



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

**Interim condensed financial statements as of June 30, 2016 presented in thousands of pesos and in a comparative format**

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Additional information to the notes to the interim condensed financial statements required by Title IV, Chapter III, Section 1<sup>st</sup> of the National Securities Commission regulations.

Review report on the interim condensed financial statements

Statutory Audit Committee's Report

## Transportadora de Gas del Norte S.A.

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

**INTERIM CONDENSED FINANCIAL STATEMENTS** for the six-month period ended on June 30, 2016, presented in a comparative format.

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

Date of registration with the Public Registry: December 1<sup>st</sup>, 1992.

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

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

Date of expiry of Company's by-laws: December 1<sup>st</sup>, 2091

Controlling shareholder: Gasinvest S.A.

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

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

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

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

Capital status (Note 14 to the Company's financial statements as of December 31, 2015)

Type of shares	Subscribed and paid in	
	06.30.16	12.31.15
	Thousands of \$	
Ordinary, book-entry class A shares, of \$ 1 par value each and entitled to one vote per share	179,264	179,264
Ordinary, book-entry class B shares, of \$ 1 par value each and entitled to one vote per share	172,235	172,235
Ordinary, book-entry class C shares, of \$ 1 par value each and entitled to one vote per share	87,875	87,875
<b>Total</b>	<b>439,374</b>	<b>439,374</b>

## TRANSPORTADORA DE GAS DEL NORTE S.A.

### SUMMARY OF INFORMATION CORRESPONDING TO THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

In accordance with the terms of the National Securities Commission (“CNV”) regulations, an analysis of the results of Transportadora de Gas del Norte S.A. (“TGN” or “the Company”) is detailed below, as well as its financial situation, its business prospects and other financial and economic indicators, which should be read in conjunction with the attached interim condensed financial statements, the additional information to the notes required by Section 68 of the Buenos Aires Stock Exchange Listing Rules, by Title IV, Chapter III, Sections 1<sup>st</sup> and 12 of the CNV regulations, the press releases opportunely notified to the CNV and the Company’s financial statements corresponding to the fiscal year ended December 31, 2015.

#### D) ANALYSIS OF COMPREHENSIVE RESULT AND FINANCIAL SITUATION

- *Comprehensive result for the period:*

<i>Accounts</i>	<i>(in millions of pesos)</i>		
	<i>Six-month period ended June 30,</i>		
	<i>2016</i>	<i>2015</i>	<i>Variation</i>
<b>Revenues</b>			
Gas carriage service	801.5	337.7	463.8
Allowances for disputed amounts and others	-	(25.3)	25.3
<b>Subtotal gas carriage service</b>	<b>801.5</b>	<b>312.4</b>	<b>489.1</b>
<i>Other services:</i>			
Gas pipeline operation and maintenance services and others	63.4	35.9	27.5
Management fees – Gas Trust Program	1.1	12.1	(11.0)
<b>Subtotal other services</b>	<b>64.5</b>	<b>48.0</b>	<b>16.5</b>
<b>Total revenues</b>	<b>866.0</b>	<b>360.4</b>	<b>505.6</b>
<b>Cost of services</b>			
Operation and maintenance costs	(389.3)	(292.5)	(96.8)
Property, plant and equipment depreciation	(74.3)	(69.7)	(4.6)
<b>Subtotal</b>	<b>(463.6)</b>	<b>(362.2)</b>	<b>(101.4)</b>
<b>Gross profit (loss)</b>	<b>402.4</b>	<b>(1.8)</b>	<b>404.2</b>
<i>Administrative and selling expenses</i>	(208.5)	(108.0)	(100.5)
<b>Income (loss) before other net income and expenses</b>	<b>193.9</b>	<b>(109.8)</b>	<b>303.7</b>
<i>Other net income and expenses</i>	(96.0)	(5.4)	(90.6)
<b>Income (loss) before financial results</b>	<b>97.9</b>	<b>(115.2)</b>	<b>213.1</b>
<i>Net financial results</i>	(344.9)	(13.1)	(331.8)
<i>Results from investments in affiliate companies</i>	0.7	1.2	(0.5)
<b>Result before income tax</b>	<b>(246.3)</b>	<b>(127.1)</b>	<b>(119.2)</b>
<i>Deferred income tax</i>	86.9	36.0	50.9
<b>Loss for the period</b>	<b>(159.4)</b>	<b>(91.1)</b>	<b>(68.3)</b>
<i>Other comprehensive results for the period</i>	6.5	-	6.5
<b>Comprehensive loss for the period</b>	<b>(152.9)</b>	<b>(91.1)</b>	<b>(61.8)</b>
<b>EBITDA <sup>(1)</sup></b>	<b>183.2</b>	<b>(41.3)</b>	<b>224.5</b>

(1) Result before income tax, financial results, property, plant and equipment depreciation and charges for consumable goods not entailing outlays of cash.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

### SUMMARY OF INFORMATION CORRESPONDING TO THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

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

	<i>(in millions of pesos)</i>	
	<b>06.30.2016</b>	<b>12.31.2015</b>
<i>Total assets</i>	4,467	3,875
<i>Total liabilities</i>	4,308	3,563
<i>Shareholders' equity</i>	159	312

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

- *Revenues*

Revenues' variation of \$ 505.6 million between the six-month periods ended June 30, 2016 and 2015 is explained by the following causes:

- i.* lower allowances for disputed amounts for \$ 25.3 million during the six-month period ended June 30, 2016, compared to the same period of the previous year, due to the rescission of the firm gas carriage contract for export with the customer Metrogas Chile S.A., in April 2015 (see Note 1.3.5 to the Company's financial statements as of December 31, 2015);
- ii.* lower income for \$ 4.0 million in interruptible carriage services, exchange and displacement services and others;
- iii.* higher billings for \$ 82.0 million, related to the rise in the domestic carriage rates since May 1<sup>st</sup>, 2015, set by the National Gas Regulatory Entity ("ENARGAS") throughout its Resolution I 3348/15;
- iv.* higher billings for \$ 433.8 million, related to the rise in the domestic carriage rates since April 2016, set by the ENARGAS throughout its Resolution I 3723/16;
- v.* higher income for \$ 27.5 million in "Gas pipeline operation and maintenance services and others";
- vi.* lower income for \$ 11.0 million during the six-month period ended June 30, 2016 corresponding to "Management fees – Gas Trust Program", compared to the same period of the previous year; and
- vii.* decrease for \$ 48.0 million due to the rescission of the firm gas carriage contract for export with the customer Metrogas Chile S.A., previously mentioned in i).

## TRANSPORTADORA DE GAS DEL NORTE S.A.

### SUMMARY OF INFORMATION CORRESPONDING TO THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

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

- *Cost of services*

*(in millions of pesos)*

<i>Accounts</i>	<i>Six-month period ended June 30,</i>		
	<i>2016</i>	<i>2015</i>	<i>Variation</i>
<i>Fees for professional services</i>	5.8	5.1	0.7
<i>Salaries, wages and other personnel benefits and social security contributions</i>	152.2	116.6	35.6
<i>Technical assistance fees</i>	6.4	4.9	1.5
<i>Consumption of materials and spare parts</i>	26.6	16.4	10.2
<i>Maintenance and repair of property, plant and equipment and third-party services and supplies</i>	140.6	117.1	23.5
<i>Communications, freight, transportation and travel expenses</i>	21.9	15.7	6.2
<i>Insurance</i>	10.6	6.7	3.9
<i>Rentals and office supplies</i>	4.8	2.5	2.3
<i>Easements</i>	9.3	4.3	5.0
<i>Taxes, rates and contributions</i>	0.5	0.5	-
<i>Property, plant and equipment depreciation</i>	74.3	69.7	4.6
<i>Slow-moving and obsolete materials and spare parts</i>	8.3	1.6	6.7
<i>Others</i>	2.3	1.1	1.2
<b>Total</b>	<b>463.6</b>	<b>362.2</b>	<b>101.4</b>
<i>% of Costs of services on revenues</i>	<i>53.5%</i>	<i>100.5%</i>	

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

- i. \$ 35.6 million increase in *Salaries, wages and other personnel benefits and social security contributions* principally as a result of pay increases corresponding to inflation adjustment; and
- ii. \$ 23.5 million increase in *Maintenance and repair of property, plant and equipment and third-party services and supplies*, mainly due to the fact that during the six-month period ended June 30, 2016 higher expenses were made in cleaning, weeding and painting of facilities (\$ 7.7 million), communication and energy equipment's maintenance (\$ 2.8 million), internal inspection of gas pipelines and installations (\$ 15.9 million), maintenance of gas pipelines and compression plants (\$ 26.7 million), security (\$ 2.8 million) and other works, partially offset by lower expenses in repair of gas pipelines (\$ 16.7 million) and in surfaces installations and remediation of river crossings and erosions (\$ 16.5 million).

