tax; and

(ii) dividends derived from earnings in fiscal years beginning on January 1, 2020 onwards shall be subject to a 13% withholding tax.

2 – PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.14 – Income Tax and Minimum Presumed Income Tax (Cont.)

(c) Tax on dividends (Cont.)

Dividends derived from earnings accrued up to fiscal year prior to that beginning on January 1, 2018 will continue to be subject, as to all their recipients, to a 35% withholding tax over the excess of retained earnings that are tax-free distributable (transition period for matching tax).

2.15 - Contingencies

Provisions for labor, civil and administrative lawsuits are recognized when the Company has a legal or constructive liability as a result of past events, and it is likely that an outflow of cash will be required to settle said liability in an amount that can be accurately estimated. Provisions for contingencies are measured at the estimated present value of cash disbursements expected to be required to settle said liability.

2.16 – Revenue Recognition

As from January 1, 2018, the Company has applied IFRS 15 "Revenue from Contracts with Customers".

Consequently, revenues from firm and interruptible transportation services and operation and maintenance contracts are recognized at the present value of the amounts received or to be received, net of value added tax, withholdings and discounts. Firm transportation revenues are recognized based on the contracted capacity reserved, regardless of actual usage. Interruptible transportation revenues are recognized based on the volumes of natural gas delivered. Operation and maintenance revenues are recognized when services are provided.

IFRS 15 sets up a five step model to recognize and measure revenues: i) identify the contract with the customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when or as the entity satisfies a performance obligation.

According to the basic rules of the License, the Company transfers the turnover tax and tax on bank transactions, related to regulated services, to customers via increases in monthly billings.

Revenues from management fees in connection with works within the gas trust program (see Note 28 to these financial statements) are recognized based on work progress.

2.16.1 - Interest

Interest income is recognized based on the proportion of time elapsed, using the effective interest rate method and the original contractual rate associated with the underlying instrument or loan.

2 – PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.17 –Related Party Transactions

Related party transactions with controlling shareholder, affiliated companies and other related parties have been valued according to current market conditions. Individuals and companies comprised in Law N° 26,831, Section 72, have been included as related parties.

2.18 - Commitments

As of the date of these Financial Statements, the Company has committed expenses (see Notes 1.3.3. and 6.1 to these Financial Statements).

2.19 – Changes in Interpretation and Accounting Standards

a) New accounting standards, amendments and interpretations issued by IASB applicable as from December 31, 2018, adopted by the Company

The Company has adopted the following standards and amendments for the first time for fiscal year beginning on January 1, 2018:

- IFRS 15 "Revenue from Contracts with Customers". The Company chose to apply IFRS 15 retroactively, in respect of contracts not completed as of initial effective date, while it recognized, where applicable, its cumulative effect as an adjustment to the opening balance of cumulative gain as of January 1, 2018. As a result, the Company has not recognized any adjustment to the opening balance of cumulative gain.

- IFRS 9 “Financial Instruments”. The Company applied IFRS 9 retroactively as of January 1, 2018, with allowed practical resources, without restating comparative periods. The impact of the initial adoption meant a negative result of $31.4 million.

b) New accounting standards, amendments and interpretations issued by the IASB not yet effective and not early adopted by the Company

- IFRS 16 “Leases”: This standard was issued in January 2016 and replaces IAS 17. IFRS 16 defines a lease as a contract or part of a contract that conveys a party the right to use an asset (underlying asset) for a period of time in exchange for a consideration. Under this standard, lessee is required to recognize a lease liability that reflects the present value of future payments and a right-of-use asset. This is a significant change with respect to IAS 17, which required lessees to make a distinction between a financial lease (reported in the balance sheet) and an operating lease (with no impact on the balance sheet). IFRS 16 contains an optional exception for short term leases and for leases where the underlying asset has a low value. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. The adoption of this standard has no impact on the Company’s financial position or results of operations

2 – PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS (Cont.)

2.19 – Changes in Interpretation and Accounting Standards (Cont.)

b) New accounting standards, amendments and interpretations issued by the IASB not yet effective and not early adopted by the Company (Cont.)

- IFRS 9 "Financial Instruments": In October 2017 changes were introduced to the application guidelines concerning classification of financial assets where contractual terms modify the timing or amount of contractual cash flows to determine if cash flows to be derived due to the amendment are solely payments of principal and interest. These changes are mandatorily effective for annual reporting periods beginning on or after January 1, 2019. Early application is permitted. The adoption of this standard has no impact on the Company's financial position or results of operations.

- IAS 28 "Investments in Associates and Joint Ventures": Amended in October 2017 outlines that IFRS 9 applies to other financial instruments in an associate or joint venture to which the equity method is not applied. IAS 28 is effective for annual reporting periods beginning on or after January 1, 2019. Early application is permitted. The adoption of this standard has no impact on the Company's financial position or results of operations.

- Annual Improvements to IFRSs - 2015-2017 Cycle: These amendments were issued in December 2017 and are effective for annual reporting periods beginning on or after January 1, 2019. The adoption of this standard has no impact on the Company's financial position or results of operations.

3 – FINANCIAL RISK MANAGEMENT

3.1 – Financial Risk Factors

The Company's activities 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 specific market characteristics, and maintaining liquidity levels necessary for its normal operation.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated).

3 – FINANCIAL RISK MANAGEMENT (Cont.)

3.2 – Capital Risk Management

The following table shows the Company's capitalization as of December 31, 2018 and December 31, 2017:

	12.31.2018	12.31.2017
Current Loans	4,243,336	46,139
Non-Current Loans	4,136,620	5,975,825
Total Loans	8,379,956	6,021,964
Common Stock	439,374	439,374
Common Stock integral adjustment	8,704,172	8,704,172
Statutory reserve	129,743	-
Property, Plant and Equipment Revaluation Allowance	14,420,109	12,570,171
Other Reserves	(1,383)	(5,720)
Retained Earnings	5,385,238	804,123
Total Shareholders' Equity	29,077,253	22,512,120
Total Capitalization	37,457,209	28,534,084

3.3.1 – Currency Risks

The Company is exposed to a currency 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 event of a significant devaluation or inflation without an adequate rate adjustment, the Company might not be able to meet its financial commitments.

Notwithstanding the above, it should be noted that a very significant part of the investments are placed in financial instruments adjusted by the US dollar variation or 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/profit of $ 15.1 million, provided that the other economic and financial variables affecting the Company remain stable. This sensitivity analysis is based on reasonable assumptions and information. Yet, actual results might significantly differ from such analysis.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated).

3 – FINANCIAL RISK MANAGEMENT (Cont.)

Foreign Currency denominated Assets and Liabilities

	12.31.18				12.31.17		
	Amount and type of foreign currency (1)		Current trading price in $	Amount in local currency (1)	Amount and type of foreign currency (1)		Amount in local currency (1)
ASSETS							
NON-CURRENT ASSETS							
Trade accounts receivable							
Trade accounts receivable with third parties	US$	189,378	37.5	7,101,675	US$	189,378	5,186,454
				7,101,675			5,186,454
Investments at amortized cost							
Other investments				-	US$	395	10,817
				-			10,817
Total non-current assets				**7,101,675**			**5,197,271**
CURRENT ASSETS							
Other accounts receivable							
Commercial compensations and other	US$	937	37.5	35,138	US$	822	22,517
Other receivables with controlling companies	US$	4	37.5	154	US$	4	112
Other receivables with affiliated companies	US$	2	37.5	66	US$	6	159
	R$	116	9.25	1,073	R$	93	783
				36,431			23,571
Trade accounts receivable							
Trade accounts receivable with third parties	US$	852	37.5	31,950	US$	411	11,256
Trade accounts receivable with related parties	US$	75	37.5	2,820	US$	4,457	122,063
Trade accounts receivable with affiliated companies	US$	34	37.5	1,268	US$	25	693
				36,038			134,012
Investments at amortized cost							
Other investments	US$	65,112	37.5	2,441,711			-
				2,441,711			-
Investments at fair value							
Mutual funds	US$	3,318	37.5	124,424			-
Government bonds	US$	6,371	37.5	238,928			-
				363,352			-
Cash and cash equivalents							
Term deposits	US$	50,438	37.5	1,891,427	US$	11,006	301,412
Bank balances	US$	10,342	37.5	387,838	US$	317	8,677
				2,279,265			310,089
Total current assets				**5,156,797**			**467,672**
Total assets				**12,258,472**			**5,664,943**

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. Tº 1 Fº 17

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated).

3 – FINANCIAL RISK MANAGEMENT (Cont.)

Foreign Currency denominated Assets and Liabilities (Cont.)

	12.31.18				12.31.76		
	Amount and type of foreign currency (1)		Current trading price in $	Amount in local currency (1)	Amount and type of foreign currency (1)		Amount in local currency (1)
LIABILITIES							
NON-CURRENT LIABILITIES							
Loans							
Syndicated Loan	US$	109,725	37.7	4,136,620	US$	217,031	5,975,825
Total Non-Current Liabilities				**4,136,620**			**5,975,825**
CURRENT LIABILITIES							
Trade accounts payable							
Suppliers - Goods and services	US$	4,350	37.7	164,004	US$	3,194	87,950
	£	353	47.9619	16,931	£	65	2,417
Unbilled Goods and Services	US$	8,037	37.7	302,994	US$	6,698	184,418
	£	172	47.9619	8,247	£	33	1,243
	€	30	43.1627	1,298	€	14	450
				493,474			276,478
Loans							
Syndicated loan	US$	112,554	37.7	4,243,284	US$	1,673	46,057
				4,243,284			46,057
Total Current Liabilities				**4,736,758**			**322,535**
Total Liabilities				**8,873,378**			**6,298,360**

US$: US Dollars
£: Pound sterling
€: Euros
R$: Brazilian Reais

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

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. Tº 1 Fº 17

3 – FINANCIAL RISK MANAGEMENT (Cont.)

3.3.2 – Price risks

The Company is exposed to the risk of price fluctuations in investments held and classified in its balance sheet as at fair value through profit or loss. To manage the exposure to price risks, the Company has a diversified portfolio. Portfolio diversification is subject to the restrictions established in TGN´s investment policy.

3.3.3 – Interest rate risks on fair value and cash flows

The Company's financial liabilities amount to US$ 222.3 million, which accrue a variable interest rate plus a margin. The applicable rate is 6 months LIBO plus a rolling margin as from November 2017, as follows: 3,00% for the first six-month period, 3.25% for the second six-month period, 3.50% for the third six-month period, 3.75% for the fourth six-month period, 4.00% for the fifth six-month period and 4.25% for the sixth six-month period.

3.4 – Credit risks

The credit risk related to investments arises from the credit rating of the financial instrument and the counterparty where such instrument is deposited. The Company's investment policy establishes minimum levels of credit rating for financial instruments and counterparties, according to the type of instrument, currency and marketplace. The Company must transact business with financial institutions with high credit ratings and/or a strong market presence. Diversification restrictions are set, both by instrument and institution.

As to customers, the Company uses independent risk ratings, where available, or otherwise, the Finance Department and the Commercial Department jointly assess a customer's credit rating considering its financial position, experience and other factors. If it is determined that the customer represents a risk in terms of payment or compliance with obligations, actions to eventually mitigate such risks are considered (basically payment guarantees). The credit risk associated with export customers is described in Note 1.3.5 to these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated).

3 – FINANCIAL RISK MANAGEMENT (Cont.)

3.5 – Liquidity risks

The Company's Finance Department invests cash surplus in interest-bearing accounts, term deposits, mutual funds and securities, choosing instruments with adequate maturity dates or sufficient liquidity to be able to meet the above mentioned requirements. The table below breaks down liabilities by the term remaining to elapse to maturity, counted as from the date of the Financial Statements.