## TRANSPORTADORA DE GAS DEL NORTE S.A.

### SUMMARY OF INFORMATION CORRESPONDING TO THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

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

- *Administrative and selling expenses*

<i>Accounts</i>	<i>(in millions of pesos)</i>		
	<i>Six-month period ended June 30,</i>		
	<i>2016</i>	<i>2015</i>	<i>Variation</i>
<i>Salaries, wages and other personnel benefits and social security contributions</i>	70.3	51.5	18.8
<i>Property, plant and equipment depreciation</i>	1.1	1.0	0.1
<i>Fees for professional services</i>	7.3	7.5	(0.2)
<i>Taxes, rates and contributions</i>	70.9	41.8	29.1
<i>Communications, freight, transportation and travel expenses</i>	3.5	2.0	1.5
<i>Maintenance and repair of property, plant and equipment and third-party services and supplies</i>	4.0	2.6	1.4
<i>Rentals and office supplies</i>	2.2	1.8	0.4
<i>Doubtful accounts</i>	30.2	2.7	27.5
<i>Contingencies</i>	13.8	(6.8)	20.6
<i>Statutory auditors committee's fees</i>	1.1	0.8	0.3
<i>Board of directors' fees</i>	1.7	1.6	0.1
<i>Others</i>	2.4	1.5	0.9
<b>Total</b>	<b>208.5</b>	<b>108.0</b>	<b>100.5</b>
<b>% of Administrative and selling expenses on revenues</b>	<b>24.1%</b>	<b>30.0%</b>	

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

- i. \$ 18.8 million increase in *Salaries, wages and other personnel benefits and social security contributions* principally as a result of pay increases corresponding to inflation adjustment;
- ii. \$ 29.1 million increase in *Taxes, rates and contributions* due to higher charges for the verification and control rate in favor of the ENARGAS (\$ 3.1 million), tax on bank transactions (\$ 4.4 million) and turnover tax (\$ 32.1 million), partially offset by a higher charge in the six-month period ended June 30, 2015 regarding court fees (\$ 10.8 million) related to the extension of the lawsuit against Metrogas Chile S.A. (see Note 1.3.5 to the Company's financial statements as of December 31, 2015);
- iii. \$ 27.5 million increase in *Doubtful accounts* due to higher allowances set up during the six-month period ended June 30, 2016, related to past due customers' balances; and
- iv. \$ 20.6 million increase in *Contingencies*, as a result of the adjustment of the provisions for contingencies to the current status of lawsuits and complaints in which the Company is involved.

- *Other net income and expenses*

<i>Accounts</i>	<i>(in millions of pesos)</i>		
	<i>Six-month period ended June 30,</i>		
	<i>2016</i>	<i>2015</i>	<i>Variation</i>
<i>Compensation for damages adjustment</i>	(109.9)	(20.8)	(89.1)
<i>Income from commercial indemnifications</i>	8.3	-	8.3
<i>Net result from disposal of property, plant and equipment</i>	0.3	(0.1)	0.4
<i>Net income from sundry sales, accidents recoveries and others</i>	5.3	15.5	(10.2)
<b>Total</b>	<b>(96.0)</b>	<b>(5.4)</b>	<b>(90.6)</b>

During the six-month periods ended June 30, 2016 and 2015, the Company has recognized losses for \$ 109.9 million and \$ 20.8 million, respectively, in relation to the compromise and settlement agreement entered into with AES Argentina Generación S.A. in 2012 (and lately modified in 2014). These losses are the result of measuring the liability with AES Argentina Generación S.A. on the basis of the gas carriage rates in force, as mentioned in Note 1.1 to the Company's interim condensed financial statements.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

### SUMMARY OF INFORMATION CORRESPONDING TO THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

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

- *Net financial results*

*(in millions of pesos)*

<i>Accounts</i>	<i>Six-month period ended June 30,</i>		
	<i>2016</i>	<i>2015</i>	<i>Variation</i>
<b><i>Generated by exchange rate differences:</i></b>			
<i>Income on exchange rate variations</i>	243.8	84.0	159.8
<i>Loss on exchange rate variations</i>	(503.2)	(125.2)	(378.0)
<b><i>Total financial results generated by exchange rate differences</i></b>	<b>(259.4)</b>	<b>(41.2)</b>	<b>(218.2)</b>
<b><i>Financial income:</i></b>			
<i>Interest</i>	30.6	17.8	12.8
<i>Results from changes in fair values</i>	8.3	83.5	(75.2)
<i>Results on discounting at present value</i>	-	2.6	(2.6)
<i>Allowances recovered and others</i>	1.3	0.4	0.9
<b><i>Total financial income</i></b>	<b>40.2</b>	<b>104.3</b>	<b>(64.1)</b>
<b><i>Financial expenses:</i></b>			
<i>Interest</i>	(119.6)	(69.5)	(50.1)
<i>Results on discounting at present value</i>	(4.1)	(4.9)	0.8
<i>Commissions, taxes and expenses on banking and financial operations</i>	(2.0)	(1.8)	(0.2)
<b><i>Total financial expenses</i></b>	<b>(125.7)</b>	<b>(76.2)</b>	<b>(49.5)</b>
<b><i>Total net financial results</i></b>	<b>(344.9)</b>	<b>(13.1)</b>	<b>(331.8)</b>

Net financial results for the six-month period ended June 30, 2016 presented higher losses for \$ 331.8 million compared to the six-month period ended June 30, 2015. Accounts showing the most significant variations between both periods were:

- i. higher losses for \$ 378.0 million resulting from exchange rate differences generated by liabilities denominated in US dollars;
- ii. lower results from changes in fair values for \$ 75.2 million during the six-month period ended June 30, 2016;
- iii. higher interests for \$ 50.1 million accrued in relation to loan balances during the six-month period ended June 30, 2016, compared to the same period of the previous year; and
- iv. higher profits for \$ 159.8 million resulting from exchange rate differences generated by assets denominated in US dollars.

- *Deferred income tax*

Deferred income tax results corresponding to the six-month period ended June 30, 2016 presented higher income for \$ 50.9 million compared to the same period of last year. This variation is principally explained by a higher tax-loss carryforward registered in the six-month period ended June 30, 2016. Note 7 to the Company's interim condensed financial statements as of June 30, 2016 presents a breakdown of the deferred income tax assets and liabilities and the variation they registered during the six-month period ended June 30, 2016.



# TRANSPORTADORA DE GAS DEL NORTE S.A.

## SUMMARY OF INFORMATION CORRESPONDING TO THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

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

- *Summary of the statement of cash flows*

*(in millions of pesos)*

	<i>Six-month period ended June 30,</i>	
	<i>2016</i>	<i>2015</i>
<i>Cash generated by (used in) the operations</i>	194.6	(165.1)
<i>Deferred income tax</i>	(86.9)	(36.0)
<i>Accrued interest generated by liabilities</i>	119.6	69.5
<b><i>Net cash flow generated by (used in) the operations</i></b>	<b>227.3</b>	<b>(131.6)</b>
<i>Purchase of property, plant and equipment</i>	(172.1)	(72.7)
<i>Variation of short-term investments (non-cash equivalents)</i>	0.9	64.9
<b><i>Net cash flow used in investing activities</i></b>	<b>(171.2)</b>	<b>(7.8)</b>
<i>Cash flow hedge operations</i>	3.3	-
<i>Loans' payment</i>	(42.5)	(0.9)
<b><i>Net cash flow used in financing activities</i></b>	<b>(39.2)</b>	<b>(0.9)</b>
<b><i>Net increase (decrease) in cash and cash equivalents</i></b>	<b>16.9</b>	<b>(140.3)</b>
<b><i>Cash and cash equivalents at the beginning of the year</i></b>	<b>209.6</b>	<b>250.5</b>
<b><i>Financial results generated by cash</i></b>	<b>25.8</b>	<b>16.3</b>
<b><i>Cash and cash equivalents at the end of the period</i></b>	<b>252.3</b>	<b>126.5</b>

- *Breakdown of cash and cash equivalents*

*(in millions of pesos)*

<i>Accounts</i>	<i>Six-month period ended June 30,</i>	
	<i>2016</i>	<i>2015</i>
<i>Cash and banks</i>	22.0	38.0
<i>Time deposits in US\$</i>	94.1	88.5
<i>Mutual funds in \$</i>	136.2	-
<b><i>Cash and cash equivalents at the end of the period</i></b>	<b>252.3</b>	<b>126.5</b>

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

### SUMMARY OF INFORMATION CORRESPONDING TO THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

#### II) BUSINESS PROSPECTS (not covered by the Review report on the interim condensed financial statements)

This section, related to the Company's business, operating, financial and regulatory prospects must be complemented with the notes to the interim condensed financial statements as of June 30, 2016, the additional information required by Section 68 of the Buenos Aires Stock Exchange Listing Rules, by Title IV, Chapter III, Sections 1<sup>st</sup> and 12 of the CNV regulations as of June 30, 2016 and the Company's financial statements as of December 31, 2015. This information should be jointly read, analyzed and interpreted to have a full vision of the significant corporate matters.

#### Business prospects for the rest of the current fiscal year:

Upon enactment of Public Emergency Law No. 25,561 ("LEP") in early 2002 and the ongoing renewal thereof since then until December 31, 2017, the gas carriage rates were converted into Argentine pesos and frozen. The regulation issued after the enactment of the LEP did not establish any alternative mechanism for the adjustment of rates, and this lack of an alternative mechanism led to the direct breakdown of the economic-financial equation of the License (as defined in Note 1 to the Company's financial statements as of December 31, 2015).

Between July 1999 and March 2014, TGN's rates were frozen in pesos, preventing the Company from continuing making investments to expand the system. Public trusts organized by the former National Secretariat of Energy have replaced the Company in that role since 2004. These trusts are financed through rates that largely exceeded, at the moment of their establishment, the rate collected by TGN.

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

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

In April 2014, the ENARGAS implemented the Temporary Agreement for rate adjustment entered into in 2008, ratified by the National Executive Branch in 2010, which approved an increase of 8% in gas carriage rates as from April 1<sup>st</sup>, 2014; 14% accumulated as from June 1<sup>st</sup>, 2014, and 20% accumulated as from August 1<sup>st</sup>, 2014. The incremental collection had to be allocated to investments approved by the ENARGAS. The Company complied with this obligation. Subsequently, on June 5, 2015, the ENARGAS enforced, through Resolution I 3348, new gas carriage rate schedules that implied a 69.1% increase as from May 1<sup>st</sup> of that year.

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

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

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

### SUMMARY OF INFORMATION CORRESPONDING TO THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

#### II) BUSINESS PROSPECTS (not covered by the Review report on the interim condensed financial statements) (Cont.)

Likewise, on March 28, 2016 the MINEM issued Resolution No. 28/16 (jointly with Resolution No. 31/16, the “MINEM Resolutions”) whereby new natural gas prices in the access points to the carriage systems were entered into force. This included eligibility criteria for residential users to have access to the benefit of “social rates”.

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

As from May 2016 various courts from different jurisdictions began to issue several injunctions, suspending or limiting the temporary increases in the distribution rates, which include the price of gas and the carriage rates, generally based on the failure to conduct public hearings before their enforcement. In this context, in June 2016 the MINEM issued Resolution No. 99 which instructed the ENARGAS to set certain limits to the increases regarding residential and commercial users, which were subsequently extended in July 2016 through MINEM Resolution No.129. The recitals of these resolutions state that those limits on the gas price do not affect the distribution and carriage regulated margin.

Meanwhile, a decision by La Plata Federal Court of Appeals, Room II, annulled the MINEM Resolutions due to the failure to comply with the requirement of prior public hearings. Although TGN is neither a party to the proceedings before the said Room II nor was it notified about its judicial decision, on July 27 TGN was informed by the ENARGAS that the temporary adjustment of its rates is not applicable until a decision is made regarding whether granting or not the extraordinary appeal filed by the MINEM against the mentioned judicial decision, and its effects.

The extraordinary appeal filed by the MINEM was granted by Room II on August 4, but without granting the suspension of the effects of the annulling judgment, that consequently maintain its effectiveness, until the National Supreme Court of Justice issues an opinion.

TGN has billed \$ 433.8 million regarding the increase established in ENARGAS Resolution I/3723 corresponding to Aril, May and June 2016 and has collected 74%.

As long as the uncertainty caused by the mentioned legal proceedings is removed and TGN collects the temporary rate increase as from April 1<sup>st</sup> of the current year, the Company will be able to face its operating, maintenance, administrative and selling expenses during the current fiscal year, as well as to fulfill its payment obligations and comply with the mandatory investment plan. Otherwise, TGN would face serious difficulties to operate normally and it would again face an economic-financial imbalance situation, accumulating new gross and operating losses, which may lead the Company to a mandatory reduction of its common stock, in accordance with Section 206 of the Argentine Business Organizations Act.

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

## TRANSPORTADORA DE GAS DEL NORTE S.A.

### SUMMARY OF INFORMATION CORRESPONDING TO THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

#### II) BUSINESS PROSPECTS (not covered by the Review report on the interim condensed financial statements) (Cont.)

It should also be noted that accumulated losses amount to \$ 286.8 million as of June 30, 2016. Consequently, TGN continues to be within the scope of Section 206 of the Argentine Business Organizations Act (see Note 1.3.3 to the Company's financial statements as of December 31, 2015).

As for this matter, it is worth mentioning that TGN's Ordinary and Extraordinary Shareholders' Meeting held on April 14, 2016 decided to monitor the Company's financial situation during the current fiscal year and postpone the application of Section 206 of the Argentine Business Organizations Act until the Shareholders' Meeting that will consider the Company's financial statements corresponding to the current fiscal year, ending on December 31, 2016, is held.

#### III) COMPARATIVE BALANCE SHEET STRUCTURE AT JUNE 30, 2016, 2015, 2014, 2013 and 2012

*(in millions of pesos)*

Accounts	At 06.30				
	2016	2015	2014	2013	2012
Non-current assets	3,530	2,629	2,452	2,227	2,276
Current assets	937	674	828	628	1,015
<b>Total</b>	<b>4,467</b>	<b>3,303</b>	<b>3,280</b>	<b>2,855</b>	<b>3,291</b>
Shareholders' equity	159	738	977	1,000	715
Non-current liabilities	3,491	2,097	1,888	1,545	207
Current liabilities	817	468	415	310	2,369
Subtotal liabilities	4,308	2,565	2,303	1,855	2,576
<b>Total</b>	<b>4,467</b>	<b>3,303</b>	<b>3,280</b>	<b>2,855</b>	<b>3,291</b>

#### IV) COMPARATIVE STRUCTURE OF COMPREHENSIVE RESULTS FOR THE PERIODS ENDED JUNE 30, 2016, 2015, 2014, 2013 and 2012

*(in millions of pesos)*

Accounts	At 06.30				
	2016	2015	2014	2013	2012
<b>Income (loss) before other net income and expenses</b>	<b>193.9</b>	<b>(109.8)</b>	<b>(76.6)</b>	<b>(38.7)</b>	<b>(46.2)</b>
Other net income and expenses	(96.0)	(5.4)	32.6	31.4	23.7
<b>Income (loss) before financial results</b>	<b>97.9</b>	<b>(115.2)</b>	<b>(44.0)</b>	<b>(7.3)</b>	<b>(22.5)</b>
Net financial results	(344.9)	(13.1)	(108.0)	(70.7)	(182.1)
Results from investments in affiliate companies	0.7	1.2	2.3	0.8	0.8
<b>Result before income tax</b>	<b>(246.3)</b>	<b>(127.1)</b>	<b>(149.7)</b>	<b>(77.2)</b>	<b>(203.8)</b>
Income tax	86.9	36.0	40.4	19.7	71.9
<b>Loss for the period</b>	<b>(159.4)</b>	<b>(91.1)</b>	<b>(109.3)</b>	<b>(57.5)</b>	<b>(131.9)</b>
Other comprehensive results for the period	6.5	-	-	-	-
<b>Comprehensive loss for the period</b>	<b>(152.9)</b>	<b>(91.1)</b>	<b>(109.3)</b>	<b>(57.5)</b>	<b>(131.9)</b>

## TRANSPORTADORA DE GAS DEL NORTE S.A.

### SUMMARY OF INFORMATION CORRESPONDING TO THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

#### V) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE PERIODS ENDED JUNE 30, 2016, 2015, 2014, 2013 and 2012

Volume dispatched in millions of cubic meters:

	According to the type of carriage agreement				
	At 06.30				
	2016	2015	2014	2013	2012
Firm carriage	7,868	7,942	7,726	7,168	7,043
Interruptible carriage and Exchange and displacement	4,065	4,146	3,917	3,449	3,354
<b>Total</b>	<b>11,933</b>	<b>12,088</b>	<b>11,643</b>	<b>10,617</b>	<b>10,397</b>

	According to the type of source				
	At 06.30				
	2016	2015	2014	2013	2012
Norte Gas pipeline	5,320	5,455	5,424	4,233	4,196
Centro-Oeste Gas pipeline	6,613	6,633	6,219	6,384	6,201
<b>Total</b>	<b>11,933</b>	<b>12,088</b>	<b>11,643</b>	<b>10,617</b>	<b>10,397</b>

	According to its destination				
	At 06.30				
	2016	2015	2014	2013	2012
Domestic market	11,928	11,864	11,574	10,607	10,391
Foreign market	5	224	69	10	6
<b>Total</b>	<b>11,933</b>	<b>12,088</b>	<b>11,643</b>	<b>10,617</b>	<b>10,397</b>

#### VI) COMPARATIVE INDICATORS AT JUNE 30, 2016, 2015, 2014, 2013 and 2012

	At 06.30				
	2016	2015	2014	2013	2012
Current liquidity (1)	1.15	1.44	2.00	2.03	0.43
Solvency (2)	0.04	0.29	0.42	0.54	0.28
Freezing capital (3)	0.79	0.80	0.75	0.78	0.69

- (1) Current assets over current liabilities
- (2) Shareholders' equity over total liabilities
- (3) Non-current assets over total assets

Autonomous City of Buenos Aires, August 9, 2016

Emilio Daneri Conte-Grand  
President

## Transportadora de Gas del Norte S.A.

### INTERIM CONDENSED BALANCE SHEET AT JUNE 30, 2016 COMPARATIVE WITH THAT AT DECEMBER 31, 2015 (in thousands of pesos)

	<b>Note</b>	<u>06.30.2016</u>	<u>12.31.2015</u>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	<b>5</b>	1,940,081	1,844,199
Investments in affiliate companies	<b>6</b>	20,011	18,488
Materials and spare parts	<b>9</b>	88,635	73,335
Other accounts receivable	<b>10</b>	121,889	110,250
Deferred income tax asset	<b>7</b>	247,683	160,795
Trade accounts receivable	<b>11</b>	1,065,259	873,647
Investments at amortised cost	<b>8</b>	46,222	49,619
Total non-current assets		<u>3,529,780</u>	<u>3,130,333</u>
Current assets			
Materials and spare parts		17,694	17,483
Other accounts receivable	<b>10</b>	149,472	149,204
Trade accounts receivable	<b>11</b>	388,115	241,510
Investments at amortised cost	<b>8</b>	9,080	8,867
Investments at fair value	<b>8</b>	120,689	118,431
Cash and cash equivalents	<b>12</b>	252,326	209,602
Total current assets		<u>937,376</u>	<u>745,097</u>
Total assets		<u>4,467,156</u>	<u>3,875,430</u>

## Transportadora de Gas del Norte S.A.

### INTERIM CONDENSED BALANCE SHEET AT JUNE 30, 2016 COMPARATIVE WITH THAT AT DECEMBER 31, 2015 (in thousands of pesos)

	Note	<u>06.30.2016</u>	<u>12.31.2015</u>
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	<b>13</b>	439,374	439,374
Inflation adjustment of common stock		-	390,185
Other reserves		6,492	25
Retained earnings		(286,838)	(517,663)
Total shareholders' equity		<u>159,028</u>	<u>311,921</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Contingencies	<b>17</b>	80,499	74,023
Loans	<b>14</b>	3,224,044	2,733,958
Other debts	<b>15</b>	53,106	45,725
Trade accounts payable	<b>16</b>	133,191	35,569
Total non-current liabilities		<u>3,490,840</u>	<u>2,889,275</u>
<b>Current liabilities</b>			
Contingencies	<b>17</b>	40,592	26,916
Loans	<b>14</b>	146,926	127,388
Salaries and social security contributions		62,371	67,943
Taxes payable		51,854	9,710
Other debts	<b>15</b>	26,927	30,434
Trade accounts payable	<b>16</b>	488,618	411,843
Total current liabilities		<u>817,288</u>	<u>674,234</u>
Total liabilities		<u>4,308,128</u>	<u>3,563,509</u>
Total liabilities and shareholders' equity		<u>4,467,156</u>	<u>3,875,430</u>

The accompanying notes 1 to 26 are an integral part of these interim condensed financial statements.