As of December 31, 2018	Less than 3 months	Between 3 months and a year	Between 1 and 2 years	More than 2 years	Past due/-Without term
Loans	-	4,623,310	4,363,009	-	-
Other liabilities (except contingencies and deferred income tax liabilities)	805,030	263,922	37,874	212,092	921,391

As of December 31, 2017	Less than 3 months	Between 3 months and a year	Between 1 and 2 years	More than 2 years	Past due/-Without term
Loans	-	46,139	3,028,787	2,947,038	-
Other liabilities (except contingencies and deferred income tax liabilities)	282,944	27,220	50,830	177,907	716,100

3.6 – Fair value estimate

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

* Level 1: Quoted prices in active markets for identical assets.
* Level 2: Information, other than the quoted price included in Level 1 that can be confirmed for the asset, either directly (i.e., prices) or indirectly (i.e., derived from prices).
* Level 3: Information on the asset that cannot be confirmed in the market (i.e., non-observable data).

As of this date, the Company has no financial instruments valued as established in levels 2 and 3.

3 – FINANCIAL RISK MANAGEMENT (Cont.)

3.6 – Fair value estimate (Cont.)

The value of financial instruments traded on active markets is based on the quoted market prices at the date of the Financial Statements. The quoted market price used for financial assets held by the Company is the ask price as of December 31, 2018. These instruments are included in Level 1 and mainly comprise investments in mutual funds and government bonds. The following table shows the Company's Level 1 assets, measured at fair value as of December 31, 2018 and 2017:

	12.31.2018	12.31.2017
Financial assets at fair value:		
Mutual funds in $	-	356,301
Mutual funds in US$	124,424	-
LEBAC bonds	-	174,209
Government bonds in US$	238,928	-
Total financial assets at fair value	363,352	530,510

4 – CRITICAL ACCOUNTING ESTIMATES

In preparing these Financial Statements the Company's Board is required to make estimates that affect the valuation of contingent assets and liabilities disclosed as of their date of issuance, the allowance for doubtful accounts and disputed amounts, depreciation, recoverable value of assets, allowance for slow-moving or obsolete materials, income tax charge, as well as income and expenses recorded in the pertinent fiscal year. However, actual results may significantly differ from the estimates used in the preparation of these Financial Statements.

5 – BUSINESS SEGMENT INFORMATION

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

	12.31.2018	12.31.2017
Revenues	11,862.1	6,260.9
Operating costs	(4,123.4)	(3,378.1)
Management EBITDA	7,738.7	2,882.8
Acquisition of "Property, plant and equipment"	2,242.8	1,251.8

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17

5 – BUSINESS SEGMENT INFORMATION (Cont.)

The reconciliation of management EBITDA to net income, before income tax is shown below:

	12.31.2018	12.31.2017
Management EBITDA in million pesos	7,738.7	2,882.8
“Property, plant and equipment” depreciation	(3,386.3)	(1,308.2)
Other net income and expenses	(108.8)	(16.5)
Net financial income	(1,688.2)	96.7
Income (loss) from investments in affiliated companies	9.1	4.3
Income before income tax	2,564.5	1,659.2

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

6 – PROPERTY, PLANT AND EQUIPMENT

	12.31.2018										Net book value	
	Cost of acquisition						Depreciation					
	At the beginning of fiscal year	Additions	Disposals	Transfers	Revaluation	At the end of fiscal year	At the beginning of fiscal year	Fiscal year	Disposals	At the end of fiscal year	12.31.2018	12.31.2017
Essential assets:												
Gas pipelines and branch lines	24,521,225	-	-	850,170	3,585,092	28,956,487	-	2,356,676	-	2,356,676	26,599,811	24,521,225
Compressor plants	3,864,443	-	(4,874)	340,018	531,636	4,731,223	-	785,159	(3,336)	781,823	3,949,400	3,864,443
Meter and regulating stations	373,691	-	(31)	7,155	54,022	434,837	-	34,057	(31)	34,026	400,811	373,691
SCADA system	529,450	1,331	-	-	69,798	600,579	-	82,711	-	82,711	517,868	529,450
Gas inventory	495,814	-	-	-	77,235	573,049	-	-	-	-	573,049	495,814
Lands	25,130	-	-	-	4,398	29,528	-	-	-	-	29,528	25,130
Buildings and civil construction works	592,801	-	-	-	94,970	687,771	-	20,684	-	20,684	667,087	592,801
Other technical installations	319,679	9,019	-	5,585	41,615	375,898	-	67,138	-	67,138	308,760	319,679
Sub-total essential assets	**30,722,233**	**10,350**	**(4,905)**	**1,202,928**	**4,458,766**	**36,389,372**	**-**	**3,346,425**	**(3,367)**	**3,343,058**	**33,046,314**	**30,722,233**
Other revalued assets												
Lands	14,697	-	-	-	1,807	16,504	-	-	-	-	16,504	14,697
Buildings and civil construction works	184,505	-	-	-	21,881	206,386	-	6,487	-	6,487	199,899	184,505
Sub-total other revalued assets	**199,202**	**-**	**-**	**-**	**23,688**	**222,890**	**-**	**6,487**	**-**	**6,487**	**216,403**	**199,202**
Total revalued assets	**30,921,435**	**10,350**	**(4,905)**	**1,202,928**	**4,482,454**	**36,612,262**	**-**	**3,352,912**	**(3,367)**	**3,349,545**	**33,262,717**	**30,921,435**
Non-essential assets:												
Building installations	45,901	-	-	-	-	45,901	17,171	1,847	-	19,018	26,883	28,730
Machinery, equipment and tools	200,757	4,996	(1,179)	-	-	204,574	189,284	4,181	(1,057)	192,408	12,166	11,473
Other technical installations	273,138	777	(4,179)	-	-	269,736	256,025	5,966	(4,140)	257,851	11,885	17,113
Communication equipment and devices	27,578	848	(37)	-	-	28,389	26,576	563	(37)	27,102	1,287	1,002
Vehicles	178,531	28,823	(5,649)	-	-	201,705	116,140	19,081	(4,646)	130,575	71,130	62,391
Furniture and fixtures	117,277	1,501	(222)	-	-	118,556	99,896	1,766	(176)	101,486	17,070	17,381
Works in progress	1,165,181	2,195,501	(2,048)	(1,202,928)	-	2,155,706	-	-	-	-	2,155,706	1,165,181
Sub-total non-essential assets	**2,008,363**	**2,232,446**	**(13,314)**	**(1,202,928)**	**-**	**3,024,567**	**705,092**	**33,404**	**(10,056)**	**728,440**	**2,296,127**	**1,303,271**
Balance as of December 31, 2018	**32,929,798**	**2,242,796**	**(18,219)**	**-**	**4,482,454**	**39,636,829**	**705,092**	**3,386,316**	**(13,423)**	**4,077,985**	**35,558,844**	
Balance as of December 31, 2017	**38,618,988**	**1,251,760**	**(41,354)**	**-**	**16,976,574**	**56,805,968**	**23,312,174**	**1,308,214**	**(39,126)**	**24,581,262**	**-**	**32,224,706**

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

6 – PROPERTY, PLANT AND EQUIPMENT (Cont.)

6.1 – Commitments

As of December 31, 2018, the Company has firm contractual commitments with suppliers for the acquisition of Property, plant and equipment for $ 837,982.

7 – INVESTMENTS IN AFFILIATED COMPANIES

	12.31.2018	12.31.2017
Balance at the beginning of fiscal year	14,576	9,884
Income from investments in affiliated companies [1]	13,430	4,692
Balance at the end of fiscal year	28,006	14,576

[1] Includes $ 4,337 and $ 433 that have been charged to “Other comprehensive income” in the Statement of comprehensive income, as of December 31, 2018 and 2017, respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

7 – INVESTMENTS IN AFFILIATED COMPANIES (Cont.)

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

Issuer	Description		Amount	Cost	Book value as of		Information on issuer						
								Most Recent Financial Statements					
	Shares	Face Value			12.31.18	12.31.17	Main Activity	Date	Capital Stock and Capital Adjustment	Other Reserves	Retained Earnings	Shareholders' Equity	Percentage of Direct Interest
Comgas Andina S.A.	Common	(1) 1 per share	490	246	28,006	14,576	Gas pipeline operation and maintenance service	12.31.18	44	-	57,111	57,155	49.0
Companhia Operadora do Rio Grande do Sul	Common	(2) 1 per share	49	0.1	1,843	1,691	Gas pipeline operation and maintenance service	12.31.18	1	2,335	1,426	3,762	49.0
Investment allowance					(1,843)	(1,691)							
Total					**28,006**	**14,576**							

(1) Chilean pesos
(2) Brazilian Reais

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

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 authority on a net basis. The deferred income tax net position is as follows:

	12.31.2018	12.31.2017
Deferred income tax assets:		
Deferred income tax assets to be recovered after 12 months	179,393	150,437
Deferred income tax assets to be recovered within 12 months	125,571	503,576
	304,964	654,013
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after 12 months	(5,670,254)	(8,159,806)
Deferred income tax liabilities to be recovered within 12 months	(1,040,810)	23,994
	(6,711,064)	(8,135,812)
Deferred income tax liabilities (net)	(6,406,100)	(7,481,799)

Deferred tax assets and liabilities, excluding the settlement of balances, is as follows:

Deferred income tax assets	Trade accounts payable and financial liabilities	Materials and spare parts	Contingencies	Tax Loss	Other debts	Other accounts receivable	Total
Balance as of December 31, 2016	252,809	132,301	59,745	1,127,275	466	12,130	1,584,726
Charged to statement of comprehensive income	(172,781)	(54,748)	(24,133)	(701,030)	30,190	(8,211)	(930,713)
Balance as of December 31, 2017	80,028	77,553	35,612	426,245	30,656	3,919	654,013
Charged to statement of comprehensive income	35,585	57,234	7,749	(426,245)	(21,427)	(1,945)	(349,049)
Balance as of December 31, 2018	115,613	134,787	43,361	-	9,229	1,974	304,964

Deferred income tax liabilities	Property, plant and equipment	Trade accounts receivable	Revaluation of Property, plant and equipment(1)	Investments at fair value	Total
Balance as of December 31, 2016	(4,542,530)	(612,426)	-	(6,187)	(5,161,143)
Charged to statement of comprehensive income	1,324,680	100,074	(4,406,403)	6,980	(2,974,669)
Balance as of December 31, 2017	(3,217,850)	(512,352)	(4,406,403)	793	(8,135,812)
Charged to statement of comprehensive income	2,216,859	(243,303)	(540,946)	(7,862)	1,424,748
Balance as of December 31, 2018	(1,000,991)	(755,655)	(4,947,349)	(7,069)	(6,711,064)

(1) As of December 31, 2018, included net of revaluation balance of “Property, plant and equipment” under Shareholders’ Equity.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

8 – INCOME TAX (Cont.)

Reconciliation between income tax charged to income and the amounts obtained by applying the income tax rate to pre-tax income is presented below:

	12.31.2018	12.31.2017
Income before income tax	2,564,542	1,659,099
Statutory income tax rate	30%	35%
Income tax charge determined by applying statutory tax rate to the income for the fiscal year	(769,363)	(580,685)
Exceptions to statutory income tax rate:		
- Equity items inflation adjustment	(922,366)	(540,282)
- Deferred tax liabilities inflation adjustment at beginning	694,706	461,887
- Income from investments in affiliated companies	2,334	1,333
- Adjustment to income tax provision balance	4,826	(8,612)
- Change in income tax rate (1)	(182,038)	1,179,579
- Special tax – Law 27,430 – Chapter X – art. 1	(639,852)	-
- Tax revaluation	2,973,913	-
- Non-deductible items	(4,759)	(12,201)
Total income tax charge	1,157,401	501,019

(1) Derived from applying changes in income tax rate to the deferred tax assets and liabilities, as provided under law 27,340, based on the year in which their realization is expected to occur.