## Transportadora de Gas del Norte S.A.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME AT JUNE 30, 2016 AND 2015 (in thousands of pesos)

	Nota	Six-month period ended		Three-month period ended	
		06.30.2016	06.30.2015	06.30.2015	06.30.2015
Revenues	18	866,104	360,397	666,958	198,929
Cost of services	19	(463,591)	(362,183)	(268,661)	(206,482)
<b>Gross profit (loss)</b>		<b>402,513</b>	<b>(1,786)</b>	<b>398,297</b>	<b>(7,553)</b>
Selling expenses	19	(69,427)	(9,031)	(53,599)	3,374
Administrative expenses	19	(139,117)	(98,964)	(84,885)	(54,003)
<b>Income (loss) before other net income and expenses</b>		<b>193,969</b>	<b>(109,781)</b>	<b>259,813</b>	<b>(58,182)</b>
Other net income and expenses	20	(96,039)	(5,360)	11,922	(4,778)
<b>Income (loss) before financial results</b>		<b>97,930</b>	<b>(115,141)</b>	<b>271,735</b>	<b>(62,960)</b>
Financial results					
Generated by exchange rate differences	21	(259,342)	(41,208)	(56,046)	(22,731)
Financial income	21	40,199	104,299	25,138	34,248
Financial expenses	21	(125,741)	(76,213)	(44,461)	(34,459)
<b>Net financial results</b>		<b>(344,884)</b>	<b>(13,122)</b>	<b>(75,369)</b>	<b>(22,942)</b>
Results from investments in affiliate companies	6	706	1,195	205	921
<b>Result before income tax</b>		<b>(246,248)</b>	<b>(127,068)</b>	<b>196,571</b>	<b>(84,981)</b>
Income tax					
Current		-	-	-	-
Deferred		86,888	35,963	(67,403)	25,575
<b>Subtotal income tax</b>	7	<b>86,888</b>	<b>35,963</b>	<b>(67,403)</b>	<b>25,575</b>
<b>(Loss) income for the period</b>		<b>(159,360)</b>	<b>(91,105)</b>	<b>129,168</b>	<b>(59,406)</b>
<b>Items that will be reclassified into profit or loss</b>					
Changes in the fair value of derivatives held as hedge	3.1.1	3,275	-	1,972	-
Affiliate companies' financial statements currency translation adjustment	6	3,192	-	95	-
<b>Other comprehensive results for the period</b> <sup>(1)</sup>		<b>6,467</b>	<b>-</b>	<b>2,067</b>	<b>-</b>
<b>Comprehensive (loss) income for the period</b>		<b>(152,893)</b>	<b>(91,105)</b>	<b>131,235</b>	<b>(59,406)</b>
Net result per share	22	(0.363)	(0.207)	0.294	(0.135)

<sup>(1)</sup> The comprehensive results for the period are disclosed net from the income tax effect.

The accompanying notes 1 to 26 are an integral part of these interim condensed financial statements.



## Transportadora de Gas del Norte S.A.

### INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015 (in thousands of pesos)

Item	Common stock	Inflation adjustment of common stock	Legal reserve	Optional reserve	Other reserves	Retained earnings	Total shareholders' equity
<b>Balances at December 31, 2014</b>	<b>439,374</b>	<b>506,053</b>	<b>73,201</b>	<b>67,556</b>	-	<b>(256,625)</b>	<b>829,559</b>
Resolution of Ordinary Shareholders' Meeting held on April 21, 2015:							
Absorption of the loss for the fiscal year 2014 against:							
Optional reserve	-	-	-	(67,556)	-	67,556	-
Legal reserve	-	-	(73,201)	-	-	73,201	-
Inflation adjustment of common stock	-	(115,868)	-	-	-	115,868	-
Loss for the six-month period ended June 30, 2015	-	-	-	-	-	(91,105)	(91,105)
<b>Balances at June 30, 2015</b>	<b>439,374</b>	<b>390,185</b>	-	-	-	<b>(91,105)</b>	<b>738,454</b>
Loss for the supplementary six-month period until December 31, 2015	-	-	-	-	-	(426,558)	(426,558)
Other comprehensive results	-	-	-	-	25	-	25
<b>Balances at December 31, 2015</b>	<b>439,374</b>	<b>390,185</b>	-	-	<b>25</b>	<b>(517,663)</b>	<b>311,921</b>
Resolution of Ordinary Shareholders' Meeting held on April 16, 2016:							
Absorption of the loss for the fiscal year 2015 against the Inflation adjustment of common stock.	-	(390,185)	-	-	-	390,185	-
Loss for the six-month period ended June 30, 2016	-	-	-	-	-	(159,360)	(159,360)
Changes in the fair value of derivatives held as hedge	-	-	-	-	3,275	-	3,275
Affiliate companies' financial statements currency translation adjustment	-	-	-	-	3,192	-	3,192
<b>Subtotal comprehensive loss for the period</b>	-	-	-	-	<b>6,467</b>	<b>(159,360)</b>	<b>(152,893)</b>
<b>Balances at June 30, 2016</b>	<b>439,374</b>	-	-	-	<b>6,492</b>	<b>(286,838)</b>	<b>159,028</b>

The accompanying notes 1 to 26 are an integral part of these interim condensed financial statements.

## Transportadora de Gas del Norte S.A.

### INTERIM CONDENSED STATEMENT OF CASH FLOWS AT JUNE 30, 2016 AND 2015 (in thousands of pesos)

	Note	<u>06.30.2016</u>	<u>06.30.2015</u>
Cash generated by (used in) the operations	23	194,590	(165,096)
Deferred income tax	7	(86,888)	(35,963)
Accrued interest generated by liabilities	21	119,610	69,539
<b>Net cash flow generated by (used in) the operations</b>		<b><u>227,312</u></b>	<b><u>(131,520)</u></b>
Purchase of property, plant and equipment	5	(172,072)	(72,677)
Changes in short-term investments (non-cash equivalents)		926	64,928
<b>Net cash flow used in investing activities</b>		<b><u>(171,146)</u></b>	<b><u>(7,749)</u></b>
Cash flow hedge operations	3.1.1	3,275	-
Loans' payment		(42,452)	(997)
<b>Net cash flow used in financing activities</b>		<b><u>(39,177)</u></b>	<b><u>(997)</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b><u>16,989</u></b>	<b><u>(140,266)</u></b>
Cash and cash equivalents at the beginning of the year		209,602	250,489
Financial results generated by cash		25,735	16,297
<b>Cash and cash equivalents at the end of the period</b>	12	<b><u>252,326</u></b>	<b><u>126,520</u></b>

The accompanying notes 1 to 26 are an integral part of these interim condensed financial statements.

## **Transportadora de Gas del Norte S.A.**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

### 1 - GENERAL INFORMATION

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

Information regarding Argentina’s economic context, the energy matter crisis, the contractual framework in which the Company operates and the impact of the previously mentioned on the Company’s economic-financial situation is disclosed in Note 1 to the Company’s financial statements as of December 31, 2015. Except for what is mentioned below in Note 1.1, during the six-month period ended on June 30, 2016 and up to the date of issuance of these interim condensed financial statements, no significant facts have been arisen in relation to what is mentioned in Note 1 to the Company’s financial statements as of December 31, 2015.

#### 1.1 - License

Upon enactment of Public Emergency Law No. 25,561 (“LEP”) in early 2002 and the ongoing renewal thereof since then until December 31, 2017, the gas carriage rates were converted into Argentine pesos and frozen. The regulation issued after the enactment of the LEP did not establish any alternative mechanism for the adjustment of rates, and this lack of an alternative mechanism led to the direct breakdown of the economic-financial equation of the License (as defined in Note 1 to the Company’s financial statements as of December 31, 2015).

Between July 1999 and March 2014, TGN’s rates were frozen in pesos, preventing the Company from continuing making investments to expand the system. Public trusts organized by the former National Secretariat of Energy have replaced the Company in that role since 2004. These trusts are financed through rates that largely exceeded, at the moment of their establishment, the rate collected by TGN.

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

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

In April 2014, the National Gas Regulatory Entity (“ENARGAS”) implemented the Temporary Agreement for rate adjustment entered into in 2008, ratified by the PEN in 2010, which approved an increase of 8% in gas carriage rates as from April 1<sup>st</sup>, 2014; 14% accumulated as from June 1<sup>st</sup>, 2014, and 20% accumulated as from August 1<sup>st</sup>, 2014. The incremental collection had to be allocated to investments approved by the ENARGAS. The Company complied with this obligation.

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

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

## **Transportadora de Gas del Norte S.A.**

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

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

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

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

As from May 2016 various courts from different jurisdictions began to issue several injunctions, suspending or limiting the temporary increases in the distribution rates, which include the price of gas and the carriage rates, generally based on the failure to conduct public hearings before their enforcement. In this context, in June 2016 the MINEM issued Resolution No. 99 which instructed the ENARGAS to set certain limits to the increases regarding residential and commercial users, which were subsequently extended in July 2016 through MINEM Resolution No.129. The recitals of these resolutions state that those limits on the gas price do not affect the distribution and carriage regulated margin.

Meanwhile, a decision by La Plata Federal Court of Appeals, Room II, annulled the MINEM Resolutions due to the failure to comply with the requirement of prior public hearings. Although TGN is neither a party to the proceedings before the said Room II nor was it notified about its judicial decision, on July 27 TGN was informed by the ENARGAS that the temporary adjustment of its rates is not applicable until a decision is made regarding whether granting or not the extraordinary appeal filed by the MINEM against the mentioned judicial decision, and its effects.

The extraordinary appeal filed by the MINEM was granted by Room II on August 4, but without granting the suspension of the effects of the annulling judgment, that consequently maintain its effectiveness, until the National Supreme Court of Justice issues an opinion.

TGN has billed \$ 433.8 million regarding the increase established in ENARGAS Resolution I/3723 corresponding to April, May and June 2016 and has collected 74%.

As long as the uncertainty caused by the mentioned legal proceedings is removed and TGN collects the temporary rate increase as from April 1<sup>st</sup> of the current year, the Company will be able to face its operating, maintenance, administrative and selling expenses during the current fiscal year, as well as to fulfill its payment obligations and comply with the mandatory investment plan. Otherwise, TGN would face serious difficulties to operate normally and it would again face an economic-financial imbalance situation, accumulating new gross and operating losses, which may lead the Company to a mandatory reduction of its common stock, in accordance with Section 206 of the Argentine Business Organizations Act.

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

It should also be noted that accumulated losses amount to \$ 286.8 million as of June 30, 2016. Consequently, TGN continues to be within the scope of Section 206 of the Argentine Business Organizations Act (see Note 1.3.3 to the

## **Transportadora de Gas del Norte S.A.**

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

Company's financial statements as of December 31, 2015). As for this matter, it is worth mentioning that TGN's Ordinary and Extraordinary Shareholders' Meeting held on April 14, 2016 decided to monitor the Company's financial situation during the current fiscal year and postpone the application of Section 206 of the Argentine Business Organizations Act until the Shareholders' Meeting that will consider the Company's financial statements corresponding to the current fiscal year, ending on December 31, 2016, is held.

#### 2 - PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

These interim condensed financial statements have been issued in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"). The National Securities Commission ("CNV") through its General Resolution No. 622/13, established the implementation of the Technical Resolutions No. 26 and 29 of the Argentine Federation of Professional Councils in Economic Sciences, which adopt IFRS, issued by the IASB, for the entities encompassed by the public offering regime, either because of their capital or negotiable obligations, or because those entities have requested authorization to be encompassed by this regime.

These interim condensed financial statements for the six-month period ended June 30, 2016 have been prepared in accordance with the International Accounting Standard 34 ("Interim financial reporting"). These interim condensed financial statements should be read in conjunction with the Company's financial statements as of December 31, 2015, issued in accordance with IFRS. Additionally, these interim condensed financial statements have been prepared following the same accounting policies used in the preparation of the Company's financial statements as of December 31, 2015.

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

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

#### 2.1 - Accounting estimates and policies

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

Such estimates are affected by uncertainties related to changes in the economic environment, and the legal and regulatory framework in which the Company is currently operating, as well as by the consequences of the gas supply shortage mentioned in Note 1 to the Company's financial statements as of December 31, 2015, by the current status of the License renegotiation and the judicial procedures related to rates matters mentioned in Note 1.1 to these interim condensed financial statements. In this context, there is a material uncertainty that may cast a significant doubt as to the generation of future cash flows sufficient to recover non-current assets, the repayment of financial debts, the future development of the Company's business and the normal continuity of its operations as a going concern.

Accounting estimates and policies applied by the Company during the six-month period ended June 30, 2016 are consistent with those applied during the fiscal year ended December 31, 2015.

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

### 3 - FINANCIAL RISK MANAGEMENT

As for financial risk analysis, as of June 30, 2016, except for what is mentioned in Note 3.1 below, there are no significant variations in relation to what has been mentioned in Note 3 to the Company's financial statements as of December 31, 2015.

#### 3.1 - Currency risks

The potential impact on the statement of comprehensive income and the statement of changes in shareholders' equity resulting from each percentage point of devaluation of the peso against the US dollar would account for an approximate loss of \$ 20 million, provided that the other economic and financial variables affecting the Company remain stable. This sensitivity analysis is based on reasonable information and assumptions. Yet, actual results might differ significantly from such analysis.

##### 3.1.1 – Hedge transactions regarding currency risk – Financial liabilities' interest payments

TGN has designated derivative instruments (foreign currency future contracts) as hedging instruments for foreign currency risks associated with certain financial liabilities' interest payments. These transactions have been classified as cash flow hedges. The effective portion of the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. Amounts accumulated in equity are then recognized in the income statement in the same period than the offsetting losses on the hedged item. The gain or loss relating to the ineffective portion is recognized immediately in the interim condensed statement of comprehensive income.

For the mentioned hedge future contracts, TGN documented at the inception of these transactions the relationship between hedging instruments and hedged items, as well as its objective, which is no other than hedging the exchange rate risk that would generate a variation in that rate, in order to honor its financial obligations related to the Step-up Notes. At June 30, 2016, the effective portion of designated cash flow hedges amounts to \$ 3.3 million and is included in Other Reserves in equity. Information related to derivative instruments designated as hedges, is presented below:

Type of transaction	Amount (in US\$ millions)	Maturity	Risk hedged
US Dollar future purchase - ROFEX	2.5	September 2016	Financial interests cash payments for US\$ 2.5 million in September 2016
US Dollar future purchase - ROFEX	4.0	December 2016	Financial interests cash payments for US\$ 4.0 million in December 2016

Additionally, a guarantee for \$ 16.7 million has been granted in relation to these contracts, which is disclosed as "other accounts receivables". Refer to Note 10.

### 4 - BUSINESS SEGMENT INFORMATION

Segment reporting is presented in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The Company's General Director has been identified as CODM. The management information used by the CODM in decision making has started to being prepared on a quarterly basis and in millions of pesos as from 2016 first quarter and does not include any breakdown by business segment, which means that the information is presented as a single segment and corresponds to the total for the Company. It has been determined that the representative measure used for decision making by the CODM is the "management EBITDA", together with purchases of "Property, plant and equipment".

## Transportadora de Gas del Norte S.A.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

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

	<u>06.30.2016</u>	<u>06.30.2015</u>
Revenues	866.0	360.4
Operating costs	(596.8)	(399.5)
Management EBITDA	<u>269.2</u>	<u>(39.1)</u>
Purchases of property, plant and equipment	<u>(172.1)</u>	<u>(72.7)</u>

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

	<u>06.30.2016</u>	<u>06.30.2015</u>
Management EBITDA in millions of pesos	269.2	(39.1)
Property, plant and equipment depreciation	(75.3)	(70.7)
Other net income and expenses	(96.0)	(5.4)
Net financial results	(344.9)	(13.1)
Results from investments in affiliate companies	0.7	1.2
Result before income tax	<u>(246.3)</u>	<u>(127.1)</u>

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

### 5 – PROPERTY, PLANT AND EQUIPMENT

	06.30.2016										Net book value		
	Original values					Depreciation							
	At the beginning of the year	Increases	Disposals	Transfers	At the end of the period / year	At the beginning of the year	For the period / year	Disposals	Transfers	At the end of the period / year	06.30.2016	12.31.2015	06.30.2015
Land	3,401	-	-	-	3,401	-	-	-	-	-	3,401	3,401	3,401
Buildings and constructions	79,228	-	-	340	79,568	31,076	796	-	-	31,872	47,696	48,152	48,502
Installations	2,373	-	-	9,555	11,928	1,287	79	-	-	1,366	10,562	1,086	1,116
Gas pipelines	2,109,831	-	-	67,912	2,177,743	1,043,959	30,183	-	-	1,074,142	1,103,601	1,065,872	1,094,214
Investments in pipeline maintenances	229,190	-	-	39,084	268,274	79,632	11,772	-	-	91,404	176,870	149,558	127,172
High-pressure branch lines	980	-	-	4,008	4,988	465	26	-	-	491	4,497	515	529
Compressor plants	1,010,836	-	(65)	38,729	1,049,500	731,511	24,001	(59)	-	755,453	294,047	279,325	271,424
High-pressure control and/or measurement stations	73,495	-	-	12,442	85,937	58,759	1,170	-	-	59,929	26,008	14,736	16,082
Other technical installations	51,912	-	-	861	52,773	41,497	1,010	-	-	42,507	10,266	10,415	10,492
Machinery, equipment and tools	29,936	4,185	(4)	-	34,117	26,891	558	(4)	-	27,445	6,672	3,045	3,488
IT and telecommunication systems	91,090	14,854	-	-	105,944	62,907	3,165	-	-	66,072	39,872	28,183	25,315
Vehicles	32,945	1,366	-	-	34,311	20,671	1,908	-	-	22,579	11,732	12,274	12,118
Furniture and office supplies	12,391	1,010	-	-	13,401	10,327	168	-	-	10,495	2,906	2,064	1,898
Assets held at third-parties facilities	14,015	-	-	1,405	15,420	10,938	480	-	-	11,418	4,002	3,077	3,351
Work in process	168,442	150,657	(868)	(174,336)	143,895	-	-	-	-	-	143,895	168,442	158,967
Gas stock	54,054	-	-	-	54,054	-	-	-	-	-	54,054	54,054	54,054
Total as of June 30, 2016	3,964,119	172,072	(937)	-	4,135,254	2,119,920	75,316	(63)	-	2,195,173	1,940,081	-	-
Total as of December 31, 2015	3,808,949	159,343	(4,173)	-	3,964,119	1,978,448	143,934	(2,462)	-	2,119,920	-	1,844,199	-
Total as of June 30, 2015	3,808,949	72,677	(893)	-	3,880,733	1,978,448	70,677	(515)	-	2,048,610	-	-	1,832,123



## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

### 5.1 – Commitments

As of June 30, 2016, the Company possesses contractual commitments with suppliers for the acquisition of Property, plant and equipment items for \$ 391.7 million.