On February 26, 2019, the Company's Board resolved to adopt the option to revaluate, for tax purposes, items of Property, plant and equipment as established in Law 27,430, Title X, Chapter 1 ("Law 27,430"). Said law establishes that the Option Period shall be the first fiscal period ended subsequent to the effective date of the law. In the case of the Company, said date is December 31, 2017.

Once the option has been exercised, the residual value for tax purposes of each item will result from applying the following procedure:

- The cost of acquisition or construction determined as per the Income Tax Law ("LIG") shall be multiplied by the revaluation factor established under Law 27,430.
- The amount so determined shall be deducted any depreciation otherwise applicable pursuant to LIG, for useful life periods elapsed, including the option period, over the amount established in the preceding item.

The residual value for tax purposes shall not exceed the present value. The revaluation amount is the difference between the residual value for tax purposes of the item of Property, plant and equipment as of the closing date of the option period, and its original residual value as of that date, determined as per LIG. Pursuant to Law 27,430 a "special tax" at a rate of 8% for real property, and 10% for personal property, is payable over such amount. This special tax will not be deductible for income tax purposes. Also, the revaluation amount shall not be counted in determining the IGMP.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

8 – INCOME TAX (Cont.)

The Special Tax amounts to some 640 million Pesos and shall be payable no later than the due date for the option exercise (March 31, 2019, as per PEN Decree 143/19 dated February 21, 2019). Thereafter, revalued property shall be adjusted in line with their revaluation.

The option exercise implies a waiver to bring any judicial or administrative action claiming, for tax purposes, the application of adjustment procedures of any nature. Also, if any such actions have been brought in respect of previous years, both said actions and rights claimed shall be waived and relevant costs and expenses shall have to be paid. (See Note 20.1.7 to these financial statements).

9 – INVESTMENTS

Non-Current:	12.31.2018	12.31.2017
Financial Assets at amortized cost:		
Other investments in US$	-	10,817
VRD bonds in $	19,384	40,984
Total financial assets at amortized cost	**19,384**	**51,801**
Current:		
Financial Assets at amortized cost:		
Government bonds in US$ - Commercial papers	721,166	-
Government bonds in US$ - T-BILLS	1,720,544	-
VRD bonds in $	8,754	12,764
Total financial assets at amortized cost	**2,450,464**	**12,764**
Financial assets at fair value [(1)]:		
Mutual funds in US$	124,424	-
Government bonds in US$	238,928	-
LEBAC bonds	-	174,209
Total financial assets at fair value	**363,352**	**174,209**

[(1)] All financial assets at fair value have been measured using Level 1 fair values. The value of financial instruments traded on active markets is based on quoted market prices at the date of the Financial Statements. The quoted market price used for financial assets held by the Company is the ask price as of December 31, 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

10 – FINANCIAL INSTRUMENTS BY CATEGORY

	12.31.2018	12.31.2017
Financial assets at fair value:		
Current:		
Classified as "Investments at fair value":		
Mutual funds in US$	124,424	-
Government bonds in US$	238,928	-
LEBAC bonds	-	174,209
Subtotal	363,352	174,209
Classified as "Cash and cash equivalents":		
Mutual funds in $ (Note 14)	-	356,301
Subtotal	-	356,301
Total financial assets at fair value - Current	**363,352**	**530,510**
Financial assets at amortized cost:		
Current:		
Classified as "Investments at amortized cost":		
Government bonds in US$ - Commercial papers	721,166	-
Government bonds in US$ - T-BILLS	1,720,544	-
VRD bonds in $	8,754	12,764
Subtotal	2,450,464	12,764
Classified as "Cash and cash equivalents":		
Cash and banks (Note 14)	450,620	44,335
Term deposits in US$ (1) (Note 14)	1,891,427	301,413
Subtotal	2,342,047	345,748
Classified as "Trade accounts receivable" and "Other accounts receivable"	1,483,247	1,329,194
Total financial assets at amortized cost - Current	**6,275,758**	**1,687,706**
Non-Current:		
Classified as "Investments at amortized cost":		
Other investments in US$	-	10,817
VRD bonds in $	19,384	40,984
Subtotal	19,384	51,801
Classified as "Trade accounts receivable" and "Other accounts receivable"	3,217,898	2,123,212
Total financial assets at amortized cost – Non-Current	**3,237,282**	**2,175,013**

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

10 – FINANCIAL INSTRUMENTS BY CATEGORY (Cont.)

	12.31.2018	12.31.2017
Financial liabilities at amortized cost:		
Current:		
Loans	4,243,336	46,139
Trade accounts payable, other debts, taxes payable and income taxes	1,736,478	788,757
Total financial liabilities at amortized cost – Current	**5,979,814**	**834,896**
Non-Current:		
Loans	4,136,620	5,975,825
Trade accounts payable and other debts	275,099	259,834
Total financial liabilities at amortized cost – Non-Current	**4,411,719**	**6,235,659**

(1) Investments 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 14.

Credit rating of the financial assets is as follows:

	12.31.2018	12.31.2017
AAA	1,720,545	-
AA	-	356,301
A	124,424	-
A-1	2,612,593	301,413
BBB	-	10,817
B	238,928	-
Other financial assets without credit rating	5,179,902	3,724,698
Total	9,876,392	4,393,229

11 – MATERIALS & SPARE PARTS

Non-Current		
Spare parts and consumables	862,339	574,804
Allowance for slow-moving and obsolete materials	(365,290)	(262,159)
Total non-current materials and spare parts	497,049	312,645

Changes in allowance for slow-moving and obsolete materials:

Balance as of December 31, 2016	213,114
– Increases, net of recoveries	49,045
Balance as of December 31, 2017	262,159
– Increases, net of recoveries	103,131
Balance as of December 31, 2018	365,290

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

12 – OTHER ACCOUNTS RECEIVABLE

	12.31.2018	12.31.2017
Non-current		
Minimum presumed income tax	-	213,868
Other	9,986	5,169
Total other accounts receivable – Non-current	9,986	219,037
Current		
Commercial compensation and loss recoveries	-	19,672
Key management personnel (Note 26)	21,393	14,530
Prepaid expenses and advances	222,923	117,614
Attachments, guarantee court deposits and expenses to be recovered	50	124
Assistance fees – controlling shareholder and recovery of expenses (Note 26)	154	112
Other receivables – affiliated companies (Note 26)	1,139	942
Other receivables – other related parties (Note 26)	43,288	1,087
Transactions on behalf of third parties	9,126	1,469
Allowance for doubtful accounts	(6,095)	(10,512)
Other trade receivables	11,404	6,417
Total other accounts receivable - Current	303,382	151,455

. Changes in the allowance have been are as follows:

Balance at the beginning of fiscal year	10,512	11,671
Recoveries, net	(4,417)	(1,159)
Balance at the end of fiscal year	6,095	10,512

13 – TRADE ACCOUNTS RECEIVABLE

Non-current		
Trade accounts receivable - third parties	7,114,058	4,711,268
Allowance for doubtful accounts and disputed amounts	(3,899,350)	(2,593,227)
Total trade accounts receivable – Non-current	3,214,708	2,118,041
Current		
Trade accounts receivable - third parties	1,534,502	1,044,415
Trade accounts receivable – other related parties (Note 26)	268,900	351,298
Trade accounts receivable – affiliated companies (Note 26)	1,268	695
Allowance for doubtful accounts and disputed amounts	(378,035)	(73,545)
Total trade accounts receivable - Current	1,426,635	1,322,863

As of December 31, 2018, past due trade accounts receivable with no allowance amounted to $ 235,339.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

13 – TRADE ACCOUNTS RECEIVABLE (Cont.)

Changes in the allowance for doubtful accounts and disputed amounts are as follow:

	12.31.2018	12.31.2017
Balance at the beginning of fiscal year	2,666,772	2,386,771
Increases – net of recoveries	1,610,613	280,001
Balance at the end of fiscal year	4,277,385	2,666,772

The Company uses the credit loss methodology foreseen in the expected loss impairment model established under IFRS 9. For trade accounts receivable, the Company adopted the simplified approach to estimate the expected credit loss as established under IFRS 9 that requires the use of the loss provision criterion during the lifetime of trade receivables. The expected loss to be recognized is determined on the basis of a bad debt percentage across past due ranges for each trade receivable. To measure the expected credit loss, trade receivables have been grouped based on their nature as to credit risk and time elapsed as past due receivables.

Aging of trade accounts receivable at nominal value is as follows:

	12.31.2018	12.31.2017
To become due	1,091,898	922,085
Past due from 0 to 6 months	507,968	210,275
Past due for more than 6 months	7,318,862	5,505,379
Total	8,918,728	6,637,739

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

	12.31.2018	12.31.2017
Argentine Peso	1,781,015	1,317,273
US Dollar	7,137,713	5,320,466
Total	8,918,728	6,637,739

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

14 – CASH AND CASH EQUIVALENTS

	12.31.2018	12.31.2017
Cash and banks [1]	450,620	44,335
Mutual funds in $	-	356,301
Term deposits in US$	1,891,427	301,413
Total	2,342,047	702,049

[1] As of December 31, 2018 and 2017, 387,838 and 8,667, respectively, denominated in foreign currency, are included. See Note 3 to these financial statements.

15 – COMMON STOCK

The nominal Common stock, of $ 439,374, is represented by 179,264,584 book-entry Class A common shares, of $ 1 par value each and entitled to 1 vote per share, 172,234,601 book-entry Class B common shares, of $1 par value each and entitled to 1 vote per share, and 87,874,754 book-entry Class C common shares, of $ 1 par value each and entitled to 1 vote per share. All issued shares are subscribed and paid-in. Class B shares are admitted for listing on Bolsas y Mercados Argentinos S.A. ("BYMA"). Class C shares are listed on BYMA.

15.1 - Restrictions on the transfer of the Company's shares

Gasinvest S.A. ("Gasinvest") - TGN's controlling company- and Gasinvest´s shareholders, are restricted by the Bidding Terms and the Transfer Agreement to dispose of their interests in the Company and in Gasinvest, respectively. Consequently, Gasinvest may not reduce its shareholding and votes in the Company to less than 51% ("controlling interest") without ENARGAS previous approval. ENARGAS will approve the transfer of the controlling interest provided that (i) shares are transferred in whole but not in part, or the new buyer purchases all of the outstanding Class A shares of common stock and (ii) the quality of the gas transportation service rendered by the Company is not affected. Any transfer or other disposition as a result of which the interest of Gasinvest's original shareholders in said company's capital stock is reduced to less than 51%, including said shareholders' failure to subscribe for any capital increase in Gasinvest, can only be made with the ENARGAS' prior consent. The foregoing restrictions do not apply to transfers between parties belonging to the same economic group, as established in the Bidding Terms and Conditions.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

15 – COMMON STOCK (Cont.)

15.2 – Restriction on distribution of profits

At the Shareholders' Meeting held on October 3, 2017 the Board was delegated the power to establish restrictions on payment of dividends (see Note 15 to the Company's financial statements as of December 31 2017).

16 - LOANS

On October 26, 2017, TGN entered into a loan with the Industrial and Commercial Bank of China Limited (Dubai Branch), Citibank N.A. and Itaú Unibanco S.A. (Nassau Branch) ("the Syndicated Loan"). The terms and conditions of this loan are described below.

16.1 – Terms and conditions of the Syndicated Loan

The Syndicated Loan has been contracted for a principal amount of US$ 220 million, a term of 36 months, payable on four equal and consecutive bi-annual installments of US$ 55 million each, as from the 18th month. Interest accrues on a bi-annual basis at LIBOR plus an annual nominal margin of 3.00% during the first six-month period, 3.25% during the second six-month period, 3.50% during the third six-month period, 3.75% during the fourth six-month period, 4.00% during the fifth six-month period and 4.25% during the sixth six-month period. The Syndicated Loan includes financial covenants that are generally used in this type of transactions, including non-payment of dividends, unless: (i) the License Comprehensive Agreement has been passed by the National Congress and ratified by the National Executive Branch and the CRR is in force and approved by the enforcement authority, and (ii) the Net Financial Debt / EBITDA ratio does not exceed 2.25:1.00 after dividends are paid. The Syndicated Loan is governed and construed in accordance with to the Law of New York and is subject to the jurisdiction of the courts of the Southern District of the City of New York.