### 6 - INVESTMENTS IN AFFILIATE COMPANIES

	<u>06.30.2016</u>	<u>12.31.2015</u>	<u>06.30.2015</u>
Balances at the beginning of the fiscal year	18,488	10,807	10,807
Dividends distribution	(2,375)	-	-
Results from investments in affiliate companies <sup>(1)</sup>	3,898	7,681	1,195
Balances at the end of the period / fiscal year	<u>20,011</u>	<u>18,488</u>	<u>12,002</u>

<sup>(1)</sup> Includes \$ 3,192 thousands that have been charged to “Other comprehensive income” in the interim condensed statement of comprehensive income, as of June 30, 2016.

## Transportadora de Gas del Norte S.A.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

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

Issuer	Characteristics of the instruments		Amount	Cost value	Book value as of		Information on the issuer						
	Shares	Face value			06.30.16	12.31.15	Main activity	Date	Latest financial statements				
									Capital stock and capital adjustment	Other reserves	Retained earnings	Shareholders' equity	Percentage of direct holding
Comgas Andina S.A.	Common	<sup>(1)</sup> 1 per share	490	246	20,011	18,488	Operation and maintenance services of gas pipelines	06.30.16	18	-	40,821	40,839	49.0
Companhía Operadora do Rio Grande do Sul Impairment of investment	Common	<sup>(2)</sup> 1 per share	49	0.1	495 (495)	602 (602)	Operation and maintenance services of gas pipelines	12.31.15	1	772	238	1,011	49.0
<b>Total</b>					<b>20,011</b>	<b>18,488</b>							

- (1) Chilean pesos  
(2) Brazilian reais

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

### 7 - INCOME TAX

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

	<u>06.30.2016</u>	<u>12.31.2015</u>
Deferred income tax assets	853,159	715,931
Deferred income tax liabilities	<u>(605,476)</u>	<u>(555,136)</u>
Deferred income tax net asset	<u>247,683</u>	<u>160,795</u>

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

Deferred income tax assets	Trade accounts payable and financial liabilities	Materials and spare parts	Other accounts receivable	Contingencies	Tax-loss carryforward	Total
Balances at December 31, 2014	44,123	47,735	2,044	35,427	90,805	220,134
Charged to statement of comprehensive income	29,080	41,022	(501)	9,823	415,584	495,008
Balances at December 31, 2015	73,203	88,757	1,543	45,250	506,389	715,142
Charged to statement of comprehensive income	12,980	15,843	1,329	45,477	62,388	138,017
Balances at June 30, 2016	86,183	104,600	2,872	90,727	568,777	853,159

Deferred income tax liabilities	Property, plant and equipment	Trade accounts receivable	Investments at fair value	Board of directors' fees	Total
Balances at December 31, 2014	(288,875)	(49,503)	(1,646)	281	(339,743)
Charged to statement of comprehensive income	16,246	(233,004)	1,974	180	(214,604)
Balances at December 31, 2015	(272,629)	(282,507)	328	461	(554,347)
Charged to statement of comprehensive income	5,959	(55,629)	(680)	(779)	(51,129)
Balances at June 30, 2016	(266,670)	(338,136)	(352)	(318)	(605,476)

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

	<u>06.30.2016</u>	<u>06.30.2015</u>
Result before income tax	(246,248)	(127,068)
Statutory income tax rate	<u>35%</u>	<u>35%</u>
Income tax charge determined by applying statutory tax rate to the result for the period	86,187	44,474
Exceptions at statutory income tax rate:		
- Results from investments in affiliate companies	247	418
- Adjustment to income tax provision	2,398	(3,748)
- Others	<u>(1,944)</u>	<u>(5,181)</u>
Total income tax charge	<u>86,888</u>	<u>35,963</u>

## Transportadora de Gas del Norte S.A.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

Below there is a detail of the breakdown of the minimum presumed income tax credits accumulated at June 30, 2016:

	<u>Fiscal year</u>	<u>Amount</u>	<u>Expiration year</u>
2007		1,230	2017
Allowance for doubtful recoverability		(1,230)	N/A
2008		6,797	2018
2009		17,086	2019
2011		21,413	2021
2013		20,320	2023
2014		21,630	2024
2015		20,342	2025
2016 first semester (estimated)		12,107	2026
Balance as of June 30, 2016		<u>119,695</u>	

Below there is a detail of the breakdown of the tax-loss carryforwards accumulated by the Company as of June 30, 2016:

	<u>Fiscal year</u>	<u>Amount</u>	<u>Expiration year</u>
2013		19,480	2018
2014		229,756	2019
2015		1,204,441	2020
2016 first semester (estimated)		171,400	2021
Balance as of June 30, 2016		<u>1,625,077</u>	

The projections of future taxable income have been taken into consideration for the recoverability analysis of the tax-loss carryforwards and the credit for minimum presumed income tax. Such projections have been built on the basis of the best estimate in accordance with the guidelines pointed out in Note 4 to the Company's financial statements as of December 31, 2015, and taking into consideration the resolution of the uncertainties mentioned in Notes 1.2 and 1.3 to the Company's financial statements as of December 31, 2015, referring to the modifications of the Argentine economic context and of the legal and contractual framework in which the Company operates and by the current status of the License renegotiation and the judicial procedures related to rates matters mentioned in Note 1.1 to these interim condensed financial statements. On the basis of such projections, the book value of the credit for minimum presumed income tax and the tax-loss carryforward does not exceed its recoverable value.

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

### 8 - FINANCIAL INSTRUMENTS BY CATEGORY

	<u>06.30.2016</u>	<u>12.31.2015</u>
<b>Financial assets at fair value <sup>(1)</sup>:</b>		
Classified as "Investments at fair value":		
Government bonds in US\$	56,335	101,031
Government bonds in \$	36,800	17,400
LEBAC bonds in \$	27,554	-
Subtotal	<u>120,689</u>	<u>118,431</u>
Classified as "Cash and cash equivalents":		
Mutual funds in \$ (Note 12)	136,159	37,010
Subtotal	<u>136,159</u>	<u>37,010</u>
<b>Total financial assets at fair value – Current</b>	<b><u>256,848</u></b>	<b><u>155,441</u></b>
<b>Financial assets at amortised cost:</b>		
<b>Current:</b>		
Classified as "Investments at amortised cost":		
VRD bonds in \$	9,080	8,867
Subtotal	<u>9,080</u>	<u>8,867</u>
Classified as "Cash and cash equivalents":		
Cash and banks (Note 12)	22,025	91,067
Time deposits in US\$ <sup>(2)</sup> (Note 12)	94,142	81,525
Subtotal	<u>116,167</u>	<u>172,592</u>
Classified as "Trade accounts receivable" and "Other accounts receivable"	411,747	295,933
<b>Total financial assets at amortised cost – Current</b>	<b><u>536,994</u></b>	<b><u>477,392</u></b>
<b>Non-Current:</b>		
Classified as "Investments at amortised cost":		
Other investments in US\$	5,901	5,111
VRD bonds in \$	40,321	44,508
Subtotal	<u>46,222</u>	<u>49,619</u>
Classified as "Trade accounts receivable" and "Other accounts receivable"	1,306,843	875,926
<b>Total financial assets at amortised cost – Non-Current</b>	<b><u>1,353,065</u></b>	<b><u>925,525</u></b>

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

	<u>06.30.2016</u>	<u>12.31.2015</u>
<b>Financial liabilities at amortised cost:</b>		
<b>Current:</b>		
Loans	146,926	127,388
Trade accounts payable, other debts and taxes payable	484,419	430,378
<b>Total financial liabilities at amortised cost – Current</b>	<b>631,345</b>	<b>557,766</b>
<b>Non-Current:</b>		
Loans	3,224,044	2,733,958
Trade accounts payable, other debts and taxes payable	133,191	35,569
<b>Total financial liabilities at amortised cost – Non-Current</b>	<b>3,357,235</b>	<b>2,769,527</b>

<sup>(1)</sup> All financial assets at fair value have been measured using Level 1 fair values. The value of financial instruments traded in active markets is based on the quoted market prices at the date of the financial statements. The market quoted price used for financial assets held by the Company is the price offered at June 30, 2016 and December 31, 2015.

<sup>(2)</sup> Time deposits originally falling due within three months or less are classified as “Cash and cash equivalents” in the interim condensed balance sheet. A breakdown of this account is presented in Note 12.