16.2 – Changes in Loans

	12.31.2018	12.31.2017
Balance at the beginning of fiscal year	6,021,964	6,315,951
Accrual of interest on Syndicated Loan	520,395	64,364
Exchange rate difference on Syndicated Loan	5,307,564	354,047
Payment of interest on Syndicated Loan	(400,989)	-
Borrowing of Syndicated Loan, net of expenses	-	5,820,712
Payment of principal on Notes	-	(5,544,864)
Payment of interest on Notes	-	(437,119)
Accrual of interest on Notes	-	192,439
Exchange rate difference on Notes	-	618,396
Loss on monetary position	(3,068,978)	(1,361,962)
Balance at the end of fiscal year	8,379,956	6,021,964

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

17 – TAXES PAYABLE

	12.31.2018	12.31.2017
Value Added Tax	79,707	22,325
Turnover Tax	1,664	545
Minimum Presumed Income Tax	-	14,077
Tax withholdings and receipts from third parties	65,326	66,253
Total taxes payable	146,697	103,200

18 – OTHER DEBTS

Non-current		
Allowance for easements	32,709	31,096
Total other debts – Non-current	32,709	31,096
Current		
Allowance for easements	17,313	22,402
Key management personnel (Note 26)	21,411	14,555
Advances	339	1,569
Various fees payable	24,671	93,303
Other debts and customer’s guarantees	6,704	23,375
Total other debts - Current	70,438	155,204

19 – TRADE ACCOUNTS PAYABLE

Non-current		
AES Argentina Generación S.A.	242,390	228,738
Total trade accounts payable – Non current	242,390	228,738
Current		
Suppliers – goods and services	56,698	143,807
AES Argentina Generación S.A.	32,824	27,533
Other related parties (Note 26)	-	41
Unbilled goods and services	546,993	358,972
Total trade accounts payable - Current	636,515	530,353

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

20 - CONTINGENCIES

Provision for labor, civil and administrative lawsuits

	Non-current	Current
Balance as of December 31, 2016	46,355	163,889
– Recoveries / Increases	430	67,441
– Decreases (payments / uses)	-	(77,776)
– Loss on monetary position	(9,104)	(40,840)
Balance as of December 31, 2017	37,681	112,714
– Increases, net of recoveries	8,674	133,464
– Decreases (payment / uses)	(36,661)	(49,779)
– Loss on monetary position	(9,694)	(30,402)
Balance as of December 31, 2018	-	165,997

20.1 – 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, based upon the estimates described in Note 4, 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 recorded by the Company. 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 brought by and against TGN.

20.1.1 – Fines imposed by ENARGAS

As of the date of issuance of these Financial Statements there are six fines imposed by ENARGAS for a total amount of $ 3.9 million, which have been appealed by the Company.

20.1.2 – Tax assessments related to payments to Note Holders

Since December 2004, TGN is engaged in litigation with 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 notes issued by TGN 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, which was allowed and carried out in June 2018.

20 – CONTINGENCIES (Cont.)

20.1 – Legal matters (Cont.)

20.1.3 – Tax assessments related to useful lives for tax purposes

In late December 2005 TGN was notified of two resolutions whereby AFIP assessed income tax differences for 1999 to 2002 fiscal periods. The total amount claimed is $ 21.2 million, including interest at that date and a fine of 70% of the tax assessed. The tax authorities' claim is supported on the fact that all of the Company´s essential assets must be fully depreciated at the end of the License, considering its 45-year term, according to AFIP. In February 2006 TGN challenged said tax assessments by filing the pertinent appeals with the National Tax Court, which are still pending resolution. In June 2016, the Company requested the National Tax Court to make the case file available for the parties to present their final arguments, which was allowed and carried out in June 2018.

20.1.4 – Pending judicial disputes with YPF

Due to the redirection of transportation capacity established by ENARGAS, YPF started to pay for transportation services on an irregular basis, claiming partial capacity unavailability. In February 2007 YPF requested a comprehensive review of the transportation contract claiming that the measures adopted by the National Government regarding gas exports had unpredictably altered the economic-financial equation of such contract. TGN rejected the claim and demanded contractual performance.

On April 20, 2009 TGN filed a legal action against YPF in order to (i) demand compliance with the firm transportation contract signed with YPF; and (ii) compel 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, plus interest accrued as from each respective date, and interest to be accrued until amounts are actually paid by YPF.

YPF answered the complaint basically claiming that TGN had failed to comply with the transportation service in the terms agreed because it was "prevented from doing so" as a result of the emergency regulations enacted and, alternatively, that the peso rate be applied, in view of the impossibility to export.

In December 2010, TGN terminated the firm transportation contract for gas export with YPF, as a result of shipper's breach; in December 2012, TGN filed an action for damages claiming YPF's breach of contract, for an amount of US$ 142.15 million. Due to its weak economic-financial position the Company filed a motion to proceed *in forma pauperis* which then was opted out in June 2018 after rate increases were received.

The actions for breach of contract and damages have been joined. All evidence requested by the court has been submitted and both parties have filed their pleas.

20 – CONTINGENCIES (Cont.)

20.1 – Legal matters (Cont.)

20.1.5 – Pending judicial disputes with Chilean Distributor Metrogas

In April 2009, Metrogas filed a declaratory action against TGN to obtain a court statement on the inapplicability of the US$ denominated rate provided for in the gas transportation contract, if gas is not actually transported. As of the date of issuance of these Financial Statements, no court decision has been issued. Subsequently, in September 2009, Metrogas informed its unilateral decision to terminate its firm gas transportation contract with TGN, and claimed from TGN approximately US$ 238 million for damages allegedly suffered by Metrogas for TGN's alleged failure to deliver such gas volumes which, according to Metrogas, would have been confirmed and injected by its producers / suppliers.

TGN rejected the unilateral decision to terminate the contract, as well as the claim for damages filed by Metrogas, as TGN has complied with its duties under the gas transportation contract between the parties. It is widely known, that local gas production was not enough, in previous years, to meet both the domestic and export demand. This shortage led the national authorities to put in force a number of regulations setting restrictions on natural gas exports, aimed at ensuring supply to the domestic market.

TGN also believes that any action for damages that may be brought by Metrogas would not be likely to succeed, and will take all steps necessary to protect the corporate interest. In September 2011 TGN filed a lawsuit (subsequently extended) for breach of contract, claiming an amount of US$ 114.5 million (plus interest and expenses) for transportation services billed and unpaid, from September 2009 up to and including April 2015. In November 2012, Metrogas filed the answer to the complaint 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. In April 2015 TGN terminated the firm gas transportation contract for export with Metrogas, due to repeated breaches on the part of shipper. In November 2015, TGN filed a claim against Metrogas for damages arising from the wrongful early termination of the transportation contract for US$ 113 million and requested that this claim be joined with the claim for unpaid invoices. In addition, the Company filed a motion to proceed *in forma pauperis*.

The complaints for breach of contract and damages have been joined. At present, the production of evidence requested by the court has been fully completed.

20.1.6 – Claim against the National Government

On October 11, 2012 TGN brought an action against the National Government seeking compensation for damages suffered from January 1, 2006 to December 31, 2011 (and reserving the right to extend the action) as a result of the pesification and freezing of its rates set forth under the Public Emergency Law (LEP), for the amount of $ 1,436 million (including interest). Furthermore, the Company filed a motion to proceed *in forma pauperis*, which in 2018 was dropped as a result of rate increases.

20 – CONTINGENCIES (Cont.)

20.1 – Legal matters (Cont.)

20.1.6 – Claim against the National Government (Cont.)

On May 8, 2017, TGN was served notice about the first instance court ruling dismissing the complaint. Said ruling was appealed by the Company, notwithstanding the stay of the proceeding and eventual abandonment of it connection with the Comprehensive Agreement, as described in next paragraph.

Upon expiration of the ninety calendar day term counted as from the date on which ENARGAS resolution approved the last step of the rate increase under the CRR, TGN fully and expressly waived the right and abandon the action brought against the National Government, as well as all rights and actions it might invoke or bring against the National Government, based on or related to events or legal measures ordered in connection with the License under the LEP and/or the fact that the PPI is no longer effective due to its elimination. The same courses of action have been followed by the Company's controlling shareholder, Gasinvest, and shareholders representing at least two thirds of Gasinvest's capital stock.

20.1.7 – Actions for refund with AFIP- DGI

On December 15, 2014, TGN filed with Administración Federal de Ingresos Públicos - Dirección General Impositiva ("AFIP-DGI") an action for refund amounting to $7.9 for 2008 fiscal year Income Tax, 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 was supported on the inapplicability of the prohibition contained in Section 39 of Law 24,073 and Section 4 of Law 25,561, as it is contrary to the provisions of Title VI of the Income Tax Law, which set forth the inflation adjustment method and other restatements requirements thereunder foreseen and not repealed, such as the fixed assets depreciation. As a result of those regulations, case law and rulings issued by the National Supreme Court, the Company paid for fiscal year 2008 the income tax at a clearly confiscatory effective rate. Further, on December 15, 2014, TGN filed and action for refund with AFIP- DGI in connection with 2008 fiscal year Minimum Presumed Income Tax ("IGMP") for $ 6.8 million, plus interest accrued in favor of the Company. This action for refund was supported on the fact that the Company had reported accounting and tax losses (the latter due to the tax adjustment for inflation and other restatements mentioned in the preceding paragraph) in said fiscal year and consequently, in view of National Supreme Court precedents in this respect, there was no such minimum income presumed under the income tax law. However, having exercised the tax revaluation option referred to in Note 8 to these financial statements, the Company shall have to withdraw the above mentioned claims.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

20 – CONTINGENCIES (Cont.)

20.1 – Legal matters (Cont.)

20.1.7 – Actions for refund with AFIP- DGI (Cont.)

On November 13, 2015, TGN filed an action for refund with AFIP-DGI for the amount of $ 17 million in connection with 2009 fiscal year Minimum Presumed Income Tax, plus interest accrued in favor of the Company. This action for refund is supported by the same facts above mentioned. In June 2017, AFIP sustained the aforementioned claim for a principal amount of $ 16.8 million plus such interest foreseen in Resolution No. 314/04 of the former Ministry of Economy and Production (“Resolution No. 314/04”). In August 2017 the principal amount aforementioned was credited and in September 2017 the Company was credited an amount of $ 1.8 million on account of interest in accordance with Resolution No. 314/04. In connection with interest, on June 29, 2017 the Company filed a contentious-administrative claim requesting that Section 4 of Resolution No. 314/04 be declared unlawful and unconstitutional and, that an appropriate interest rate to compensate the Company for such improper tax payment be applied.

Finally, in July 2017, and in view of AFIP’s General Instruction No. 2/17, TGN filed an action for refund for the amount of $ 21.4 million in connection with the Minimum Presumed Income Tax for 2011 fiscal year, plus interest accrued, as in said fiscal year the Company had experienced accounting and tax losses. In August 2018 the principal amount aforementioned was credited, and on October 24, 2018 interest for $1.4 million was received as required under Resolution No. 314/04. As regards interest, on August 21, 2018 the Company filed a contentious-administrative claim requesting that Section 4 of Resolution No. 314/04 be declared unlawful and unconstitutional, and that an appropriate interest rate to compensate the Company for such improper tax payment be applied.

21 - REVENUES

	12.31.2018	12.31.2017
Gas transportation service	11,476,063	5,813,053
Gas pipeline operation and maintenance and other services	385,988	447,867
Total revenues	11,862,051	6,260,920

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

22 – EXPENSES BY NATURE

Item	Cost of service	Selling expenses	Administrative expenses	Total as of 12.31.2018	Total as of 12.31.2017
Directors' fees	-	-	33,536	**33,536**	**8,710**
Supervisory Committee's fees	-	-	4,431	**4,431**	**5,538**
Fees for professional services	48,397	650	59,627	**108,674**	**80,665**
Salaries, wages and other personnel benefits	712,543	19,463	260,189	**992,195**	**632,366**
Social security contributions	139,490	3,498	56,032	**199,020**	**129,512**
Technical assistance fees	-	-	-	**-**	**23,034**
Materials and spare parts	296,198	83	8,622	**304,903**	**289,188**
Third party services and supplies	70,360	316	3,256	**73,932**	**51,320**
Maintenance and repair of property, plant and equipment	1,196,967	2,482	22,590	**1,222,039**	**1,421,292**
Travel expenses	99,780	1,525	15,514	**116,819**	**68,285**
Freight and transportation	17,402	-	28	**17,430**	**11,401**
Post and telecommunication expenses	6,317	372	3,681	**10,370**	**7,473**
Insurance	53,348	5	6,866	**60,219**	**49,938**
Office supplies	14,858	335	12,491	**27,684**	**15,208**
Rentals	21,605	360	4,427	**26,392**	**18,426**
Easements	34,480	-	-	**34,480**	**(5,264)**
Taxes, rates and contributions	2,547	461,219	366,554	**830,320**	**523,927**
Property, plant and equipment depreciation	3,299,693	2,800	83,823	**3,386,316**	**1,308,214**
Doubtful accounts	-	32,412	-	**32,412**	**(46,786)**
Lawsuits	-	-	20,798	**20,798**	**67,871**
Slow-moving and obsolete materials and spare parts	(21,734)	-	-	**(21,734)**	**13,954**
Other	16,352	90	13,054	**29,496**	**12,080**
Balance as of December 31, 2018	**6,008,603**	**525,610**	**975,519**	7,509,732	
Balance as of December 31, 2017	**3,805,636**	**232,007**	**648,709**		4,686,352

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

23 – OTHER NET INCOME AND EXPENSES

	12.31.2018	12.31.2017
Commercial compensation	26,012	589
Disposal of property, plant and equipment, net	6,349	1,311
Compensation for damages adjustment [1]	(155,214)	(68,911)
Other sales, loss recovery and other, net	14,110	50,536
Total other net income and expenses	(108,743)	(16,475)

[1] During fiscal years ended December 31, 2018 and December 31, 2017, the Company has recognized losses for $ 155.2 million and $ 68.9 million, respectively, in relation to the compromise and settlement agreement entered into with AES Argentina Generación S.A. in 2012 (and subsequently amended in 2014). These losses are the result of measuring the liability with AES Argentina Generación S.A. based on the Access and Use Charge (CAU) in force in each of said fiscal years.

24 – NET FINANCIAL INCOME

	12.31.2018	12.31.2017
Other net financial income		
Foreign exchange gains	3,488,666	467,527
Foreign exchange losses	(5,506,849)	(992,792)
Total other net financial income	(2,018,183)	(525,265)
Financial income		
Interest	115,489	444,916
Income from discount at present value	1,238	35,749
Income from changes in fair values	29,453	65,705
Discounts obtained	8,716	3,515
Total financial income	154,896	549,885
Financial expenses		
Interest	(605,791)	(619,141)
Interest compounded on property, plant and equipment [1]	204,806	-
Loss from discount at present value	(4,398)	(2,124)
Banking and financial fees, expenses and taxes	(8,732)	(25,723)
Total financial expenses	(414,115)	(646,988)
Gain on monetary position	589,275	719,115
Total net financial income	(1,688,127)	96,747

(1) The monthly effective compound interest rate used is 45.48%.

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

25 – NET EARNINGS PER SHARE

Earnings per common share have been calculated by dividing the income for fiscal years ended December 31, 2018 and 2017, by the weighted average of outstanding common shares, which as at said dates totaled 439,373,939 shares. As of December 31, 2018 and 2017 there are neither notes nor other debt securities convertible into shares, for which reason no diluted earnings per share have been disclosed. Basic earnings per share are calculated by dividing profits attributable to the Company's equity holders by the weighted average number of common shares outstanding during the fiscal year. The Company has no preferred shares or debt convertible into shares, so the basic earnings per share are equal to the diluted earnings per share.

26 – RELATED PARTIES

Transactions with related parties are as follows:

	12.31.2018	12.31.2017
Controlling company		
Other net income and expenses		
Gasinvest S.A.	647	361
Total other net income and expenses	647	361
Affiliated companies		
Revenues		
Comgas Andina S.A.	3,684	2,978
Companhia Operadora do Rio Grande do Sul	775	570
Total revenues	4,459	3,548
Other net income and expenses		
Comgas Andina S.A.	-	1,075
Total other net income and expenses	-	1,075
Recovery of expenses		
Comgas Andina S.A.	274	749
Total recovery of expenses	274	749
Other related parties		
Revenues		
Litoral Gas S.A.	1,872,938	1,008,765
Ternium Argentina S.A.	265,399	143,058
Siderca S.A.	259,401	89,202
Transportadora de Gas del Mercosur S.A.	27,278	21,763
Gasoducto Gasandes Argentina S.A.	5,751	3,865
Total revenues	2,430,767	1,266,653

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. Tº 1 Fº 17

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

26 – RELATED PARTIES (Cont.)

Transactions with related parties are as follows (Cont.):

	12.31.2018	12.31.2017
Cost of service		
Tecpetrol S.A.	-	(4,096)
Compañía General de Combustibles S.A.	-	(4,096)
Total cost of service	-	(8,192)
Other net income and expenses		
Gasoducto Gasandes Argentina S.A.	891	796
Total other income and expenses	891	796
Financial income		
Transportadora de Gas del Mercosur S.A.	-	6,533
Total financial income	-	6,533
Financial expenses (interest)		
Tecpetrol S.A.	-	(5,421)
Compañía General de Combustibles S.A.	-	(5,424)
VR Global Partners L.P.	-	(21,000)
Total financial expenses	-	(31,845)
Recovery of expenses		
Transportadora de Gas del Mercosur S.A.	(2,408)	1,353
Total recovery of expenses	(2,408)	1,353
Acquisition of materials and property, plant and equipment		
Siat S.A.	(118,269)	(120,641)
Litoral Gas S.A.	-	(64)
Total acquisition of materials and property, plant and equipment	(118,269)	(120,705)
Key management personnel		
Board of Directors' fees	(33,536)	(8,710)
Supervisory Committee's fees	(4,431)	(5,538)

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

26 – RELATED PARTIES (Cont.)

Balances with related parties are as follows:

Trade accounts receivable	12.31.2018	12.31.2017
Other related parties		
Transportadora de Gas del Mercosur S.A.	2,820	121,695
Litoral Gas S.A.	210,141	191,099
Ternium Argentina S.A.	30,636	23,061
Siderca S.A.	24,753	15,075
Gasoducto Gasandes Argentina S.A.	550	368
Total trade accounts receivable - other related parties	268,900	351,298
Accounts receivable – affiliated companies		
Comgas Andina S.A.	1,057	549
Companhia Operadora do Rio Grande do Sul	211	146
Total other accounts receivable –affiliated companies	1,268	695
Other accounts receivable		
Assistance fee – controlling company		
Gasinvest S.A.	154	112
Total assistance fee – controlling company	154	112
Other accounts receivable – affiliated companies		
Comgas Andina S.A.	66	159
Companhia Operadora do Rio Grande do Sul	1,073	783
Total other accounts receivable – affiliated companies	1,139	942
Other accounts receivable – related parties		
Litoral Gas S.A.	118	173
Transportadora de Gas del Mercosur S.A.	-	81
Siat S.A.	26,268	833
Compañía General de Combustibles S.A.	16,902	-
Total other accounts receivable – related parties	43,288	1,087
Key management personnel		
Board of Directors and Supervisory Committee’s fees paid in advance	21,393	14,530
Total key management personnel	21,393	14,530

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. Tº 1 Fº 17

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, PRESENTED ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

26 – RELATED PARTIES (Cont.)

Balances with related parties are as follows:

	12.31.2018	12.31.2017
Trade accounts payable		
Other related parties		
Transportadora de Gas del Mercosur S.A.	-	(41)
Total other related parties	-	(41)
Other debts		
Key management personnel		
Provision for Directors and Supervisory Committee's fees	(21,411)	(14,555)
Total key management personnel	(21,411)	(14,555)

Senior management compensation

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

27 FINANCIAL TRUSTS FOR EXPORT MARKET EXPANSION

On March 8, 2004, the Company (as trustor) and HSBC Bank Argentina S.A. (as trustee) entered into a Master Agreement for the creation of Financial Trusts for an amount of up to US$ 50 million and a term of 5 years (the "Program"), pursuant to ENARGAS Resolution 2,877 and Law N° 24,441. The Program envisages the possibility of creating Financial Trusts for the issuance of securities authorized or not for public offering, to finance the capacity expansion of the Company's gas pipeline system. The Program also establishes that, upon expiration of the trust, those expansion works will become the exclusive property of the Company, free from any 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 authorized the creation of "TGN Series 01" Financial Trust currently in force, under which securities were issued for a nominal value of US$ 7.5 million, that were subscribed and paid-in on March 26, 2004, and applied to expand the transportation capacity by 303,000 m3/d contracted by Metrogas Chile S.A. Series 01 establishes September 30, 2019 or the date on which Series 01 securities are repaid as the Final Payment Date. Under the Master Agreement, neither the Company nor the Trustee will be liable to secure with their own assets any shortage of funds to pay principal and/or interest on trust securities and/or trust taxes and expenses. Security holders will have no right to claim such shortage 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.

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. T° 1 F° 17

28 – FINANCIAL TRUSTS FOR DOMESTIC MARKET EXPANSION CREATED BY FORMER NATIONAL ENERGY SECRETARIAT

Former Ministry of Federal Planning, Public Investment and Services (MPFIPyS) Resolution No. 185/04, adopted on the basis of Decree No. 180/04, created a Gas Trust Program organized by former National Energy Secretariat aimed at financing infrastructure works for transportation and distribution of natural gas. In April 2006 the National Congress enacted law 26,095 vesting the National Executive Branch with the power to apply rate charges destined to finance those works.

In September 2018 the former Ministry of Energy issued Resolution No. 15 providing, among other things, for the permanent discontinuation of expansion works under said program, the consolidation of trust assets created thereunder, the sale of residual assets and payment of outstanding amounts owed to TGN on account of technical management fees for those expansion works.

28.1- 2005 Expansion Trust – Northern Gas Pipeline

In 2004 the National Government requested the participation of TGN as licensee and of other companies as investors in order to undertake the capacity expansion of the Northern gas pipeline by 1.8 MMm3/d. A local trust created by former National Energy Secretariat and administered by Nación Fideicomisos S.A. as trustee, entrusted TGN the construction of the expansion works along the Northern gas pipeline. TGN contributed US$ 8.4 million to fund part of those works. The expansion works completed on the transportation system will be the property of the trust until its expiration, upon which, ownership of those essential asset will be transferred to TGN, at the latter's option. In July 2005 TGN began to bill certain customers the "Gas Trust Charge" on behalf and for the account of the "Gas Trust - Northern Gas Pipeline Expansion".

28.2 - 2006-2008 Expansion Trust

In 2006 a second expansion project for 15.2 MMm3/d in Central West and Northern gas pipelines was started at the request of former National Energy Secretariat, under the same trust structure described in Note 28.1. In February 2007, TGN started to bill certain customers the "Gas II Trust Charge" on behalf and for the account of the "Gas Trust - Northern Gas Pipeline Expansion". In October 2016, the National Ministry of Energy and Mining issued an order to terminate the construction contract entered into by and between the aforementioned Trust and the firm Odebrecht S.A., which brought expansion works to a halt. As of the date of issuance of these Financial Statements, works representing a capacity increase of 5.2 MMm3/d along Northern gas pipeline, and 2.337 MMm3/d on La Mora – Beazley section and 3.404 MMm3/d on Beazley – La Dormida section along Central West gas pipeline were commissioned.