### 9 - MATERIALS AND SPARE PARTS

	<u>06.30.2016</u>	<u>12.31.2015</u>
Non-current		
Spare parts and consumption materials	183,400	159,789
Allowance for slow-moving and obsolescence	(94,765)	(86,454)
Total non-current materials and spare parts	88,635	73,335

### 10 - OTHER ACCOUNTS RECEIVABLE

Non-current		
Minimum presumed income tax (Note 7)	119,695	107,990
Sundry	2,194	2,260
Total other accounts receivable - Non-current	121,889	110,250
Current		
VAT, net	-	5,583
Tax credits	643	13,305
Key management personnel (Note 24)	4,607	6,836
Prepaid expenses and advances	105,409	95,048
Expenses to be collected, attachments and guarantee court deposits	290	231
Guarantees granted in relation to hedge operations (Note 3.1.1)	16,659	8,110
Assistance fees - controlling shareholder (Note 24)	58	42
Other receivables - affiliate companies (Note 24)	3,728	892
Other receivables - related parties (Note 24)	7,964	11,393
Commercial indemnifications	8,265	-
Transactions on behalf of third parties	1,768	3,016
Allowance for doubtful accounts	(4,784)	(828)
Receivables from sundry sales and others	4,865	5,576
Total other accounts receivable – Current	149,472	149,204

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

### 11 - TRADE ACCOUNTS RECEIVABLE

	<u>06.30.2016</u>	<u>12.31.2015</u>
Non-current		
Trade accounts receivable with third parties	2,829,306	2,450,552
Discount at present value	(349,394)	(351,629)
Allowance for doubtful accounts and disputed amounts	<u>(1,414,653)</u>	<u>(1,225,276)</u>
Total trade accounts receivable - Non-current	<u>1,065,259</u>	<u>873,647</u>
Current		
Trade accounts receivable with third parties	349,473	222,540
Trade accounts receivable with related parties (Note 24)	98,322	52,518
Allowance for doubtful accounts and disputed amounts	<u>(59,680)</u>	<u>(33,548)</u>
Total trade accounts receivable - Current	<u>388,115</u>	<u>241,510</u>

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

	<u>06.30.2016</u>	<u>12.31.2015</u>
Balances at the beginning of the year	1,258,824	819,283
Increases (net of recoveries)	<u>215,509</u>	<u>439,541</u>
Balances at the end of the period / year	<u>1,474,333</u>	<u>1,258,824</u>

### 12 - CASH AND CASH EQUIVALENTS

	<u>06.30.2016</u>	<u>06.30.2015</u>	<u>12.31.2015</u>
Cash and banks	22,025	37,971	91,067
Mutual funds in \$	136,159	-	37,010
Time deposits in US\$	<u>94,142</u>	<u>88,549</u>	<u>81,525</u>
Total	<u>252,326</u>	<u>126,520</u>	<u>209,602</u>

### 13 - COMMON STOCK AND RESERVES

Information related to the Company's common stock, Reserves and limitations on the transferring of TGN's shares and to the distribution of profits is mentioned in Notes 14 to the Company's financial statements as of December 31, 2015.

Accumulated losses amount to \$ 286.8 million as of June 30, 2016, which implies that TGN continues to be under the scope of Section 206 of the Argentine Business Organizations Act. As for this matter, it is worth mentioning that TGN's Ordinary and Extraordinary Shareholders' Meeting held on April 14, 2016 decided to monitor the Company's financial situation evolution during the current fiscal year and postpone the application of Section 206 of the Argentine Business Organizations Act until the Shareholders' Meeting that will consider the Company's financial statements corresponding to the current fiscal year, ending on December 31, 2016, is held.

### 14 - LOANS

Note 15 to the financial statements for the fiscal year ended December 31, 2015 discloses information on the terms and conditions of the negotiable obligations issued by the Company.

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

### 15 - OTHER DEBTS

	<u>06.30.2016</u>	<u>12.31.2015</u>
Non-current		
Provision for easements	53,106	45,725
Total other debts - Non-current	<u>53,106</u>	<u>45,725</u>
Current		
Section 9.6.2 - Basic rules of the License	16,001	16,890
Provision for easements	4,608	4,719
Key management personnel (Note 24)	4,292	6,851
Advanced collections	1,061	1,121
Sundry debts and customer's warrants	965	853
Total other debts – Current	<u>26,927</u>	<u>30,434</u>

### 16 - TRADE ACCOUNTS PAYABLE

Non-current		
AES Argentina Generación S.A.	133,191	35,569
Total trade accounts payable - Non-current	<u>133,191</u>	<u>35,569</u>
Current		
Suppliers - purchases and services	56,646	54,172
AES Argentina Generación S.A.	12,585	2,695
Administration trust (“Importation of natural gas”) (Note 25)	-	6,519
Other related parties (Note 24)	259,546	219,832
Unbilled services and purchases	159,841	128,625
Total trade accounts payable – Current	<u>488,618</u>	<u>411,843</u>

### 17 - CONTINGENCIES

	<u>Non-current</u>	<u>Current</u>
Provisions for labor, civil and contentious lawsuits		
Balances at December 31, 2014	-	93,980
– Increases, net of recoveries	-	9,877
– Decreases (payments / consumptions)	-	(2,918)
– Transfers	74,023	(74,023)
Balances at December 31, 2015	<u>74,023</u>	<u>26,916</u>
– Increases, net of recoveries	6,476	13,908
– Decreases (payments / consumptions)	-	(232)
Balances at June 30, 2016	<u>80,499</u>	<u>40,592</u>

The Company is party to several legal proceedings and claims that have arisen in the ordinary course of its business. In Note 18 to the Company's financial statements corresponding to the fiscal year ended December 31, 2015, there is a summary of the most significant claims and legal actions, including those against TGN as well as those in which the Company acts as a claimer. No significant events in relation to these claims and legal actions have arisen during the six-month period ended June 30, 2016 and up to the date of issuance of these interim condensed financial statements.



## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

### 18 - REVENUES

	<u>Six-month period ended</u>		<u>Three-month period ended</u>	
	<u>06.30.2016</u>	<u>06.30.2015</u>	<u>06.30.2015</u>	<u>06.30.2015</u>
Gas carriage service				
Gas carriage service	801,532	337,669	627,796	170,234
Allowance for disputed amounts	-	(25,266)	-	(1,862)
Subtotal gas carriage service	<u>801,532</u>	<u>312,403</u>	<u>627,796</u>	<u>168,372</u>
Other services				
Gas pipelines operation and maintenance and others	63,446	35,897	38,597	20,020
Management fees - Gas Trust Program	1,126	12,097	565	10,537
Subtotal other services	<u>64,572</u>	<u>47,994</u>	<u>39,162</u>	<u>30,557</u>
Total revenues	<u>866,104</u>	<u>360,397</u>	<u>666,958</u>	<u>198,929</u>

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

### 19 - EXPENSES BY NATURE

Item	Cost of services	Selling expenses	Administrative expenses	Total at 06.30.2016	Total at 06.30.2015	Three-month period ended	
						06.30.2016	06.30.2015
Board of Director's fees	-	-	1,701	1,701	1,585	850	809
Statutory auditors committee's fees	-	-	1,143	1,143	840	572	437
Fees for professional services	5,763	8	7,280	13,051	12,553	6,834	7,016
Salaries, wages and other personnel benefits	128,102	1,768	55,070	184,940	140,056	112,262	77,196
Social security contributions	24,111	367	13,077	37,555	27,977	23,363	15,027
Technical assistance fees	6,438	-	-	6,438	4,920	3,201	2,478
Consumption of materials and spare parts	26,587	10	200	26,797	16,527	16,375	9,876
Third party services and supplies	15,096	56	571	15,723	11,788	8,001	6,331
Maintenance and repair of property, plant and equipment	125,529	118	3,290	128,937	107,946	78,881	67,786
Travel expenses	18,310	78	2,579	20,967	14,629	12,177	8,539
Freight and transportation	2,476	-	5	2,481	1,652	1,478	900
Post and telecommunications expenses	1,154	48	762	1,964	1,382	975	765
Insurance	10,640	1	904	11,545	7,534	5,880	3,693
Office supplies	2,355	15	1,594	3,964	2,781	2,235	1,614
Rentals	2,460	28	566	3,054	1,566	1,627	945
Easements	9,265	-	-	9,265	4,344	4,633	2,172
Taxes, rates and contributions	469	36,581	34,329	71,379	42,386	44,861	21,226
Property, plant and equipment depreciation	74,261	151	904	75,316	70,677	38,677	35,423
Doubtful accounts	-	30,158	-	30,158	2,650	24,095	(1,782)
Contingencies	-	-	13,800	13,800	(6,781)	13,256	(6,347)
Slow-moving and obsolete materials and spare parts	8,320	-	-	8,320	1,605	4,221	2,075
Others	2,255	40	1,342	3,637	1,561	2,691	932
<b>Total at June 30, 2016</b>	<b>463,591</b>	<b>69,427</b>	<b>139,117</b>	<b>672,135</b>	-	-	-
<b>Total at June 30, 2015</b>	<b>362,183</b>	<b>9,031</b>	<b>98,964</b>	-	<b>470,178</b>	-	-
<b>Three-month period ended June 30, 2016</b>	<b>268,661</b>	<b>53,599</b>	<b>84,885</b>	-	-	<b>407,145</b>	-
<b>Three-month period ended June 30, 2015</b>	<b>206,482</b>	<b>(3,374)</b>	<b>54,003</b>	-	-	-	<b>257,111</b>

## Transportadora de Gas del Norte S.A.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

#### 20 - OTHER NET INCOME AND EXPENSES

	<u>Six-month period ended</u>		<u>Three-month period ended</u>	
	<u>06.30.2016</u>	<u>06.30.2015</u>	<u>06.30.2016</u>	<u>06.30.2015</u>
Income from commercial indemnifications	8,299	15	8,282	-
Compensation for damages adjustment <sup>(1)</sup>	(109,879)	(20,774)	779	(20,774)
Net result from disposal of property, plant and equipment	254	(80)	254	(231)
Net income from sundry sales, accidents recoveries and others	5,287	15,479	2,607	16,227
Total other net income and expenses	<u>(96,039)</u>	<u>(5,360)</u>	<u>11,922</u>	<u>(4,778)</u>

<sup>(1)</sup> During the six-month periods ended June 30, 2016 and 2015, the Company has recognized losses for \$ 109.9 million and \$ 20.8 million, respectively, in relation to the compromise and settlement agreement entered into with AES Argentina Generación S.A. in 2012 (and lately modified in 2014). These losses are the result of measuring the liability with AES Argentina Generación S.A. on the basis of the gas carriage rates in force, as mentioned in Note 1.1.