29 – SUBSEQUENT EVENTS

No events or circumstances have occurred subsequent to December 31, 2018 which may significantly impact on the Company's financial or economic position as of that date other than those made available to the public and disclosed in these financial statements.

OVERVIEW FOR FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

As required by the National Securities Commission (“CNV”), an overview of Transportadora de Gas del Norte S.A. (“TGN” or the “Company”) revenues, financial position, certain economic-financial indicators and business prospects, that must be read in conjunction with the Company’s Financial Statements for fiscal year ended December 31, 2018, additional information to the Notes required under Title IV, Chapter III, Section 12 of CNV’s regulations is shown below, as well as relevant facts timely informed to the CNV.

I) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Comprehensive income for fiscal year:

(in million pesos)

	Fiscal years ended 12.31.		
	2018	***2017***	***Variation***
Revenues			
Gas transportation service	*11,476.0*	*5,813.1*	*5,662.9*
Gas pipeline operation & maintenance and other services	*386.0*	*447.9*	*(61.9)*
Total revenues	***11,862.0***	***6,261.0***	***5,601.0***
Cost of service			
Operation and maintenance costs	*(2,708.9)*	*(2,529.3)*	*(179.6)*
Property, plant and equipment depreciation	*(3,299.7)*	*(1,276.3)*	*(2,023.4)*
Subtotal	***(6,008.6)***	***(3,805.6)***	***(2,203.0)***
Gross profit	***5,853.4***	***2,455.4***	***3,398.0***
Administrative and selling expenses	*(1,501.1)*	*(880.7)*	*(620.4)*
Income before other net income and expenses	***4,352.3***	***1,574.7***	***2,777.6***
Other net income and expenses	*(108.7)*	*(16.5)*	*(92.2)*
Income before financial income	***4,243.6***	***1,558.2***	***2,685.4***
Net financial income	*(1,688.1)*	*96.7*	*(1,784.8)*
Income from investments in affiliated companies	*9.1*	*4.3*	*4.8*
Income before income tax	***2,564.6***	***1,659.2***	***905.4***
Income tax	*1,157.4*	*501.0*	*656.4*
Income for fiscal year	***3,722.0***	***2,160.2***	***1,561.8***
Currency conversion of affiliated companies financial statements	*4.3*	*0.4*	*3.9*
Property, plant and equipment revaluation allowance	*1,849.9*	*12,570.1*	*(10,720.2)*
Other comprehensive income	***1,854.2***	***12,570.5***	***(10,716.3)***
Comprehensive income for fiscal year	***5,576.2***	***14,730.7***	***(9,154.5)***
EBITDA (1)	***7,738.7***	***2,882.8***	***4,855.9***

(1) Earnings before income tax, financial income, property, plant and equipment depreciation and charges on consumable assets that do not involve cash outflows.

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. Tº 1 Fº 17
Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. Tº 155 Fº 146

I) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION (Cont.)

(in million pesos)

	12.31.2018	***12.31.2017***
Total assets	***46,270***	***37,421***
Total liabilities	***17,192***	***14,909***
Shareholders' equity	***29,078***	***22,512***

The following paragraphs describe the reasons for main variations in TGN's comprehensive income and cash flows, and disclose some economic-financial indicators in connection with the Company's equity.

Revenues

Revenue variation of $ 5,909 million (which adjusted for inflation amounts to $ 5,601 million) between fiscal years ended December 31, 2018 and 2017 is due to:

i. $ 5,019.8 million increase in billings, as a result of higher domestic transportation rates. These increases were due to the end of the rate restructuring subsequent to rate freezing and to semiannual adjustments under the regulation;

ii. $ 850.2 million increase in income related to interruptible transportation and other services; and

iii. $ 39.0 million increase in *Gas pipeline operation and maintenance and other services*.

I) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION (Cont.)

Cost of service

(in million Pesos)

Account	*Fiscal years ended 12.31.*		
	2018	***2017***	***Variation***
Fees for professional services	*48.4*	*26.1*	*22.3*
Salaries, wages and other personnel benefits and social security contributions	*852.0*	*573.3*	*278.7*
Technical assistance fee	*-*	*23.0*	*(23.0)*
Materials and spare parts	*296.2*	*288.6*	*7.6*
Maintenance and repair of property, plant and equipment and third-party services and supplies	*1,267.3*	*1,454.4*	*(187.1)*
Post, telecommunications, transportation, freight and travel expenses	*123.5*	*76.3*	*47.2*
Insurance	*53.3*	*45.3*	*8.0*
Rentals and office supplies	*36.5*	*24.1*	*12.4*
Easements	*34.5*	*(5.3)*	*39.8*
Taxes, rates and contributions	*2.5*	*3.0*	*(0.5)*
Property, plant and equipment depreciation	*3,299.7*	*1,276.3*	*2,023.4*
Slow-moving and obsolete materials and spare parts	*(21.7)*	*14.0*	*(35.7)*
Other	*16.4*	*6.5*	*9.9*
Total	***6,008.6***	***3,805.6***	***2,203.0***
% of Cost of service on revenues	***50.7%***	***60.8%***	

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

i. $ 189.8 million increase in *Salaries, wages and other personnel benefits and social security contributions* (which adjusted for inflation amounts to $ 278.7 million). Said variation is explained by pay increases due to inflation adjustment ($ 158.6 million), higher headcount ($ 4.4 million), higher overtime and agency staff charges ($ 20.7 million) and other;

ii. $ 295 million decrease in *Maintenance and repair of property, plant and equipment and third-party services and supplies* (which adjusted for inflation amounts to $ 187.1 million), mainly due to the fact that during fiscal year ended December 31,2018 higher expenses were incurred in cleaning and weeding of facilities ($ 21.5 million), outsourced maintenance works ($ 19 million), inspections and special river crossings ($ 143 million), ancillary facilities integrity at compressor plants ($ 11 million), meter and regulating stations integrity ($ 13.2 million) and overhauls ($ 37.4 million); and

iii. $ 2,072.1 million increase in *Property, plant and equipment depreciation* (which adjusted for inflation amounts to $ 2,023.4 million). Said variation is due to the higher "*Property, plant and equipment*" depreciation during the current fiscal year, as a result of the revaluation made as of December 31, 2018.

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

I) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION (Cont.)

Administrative and selling expenses

(in million pesos)

Accounts	Fiscal years ended 12.31.		
	2018	2017	Variation
Salaries, wages and other personnel benefits and social security contributions	339.2	188.6	150.6
Property, plant and equipment depreciation	86.6	31.9	54.7
Fees for professional services	60.3	54.5	5.8
Taxes, rates and contributions	827.8	520.9	306.9
Post, telecommunications, transportation, freight and travel expenses	21.1	10.9	10.2
Maintenance and repair of property, plant and equipment and third-party services and supplies	28.6	18.2	10.4
Rentals and office supplies	17.6	9.5	8.1
Doubtful accounts	32.4	(46.8)	79.2
Lawsuits	20.8	67.9	(47.1)
Supervisory Committee's fees	4.4	5.5	(1.1)
Board of Directors' fees	33.5	8.7	24.8
Materials and spare parts	8.7	0.6	8.1
Insurance	6.9	4.7	2.2
Other	13.2	5.6	7.6
Total	***1,501.1***	***880.7***	***620.4***
% of Administrative and Selling expenses on revenues	***12.7%***	***14.1%***	

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

i. $ 108.9 million increase in *Salaries, wages and other personnel benefits and social security contributions* (which adjusted for inflation amounts to $ 150.6 million). Said variation is explained by pay increases due to inflation adjustment ($ 68.5 million), higher headcount ($ 37.3 million) and other;

ii. $ 362.5 million increase in *Taxes, rates and contributions* (which adjusted for inflation amounts to $ 306.9 million), mainly due to higher costs associated with provision for court fees ($ 92.3 million), tax on bank transactions ($ 52.9 million) and turnover tax ($ 162.7 million);

iii. $ 0.6 million decrease in *Doubtful accounts* (which adjusted for inflation amounts to $ 79.2 million), mainly due to lower allowances set up during fiscal year 2018;

iv. $ 22.1 million decrease in *Lawsuits* (which adjusted for inflation amounts to $ 47.1 million), as a consequence of adjusting provisions for contingencies to the current status of lawsuits and complaints in which the Company is involved; and

v. $ 54.7 million increase in *Property, plant and equipment depreciation* (which adjusted for inflation amounts to $ 54.7 million), due to the higher "*Property, plant and equipment*" depreciation during current fiscal year, as a result of the revaluation made as of December 31, 2018.

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

I) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION (Cont.)

Other net income and expenses

(in million pesos)

Accounts	*Fiscal years ended 12.31.*		
	2018	***2017***	***Variation***
Income for commercial compensation	*26.0*	*0.6*	*25.4*
Net income from disposal of property, plant and equipment	*6.3*	*1.3*	*5.0*
Compensation for damages adjustment	*(155.2)*	*(68.9)*	*(86.3)*
Net income from other sales, loss recovery and other	*14.2*	*50.5*	*(36.3)*
Total	***(108.7)***	***(16.5)***	***(92.2)***

The account with the most significant variation is "*Compensation for Damages*", as during fiscal year ended December 31, 2018 the Company has recognized losses for $ 128 million (which adjusted for inflation amounts to $ 155.2 million), in relation with the compromise and settlement agreement entered into with AES Argentina Generación S.A. ("AES") in 2012 (and subsequently amended in 2014). This loss has been the result of measuring the liability with AES based on the "access and use charge" in force in each fiscal year.

Net financial income

(in million pesos)

Accounts	*Fiscal years ended 12.31.*		
	2018	***2017***	***Variation***
Other net financial income:			
Exchange rate gain	*3,488.7*	*467.5*	*3,021.2*
Exchange rate loss	*(5,506.8)*	*(992.8)*	*(4,514.0)*
Total other net financial income	***(2,018.1)***	***(525.3)***	***(1,492.8)***
Financial income:			
Interest	*115.5*	*444.9*	*(329.4)*
Income due to changes in fair values	*29.5*	*65.7*	*(36.2)*
Discounts obtained	*8.7*	*3.5*	*5.2*
Income due to discount at present value	*1.2*	*35.7*	*(34.5)*
Total financial income	***154.9***	***549.8***	***(394.9)***
Financial expenses:			
Interest	*(605.8)*	*(619.1)*	*13.3*
Expense due to discount at present value	*(4.4)*	*(2.1)*	*(2.3)*
Interest compounded on Property, plant and equipment	*204.8*	*-*	*204.8*
Banking, financial and other fees, expenses and taxes	*(8.8)*	*(25.7)*	*16.9*
Total financial expenses	***(414.2)***	***(646.9)***	***232.7***
Gain on monetary position	***589.3***	***719.1***	***(129.8)***
Total net financial (loss) income	***(1,688.1)***	***96.7***	***(1,784.8)***

Net financial income for fiscal year ended December 31, 2018 showed a higher loss of $ 1,373.7 million (which adjusted for inflation amounts to $ 1,784.8 million), as compared to fiscal year ended December 31, 2017. Accounts with the most relevant variations between both fiscal years were:

Net financial income (Cont.)

i. a higher loss of $ 3,730.6 million (which adjusted for inflation amounts to $ 4,514 million), on account of exchange rate differences on US dollar denominated liabilities;

ii. a higher gain of $ 2,486.9 million (which adjusted for inflation amounts to $ 3,021.2 million), on account of exchange rate differences on US dollar denominated assets;

iii. a higher loss of $ 303.5 million (which adjusted for inflation amounts to $ 316.1 million), associated with interest accrued during fiscal year;

iv. a higher loss of $ 21.9 million (which adjusted for inflation amounts to $ 36.8 million), due to long-term receivables and payables being discounted at present value;

v. a lower gain of 23.1 million (which adjusted for inflation amounts to $ 36.2 million), due to changes in fair values accrued during fiscal year ended December 31, 2018;

vi. a lower loss of $10.9 million (which adjusted for inflation amounts to $ 16.9 million), due to lower "*Banking, financial and other fees, expenses and taxes*" during fiscal year ended December 31, 2018;

vii. a higher gain of $ 202 million (which adjusted for inflation amounts to $ 204.8 million), in compound interest in connection with works the duration of which exceeds one year. The effective monthly compound rate used was 45.48%; and

viii. a lower gain of $ 129.8 million, due to the greater number of monetary assets exposed to inflation held in fiscal year 2018 as compared to 2017; mainly, higher trade accounts receivable as a result of rate adjustments.

I) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION (Cont.)

Income tax

The $ 656.4 million variation in Income Tax charge is mainly the result of a higher gain on account of deferred income tax ($ 1,722.9 million), net of the Special Tax provision ($ 639 million). This is the result of the Board approving, on February 26, 2019, the adoption to the Tax Revaluation, Law 27,430, Title X – Chapter 1, and also to a higher Income Tax Payable charge for ($ 427 million) in 2018 as compared to 2017.

Summary of statement of cash flows

(in million pesos)

	Fiscal years ended 12.31.	
	2018	***2017***
Cash generated by operating activities	*7,678.5*	*1,330.6*
Income tax	*(1,157.4)*	*(501.0)*
Interest accrued on liabilities	*605.8*	*619.1*
Net cash flow generated by operating activities	***7,126.9***	***1,448.7***
Acquisition of property, plant and equipment	*(2,242.8)*	*(1,251.8)*
Principal and interest received from investments at amortized cost and investments at fair value	*28.1*	*32.7*
Subscriptions, net of recovery of investment at amortized cost and investments at fair value (non-cash equivalents)	*(2,523.9)*	*9.0*
Net cash flow used in investing activities	***(4,738.6)***	***(1,210.1)***
Borrowing of Syndicated Loan, net of expenses	-	*5,820.7*
Payment of principal on Notes	-	*(5,544.9)*
Interest payment	*(401.0)*	*(437.1)*
Dividend payment in cash	*(495.4)*	-
Net cash flow used in financing activities	***(896.4)***	***(161.3)***
Net increase in cash and cash equivalents	***1,491.9***	***77.3***
Cash and cash equivalents at the beginning of fiscal year	***702.0***	***462.2***
Financial income generated by cash	***148.2***	***162.5***
Cash and cash equivalents at the end of fiscal year	***2,342.1***	***702.0***

Breakdown of cash and cash equivalents

(in million pesos)

Accounts	***Fiscal years ended 12.31.***	
	2018	***2017***
Cash and banks	*450.6* [1]	*44.3*
Term deposits in US$	*1,891.5*	*301.4*
Mutual funds in $	-	*356.3*
Cash and cash equivalents at the end of fiscal year	***2,342.1***	***702.0***

[1] As of December 31, 2018 and 2017 it includes $ 387.8 million and $ 8.7 million, respectively, denominated in foreign currency.

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

Transportadora de Gas del Norte S.A.

OVERVIEW FOR FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

II) COMPARATIVE BALANCE SHEETS AS OF DECEMBER 31, 2018 and 2017

(*in million pesos*)

Items	*As of 12.31*	
	2018	***2017***
Non-current assets	*39,328*	*34,941*
Current assets	*6,942*	*2,480*
Total	***46,270***	***37,421***
Shareholders' equity	*29,078*	*22,512*
Non-current liabilities	*10,818*	*13,755*
Current liabilities	*6,374*	*1,154*
Subtotal liabilities	*17,192*	*14,909*
Total	***46,270***	***37,421***

III) COMPARATIVE COMPREHENSIVE INCOME FOR FISCAL YEARS ENDED DECEMBER 31, 2018 and 2017

(*in million pesos*)

Items	*As of 12.31*	
	2018	***2017***
Income before other net income and expenses	***4,352.3***	***1,574.7***
Other net income and expenses	*(108.7)*	*(16.5)*
Income before financial income	***4,243.6***	***1,558.2***
Net financial income	*(1,688.1)*	*96.7*
Income from investments in affiliated companies	*9.1*	*4.3*
Income before income tax	***2,564.6***	***1,659.2***
Income tax	*1,157.4*	*501.0*
Income for the year	***3,722.0***	***2,160.2***
Other comprehensive income for the year	*1,854.2*	*12,570.5*
Comprehensive income for the year	***5,576.2***	***14,730.7***

IV) COMPARATIVE STATISTICAL DATA FOR FISCAL YEARS ENDED DECEMBER 31, 2018 and, 2017

Dispatched volumes in million m3:

By type of transportation

	As of 12.31	
	2018	***2017***
Firm	*14,743*	*15,109*
Interruptible & exchange and displacement	*9,201*	*7,284*
Total	***23,944***	***22,393***

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

OVERVIEW FOR FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

IV) COMPARATIVE STATISTICAL DATA FOR FISCAL YEARS ENDED DECEMBER 31, 2018 and 2017 (Cont.)

By source

	As of 12.31	
	2018	**2017**
Northern Pipeline	*9,649*	*9,766*
Central West Pipeline	*14,295*	*12,627*
Total	***23,944***	***22,393***

By destination

	As of 12.31	
	2018	**2017**
Domestic market	*23,816*	*22,379*
Export market	*128*	*14*
Total	***23,944***	***22,393***

V) COMPARATIVE RATIOS AS OF DECEMBER 31, 2018 and 2017

	As of 12.31	
	2018	**2017**
Liquidity (1)	*1.0890*	*2.1494*
Solvency (2)	*1.6913*	*1.5099*
Equity Immobility (3)	*0.8499*	*0.9337*

(1) Current assets / current liabilities
(2) Equity / total liabilities
(3) Non-current assets / total assets

VI) BUSINESS PROSPECTS FOR CURRENT YEAR (*not covered by the Independent Accountants' Report*)

This section about the Company's business, operating, financial and regulatory prospects should be read, analyzed and interpreted in conjunction with the notes to the Financial Statements as of December 31, 2018, and the additional information required under Title IV, Chapter III, Section 12 of the National Securities Commission regulations as of December 31, 2018, in order to have a full picture of corporate matters.

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

OVERVIEW FOR FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

VI) BUSINESS PROSPECTS FOR CURRENT YEAR (*not covered by the Independent Accountants' Report*) (Cont.)

Business perspectives for fiscal year 2019:

Rate increases implemented since 2016 have allowed the Company to cover its operating and maintenance expenses, execute certain works, meet its financial liabilities when due, and distribute dividends in April 2018 as a result of profits derived during the year ended December 31, 2017. In order to maintain transportation rates updated over time and thus be able to meet gas pipeline operation and maintenance requirements, the Comprehensive Rate Review conducted by the National Gas Regulatory Entity ("ENARGAS") introduced non-automatic bi-annual transportation rate adjustments, between five-year rate reviews, due to changes experienced in the cost of service, in order to maintain the economic-financial balance and quality of the service.

However, ENARGAS could consider other macroeconomic variables to reflect the impact of rate adjustments on household economies, by reference to levels of activity, salaries and retirement benefits, among others.

Actually, as part of the biannual adjustment applicable as from October 1, 2018, ENARGAS resolved to apply the simple average of the Domestic Wholesale Price Index – General Level ("IPIM") published by INDEC, the Construction Cost Index (February-August 2018), and the Labor Cost Index (December 2017-June 2018), which resulted in an increase (19.7%) lower than would have otherwise resulted by applying the IPIM (30.5%).

The Company has been unable to confirm whether the ENARGAS has reasonably analyzed and concluded that the polynomial formula applied for said biannual adjustment actually maintains the economic-financial sustainability and quality of the service rendered by TGN, as required under item 7.1 of the License Comprehensive Agreement. Assuming that the regulator intended to soften the rate impact on consumers through a price control, the Company requested ENARGAS to discuss the terms of an equivalent compensation (including a review of the scope of the mandatory investment plan), as established in item 9.8 of the Basic Rules of the License.

The Company assumes that the new rates will remain at constant values along time in order to be able to meet expenses and investments required for gas pipeline operation and maintenance. However, the outcome of biannual rate adjustments could actually differ from current assumptions.

City of Buenos Aires, March 7, 2019

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. T° 1 F° 17
Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

Emilio Daneri Conte-Grand
President

Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR FISCAL YEAR ENDED DECEMBER 31, 2018 (in thousand pesos, except as otherwise expressly stated).

i. General matters related to the Company's activities:

1. Legislation and regulations applicable to the Company and potential contingencies:

The Natural Gas Act and its regulations, the Bidding Terms and Conditions for the privatization of Gas del Estado S.E. ("GdE"), the Transfer Agreement, the License and the resolutions adopted by ENARGAS establish the legal framework pursuant to which the Company carries out its business. The License, granted for an original term of 35 years, with an option for a ten year extension, may be revoked by the National Executive Branch upon ENARGAS' recommendation in case the Company fails to comply with the duties thereunder expressly established. If the License is revoked, the Company may be forced to cease operating the assets received from GdE and transfer them to the National Government or any designee thereof. Note 1 to TGN´s Financial Statements as of December 31, 2018 describes the Company's legal and regulatory matters.

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 or could affect the ability to compare them with those submitted in previous or future fiscal years:

See Notes 1.3.3; 2.6; 16 and 20 to the Company's Financial Statements for year ended December 31, 2018.

3. Classification of receivables and payables based on aging and due dates:

	12.31.2018		
	Receivables (1)	**Loans (2)**	**Other Payables (3)**
Past due			
From 01.01.2008 to 12.31.2008	698,525	-	2,180
From 01.01.2009 to 12.31.2009	1,260,137	-	4,833
From 01.01.2010 to 12.31.2010	1,637,652	-	5,429
From 01.01.2011 to 12.31.2011	807,598	-	6,778
From 01.01.2012 to 12.31.2012	802,606	-	1,210
From 01.01.2013 to 12.31.2013	805,318	-	3,262
From 01.01.2014 to 12.31.2014	810,120	-	823
From 01.01.2015 to 12.31.2015	336,803	-	9,471
From 01.01.2016 to 12.31.2016	42,389	-	33,369
From 01.01.2017 to 12.31.2017	71,135	-	21,595
From 01.01.2018 to 03.31.2018	15,841	-	9,495
From 04.01.2018 to 06.30.2018	30,738	-	31,165
From 07.01.2018 to 09.30.2018	352,165	-	65,468
From 10.01.2018 to 12.31.2018	155,803	-	375,913

(1) Includes trade accounts receivable and other accounts receivable, at face value, and excludes allowances.
(2) Recorded at present value.
(3) Includes all non-financial liabilities, excluding contingencies and deferred tax liabilities.

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR FISCAL YEAR ENDED DECEMBER 31, 2018 (in thousand pesos, except as otherwise expressly stated).

	12.31.2018		
	Receivables [1]	**Loans [2]**	**Other payables [3]**
Without due date	228,635	-	350,403
To become due			
03.31.2019	1,182,726	96,336	805,025
06.30.2019	-	2,073,500	256,348
09.30.2019	-	-	7,575
12.31.2019	-	2,073,500	7,575
12.31.2020	-	4,136,620	30,299
12.31.2021	-	-	30,299
12.31.2022	-	-	30,299
12.31.2023	-	-	30,299
12.31.2024	-	-	30,299
12.31.2025	-	-	30,299
12.31.2026	-	-	30,299
12.31.2027	-	-	30,299
Total as of 12.31.2018	**9,238,191**	**8,379,956**	**2,240,309**

4. Classification of receivables and payables based on their financial effects:

	12.31.2018		
	Receivables [1]	**Loans [2]**	**Other payables [3]**
In local currency	2,064,047	52	1,746,835
In foreign currency	7,174,144	8,379,904	493,474
In kind	-	-	-
Total as of 12.31.2018	**9,238,191**	**8,379,956**	**2,240,309**
Balances subject to adjustment clause	-	-	-
Balances not subject to adjustment clause	9,238,191	8,379,956	2,240,309
Total as of 12.31.2018	**9,238,191**	**8,379,956**	**2,240,309**
Interest bearing balances	529	8,294,000	50,452
Non-interest bearing balances	9,237,662	85,956	2,189,857
Total as of 12.31.2018	**9,238,191**	**8,379,956**	**2,240,309**

(1) Includes trade accounts receivable, and other accounts receivable at face value, and excludes allowances.
(2) Recorded at present value.
(3) Includes non-financial liabilities and excludes contingencies and deferred tax liabilities.

5. Interest Percentage and votes in Affiliated Companies – Argentine General Company Law, Section 33:

See Note 7 to the Company's Financial Statements as of December 31, 2018.

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17
Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. Tº 155 Fº 146

Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR FISCAL YEAR ENDED DECEMBER 31, 2018 (in thousand pesos, except as otherwise expressly stated).

5.1. Debit and/or Credit balances by company, based on their financial effects:

	Comgas Andina S.A.		Companhia Operadora do Rio Grande do Sul	
	Receivables	**Other payables**	**Receivables**	**Other payables**
Without due date	-	-	1,073	-
To become due				
From 01.01.2019 to 03.31.2019	1,123	-	211	-
Total as of 12.31.2018	**1,123**	**-**	**1,284**	**-**
In local currency	-	-	-	-
In foreign currency	1,123	-	1,284	-
In kind	-	-	-	-
Total as of 12.31.2018	**1,123**	**-**	**1,284**	**-**
Balances subject to adjustment clause	-	-	-	-
Balances not subject to adjustment clause	1,123	-	1,284	-
Total as of 12.31.2018	**1,123**	**-**	**1,284**	**-**
Interest bearing balances	-	-	-	-
Non-interest bearing balances	1,123	-	1,284	-
Total as of 12.31.2018	**1,123**	**-**	**1,284**	**-**

6. Trade receivables or loans with Directors, Statutory Auditors and their second-degree relatives:

None.

ii. Physical count of inventories:

7. Frequency and scope of physical count of inventories.

The physical count of all (100%) materials and spare parts is performed on an annual basis. Slow-moving and obsolete materials and spare parts amount to $ 365.3 million and are totally covered by an allowance. (See Note 11 to the Company's Financial Statements as of December 31, 2018).

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17

Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. Tº 155 Fº 146

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR FISCAL YEAR ENDED DECEMBER 31, 2018 (in thousand pesos, except as otherwise expressly stated).

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 appraises using current values are disclosed under "Investments at fair value". Sources used to calculate those current values are included in Note 3.6 to the Company´s Financial Statements as of December 31, 2018.

9. Technically appraised Fixed Assets:

See Note 2.6 to the Company's Financial Statements as of December 31, 2018.

10. Value of Obsolete Fixed Assets:

None.

iv. Equity Investments in Other Companies:

11. Equity investments in other companies exceeding the provisions of Section 31 of the Argentine General Company Law:

None.

v. Recoverable Values:

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

-Materials and spare parts & Property, plant and equipment: the recoverable value of said assets was determined based on their economic use - Note 2.6 to the Company's Financial Statements as of December 31, 2018.

Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR FISCAL YEAR ENDED DECEMBER 31, 2018 (in thousand pesos, except as otherwise expressly stated).

vi. Insurance:

13. Insurance covering the Company's tangible assets are as follows:

Property Insured	Risks covered	Insured amount in thousands	Book value in thousand $
• Personal and real property allocated to the provision of service	Operational all risk and loss of profit. Third party Liability Terrorism.	US$ 90,000 US$ 220,000 US$ 35,000	33,198,675
• Machinery.	Machinery breakdown.	US$ 10,000	1,263,659
• Vehicles:			
- Management fleet.	Limited liability.	$ 6,000	4,588
	Total loss for car accident.	$ 9,720	
	Total or partial loss due to fire, robbery or theft.	$ 9,720	
- Operational fleet (cars and y pickups).	Limited liability.	$ 6,000	66,543
- Trucks and trailers.	Limited liability	$ 18,000	
• Personal property at Head Office and IT equipment.	Fire. Theft.	US$ 9,000 US$ 10	87,300
• Works in progress.	All risk, construction and assembly	US$ 5,000	2,155,706

See our report dated
March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

<u>ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR FISCAL YEAR ENDED DECEMBER 31, 2018 (in thousand pesos, except as otherwise expressly stated).</u>

vii. Positive and negative contingencies:

14. Balance of Allowances and Provisions, which jointly or individually exceed 2% of equity:

The allowances and provisions deducted from assets and included under liabilities amount to $ 4,816,610. The Financial Statements as of December 31, 2018 contain a breakdown of these allowances and provisions and their changes during the year.

15. Contingencies with an impact on equity likely to occur, which have not been reported in these Financial Statements:

None.

viii. Irrevocable advances toward future subscription of shares:

16. Status of capitalization process:

There are no irrevocable advances toward future subscription of shares pending to be capitalized.

17. Unpaid cumulative dividends on preferred shares:

None.

18. Conditions, circumstances or terms for the cessation of restrictions on distribution of retained earnings:

At the Shareholders Meeting held on October 3, 2017, the Board was delegated the power to establish restrictions on payment of dividends (see Note 15.2 to the Company's Financial Statements as of December 31, 2017).

See our report dated
March 7, 2019
PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. T° 1 F° 17
Dr. Carlos N. Martínez
Chartered Accountant (UBA)
C.P.C.E.C.A.B.A. T° 155 F° 146

Juan José Valdez Follino
Regular Statutory Auditor

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
Autonomous City of Buenos Aires
Tax Code No. 30-65786305-6

Report on the Financial Statements

We have audited the accompanying financial statements of Transportadora de Gas del Norte S.A. (hereinafter, the Company), which comprise the balance sheet as of December 31, 2018 and the statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

The amounts and other information related to the fiscal year 2017 are an integral part of the audited financial statements mentioned above; therefore, they should 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 of the Company is also 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 accompanying financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs), as they were adopted in Argentina by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) through the Technical Pronouncement No. 32 and its Adoption Newsletters. 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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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, 2018, as well as the comprehensive income and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

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 Overview and the Additional Information to the notes to the financial statements required by 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, 2018 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 $28,475,466, 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, 2018 account for:

e.1) 86.6% of the total fees for services billed to the Company for all items during that fiscal year;

e.2) 85.6% 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) 75.6% of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;

f) we have applied for Transportadora de Gas del Norte S.A. the money laundering abatement and anti-terrorist financing procedures comprised in the professional standards issued by the Professional Council in Economic Sciences of the City of Buenos Aires.

Autonomous City of Buenos Aires, March 7, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Socio)

C.P.C.E.C.A.B.A. T° 1 F° 17

Dr. Carlos N. Martínez

Chartered Accountant (UBA)

C.P.C.E.C.A.B.A. T° 155 F° 146

Free translation from the original in Spanish for publication in Argentina

REPORT FROM THE SUPERVISORY COMMITTEE

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

Documents reviewed

In accordance with the provisions of Section 294, Subsection 5 of the Argentine General Company Law, we have reviewed the Financial Statements of Transportadora de Gas del Norte S.A. (hereinafter, the "Company" or "TGN"), which comprise the Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity and Statement of Cash Flows for the year ended as of December 31, 2018, and supplemental Notes and Annexes, the Inventory, the Annual Report as well as the Additional Information required by the National Securities Commission Regulations.

Balances and other information for fiscal year 2017 and interim periods are an integral part of the aforementioned Financial Statements and therefore they should be considered in relation with these Financial Statements.

Management Responsibility

The preparation and presentation of the Financial Statements are the responsibility of the Company's Board, in exercise of its exclusive duties, and in full observance of applicable regulations. This responsibility includes the design, implementation and maintenance of an adequate and efficient control system so that such Statements are free from significant distortions caused by errors or irregularities, and also includes the selection and application of appropriate accounting policies and the most reasonable estimates under the prevailing circumstances.

Supervisory Committee's Responsibility

We conducted our review of the Financial Statements in accordance with Statutory Auditing Standards in force. Those standards require that the review is conducted in accordance with applicable auditing standards and that the consistency of significant information contained in those statements is verified against the information on corporate decisions set forth in minutes, including the consistency of those decisions with the Law and the Company's Bylaws insofar as formal and documentary aspects are concerned.

To carry out such work, we have also considered the review on the Financial Statements as of December 31, 2018 conducted by Independent Auditors and the Report by independent auditor Carlos N. Martínez (CPA), Partner of Price Waterhouse & Co. S.R.L., dated March 7, 2019, issued in compliance with applicable auditing standards in Argentina. Our review included the verification of the work planning, scope, nature and timeliness of the procedures followed and the results of the audit conducted by said professional.

An audit involves performing procedures to obtain evidence about amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements in the Financial Statements, whether due to fraud or error. In making that risk assessment, the auditor must consider the internal control system in place for a fair preparation and presentation of the Company's 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 the overall presentation of the Financial Statements.

We have not conducted any management control and therefore we have not evaluated business decisions and criteria concerning the gas transportation utility service, its administration and commercialization, since these issues are the exclusive responsibility of the Board and are beyond the scope of this Supervisory Committee.

Conclusion

We consider that the scope of our work and the Independent Auditor's Report provide us with a reasonable basis for our opinion, and in accordance with applicable regulations we report that, in our opinion, the Financial Statements as of December 31, 2018, discussed and approved by the Company's Board on the date hereof, include all material facts and circumstances that have come to our knowledge.

Report on compliance with applicable regulations

a) The Financial Statements of Transportadora de Gas del Norte S.A. are recorded in the "Inventory and Balance Sheet" book and are in compliance with the provisions of the Argentine General Company Law and pertinent resolutions of the National Securities Commission. Accounting books and records are kept, in all formal respects, in accordance with applicable legislation, and have been approved by the CNV as they provide for a reasonable basis of assurance and integrity.

b) As regards the above mentioned Financial Statements and the Additional Information to their Notes required under Title IV, Chapter III, Section 12 of CNV regulations, we have no remarks to make in addition to the above stated.

c) The Board´s Annual Report for fiscal year ended December 31, 2018, contains the information required by Section 66 of the Argentine General Company Law, being the assertions related to the economic context in which the Company operated, the Company´s management and subsequent events included in that document, the sole responsibility of the Company´s Board. Insofar as matters within our competence, accounting figures included in said document are derived from the 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 prepared by the Board of Directors, and we have no material remarks to make.

d) We have complied with the requirements of Section 294 of the Argentine General Company Law, having regularly participated in the Board and Audit Committee´s meetings and having exercised, where relevant, the powers vested on us by said piece of legislation and the Company´s By-laws.

e) As required by the National Securities Commission regulations (as amended in 2013), we have reviewed the Independent Auditor's Report issued by the independent auditor, from which it is derived that:

   i) The accounting policies applied to prepare the Financial Statements as of December 31, 2018 are in accordance with applicable professional accounting standards; and

   ii) The independent auditors have conducted their audit applying auditing standards established by the Argentine Federation of Professional Councils in Economic Sciences, which call for objectivity and independence.

f) We have applied anti-money laundering and counter-terrorist financing procedures set forth in the relevant professional standards issued by the Professional Council in Economic Sciences of the City of Buenos Aires.

City of Buenos Aires, March 7, 2019.

By the Supervisory Committee

Dr. Juan José Valdez Follino
Regular Statutory Auditor