#### 21 - NET FINANCIAL RESULTS

	<u>Six-month period ended</u>		<u>Three-month period ended</u>	
	<u>06.30.2016</u>	<u>06.30.2015</u>	<u>06.30.2016</u>	<u>06.30.2015</u>
Generated by exchange rate differences				
Income on exchange rate variation	243,841	84,020	42,945	39,959
Expenses on exchange rate variation	<u>(503,183)</u>	<u>(125,228)</u>	<u>(98,991)</u>	<u>(62,690)</u>
Total financial results generated by exchange rate differences	<u>(259,342)</u>	<u>(41,208)</u>	<u>(56,046)</u>	<u>(22,731)</u>
Financial income				
Interest	30,620	17,798	20,243	11,065
Holding results	8,257	83,535	4,300	20,361
Allowances recovered and others	1,322	387	595	243
Results on discounting at present value	-	2,579	-	2,579
Total financial income	<u>40,199</u>	<u>104,299</u>	<u>25,138</u>	<u>34,248</u>
Financial expenses				
Interest	(119,610)	(69,539)	(59,788)	(35,650)
Results on discounting at present value	(4,104)	(4,910)	17,037	2,070
Commissions, expenses and taxes on banking and financial operations	<u>(2,027)</u>	<u>(1,764)</u>	<u>(1,710)</u>	<u>(879)</u>
Total financial expenses	<u>(125,741)</u>	<u>(76,213)</u>	<u>(44,461)</u>	<u>(34,459)</u>
Total net financial results	<u>(344,884)</u>	<u>(13,122)</u>	<u>(75,369)</u>	<u>(22,942)</u>

#### 22 - NET RESULT PER SHARE

Income per ordinary share has been calculated as the quotient obtained by dividing the results for the periods ended June 30, 2016 and 2015, by the weighted average of outstanding ordinary shares, which made a total of 439,373,939 shares at those dates. At June 30, 2016 and 2015 there are neither negotiable obligations nor other debt securities convertible into shares, so no diluted earnings per share have been disclosed. Basic earnings per share are calculated by dividing the net income attributable to the Company equity holders by the weighted average number of ordinary

## Transportadora de Gas del Norte S.A.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

shares outstanding during the period. The Company does not have preferred shares or debt convertible to shares, so the basic earnings per share are equal to the diluted earnings per share.

#### 23 – CASH GENERATED BY (USED IN) THE OPERATIONS

	<u>06.30.2016</u>	<u>06.30.2015</u>
Loss for the period	(159,360)	(91,105)
<b>Adjustments to reach cash used in the operations:</b>		
Property, plant and equipment depreciation	75,316	70,677
Net book value of disposed property, plant and equipment	874	378
Increase in allowances and provisions for contingencies (net of recoveries)	247,930	74,613
Exchange rate differences and other net financial results	406,194	87,152
Results from investments in affiliate companies	(706)	(1,195)
<b>Net changes in operating assets and liabilities:</b>		
Increase in trade accounts receivable	(553,726)	(215,839)
Increase in other accounts receivable	(13,490)	(61,845)
Increase in materials and spare parts and other assets	(23,285)	(25,808)
Increase in trade accounts payable	174,397	41,454
Decrease in salaries and social security contributions	(5,572)	(23,760)
Increase (decrease) in taxes payable	42,144	(12,612)
Increase (decrease) in other debts	3,874	(5,923)
Decrease in contingencies	-	(1,283)
<b>Cash generated by (used in) the operations</b>	<u>194,590</u>	<u>(165,096)</u>

#### 24 - RELATED PARTIES

The transactions performed between related parties are the following:

	<u>06.30.2016</u>	<u>06.30.2015</u>
<b>Controlling shareholder</b>		
<u>Other net income</u>		
Gasinvest S.A.	82	58
<u>Total other net income</u>	82	58
<b>Affiliate companies</b>		
<u>Revenues</u>		
Comgas Andina S.A.	596	319
Companhia Operadora do Rio Grande do Sul	221	72
<u>Total revenues</u>	817	391
<u>Recovery of expenses</u>		
Comgas Andina S.A.	186	117
<u>Total recovery of expenses</u>	186	117
<b>Other related parties</b>		
<u>Revenues</u>		
Litoral Gas S.A.	143,889	39,680
Siderar S.A.	18,054	5,334
Siderca S.A.	11,573	3,640
Transportadora de Gas del Mercosur S.A.	5,601	3,688
Total Gas Marketing Cono Sur S.A. (Note 24.1)	277	1
Gasoducto Gasandes Argentina S.A.	1,154	592
<u>Total revenues</u>	<u>180,548</u>	<u>52,935</u>

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

	<u>06.30.2016</u>	<u>06.30.2015</u>
<u>Cost of services</u>		
Total Gas y Electricidad Argentina S.A. (Note 24.1)	(287)	(833)
Tecpetrol S.A.	(1,106)	(833)
Compañía General de Combustibles S.A.	(1,106)	(833)
Litoral Gas S.A.	(1,079)	-
Siderca S.A.	-	(8)
Total Especialidades Argentina S.A. (Note 24.1)	-	(1)
<u>Total cost of services</u>	<u>(3,578)</u>	<u>(2,508)</u>
<u>Administrative expenses</u>		
Cainzos, Fernández & Premrou Soc. Civ.	(484)	(774)
<u>Total administrative expenses</u>	<u>(484)</u>	<u>(774)</u>
<u>Other net income and expenses</u>		
Gasoducto Gasandes Argentina S.A.	33	15
<u>Total other net income and expenses</u>	<u>33</u>	<u>15</u>
<u>Financial income</u>		
Litoral Gas S.A.	1,885	-
Transportadora de Gas del Mercosur S.A.	1,472	1,441
<u>Total financial income</u>	<u>3,357</u>	<u>1,441</u>
<u>Financial expenses (interest)</u>		
Tecpetrol S.A.	(828)	(425)
Compañía General de Combustibles S.A.	(828)	(425)
Total Gas y Electricidad Argentina S.A. (Note 24.1)	(198)	(425)
VR Global Partners L.P.	(4,880)	(2,851)
<u>Total financial expenses</u>	<u>(6,734)</u>	<u>(4,126)</u>
<u>Recovery of expenses</u>		
Transportadora de Gas del Mercosur S.A.	1	283
<u>Total recovery of expenses</u>	<u>1</u>	<u>283</u>
<u>Purchase of materials and spare parts</u>		
Siat S.A.	(18,872)	-
Litoral Gas S.A.	(1,362)	-
<u>Total purchase of materials and spare parts</u>	<u>(20,234)</u>	<u>-</u>
<b>Key management personnel</b>		
Board of Directors' fees	(1,701)	(1,585)
Statutory auditors committee's fees	(1,143)	(840)

Balances with related parties are the following:

	<u>06.30.2016</u>	<u>12.31.2015</u>
<b>Trade accounts receivable</b>		
<u>Other related parties</u>		
Transportadora de Gas del Mercosur S.A.	38,699	28,053
Litoral Gas S.A.	50,007	21,542
Siderar S.A.	5,703	1,521
Siderca S.A.	3,712	993
Total Gas Marketing Cono Sur S.A. (Note 24.1)	n/a	234
Gasoducto Gasandes Argentina S.A.	201	175
<u>Total other related parties</u>	<u>98,322</u>	<u>52,518</u>

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

	<u>06.30.2016</u>	<u>12.31.2015</u>
<b>Other accounts receivable</b>		
<u>Assistance fees - controlling shareholder</u>		
Gasinvest S.A.	58	42
<u>Total assistance fees - controlling shareholder</u>	<u>58</u>	<u>42</u>
<u>Other receivables - affiliate companies</u>		
Comgas Andina S.A.	3,375	457
Companhia Operadora do Rio Grande do Sul	353	435
<u>Total other receivables - affiliate companies</u>	<u>3,728</u>	<u>892</u>
<u>Other receivables - related parties</u>		
Total Austral S.A. (Note 24.1)	n/a	166
Litoral Gas S.A.	118	118
Gasoducto Gasandes Argentina S.A.	-	80
Transportadora de Gas del Mercosur S.A.	-	84
Siat S.A.	7,846	10,945
<u>Total other receivables - related parties</u>	<u>7,964</u>	<u>11,393</u>
<u>Key management personnel</u>		
Fees to the Board of Directors and to the statutory auditors committee paid in advance	4,607	6,836
<u>Total key management personnel</u>	<u>4,607</u>	<u>6,836</u>
<b>Loans</b>		
<u>Other related parties</u>		
VR Global Partners L.P.	147,876	126,086
<u>Total other related parties</u>	<u>147,876</u>	<u>126,086</u>
<b>Trade accounts payable</b>		
<u>Other related parties</u>		
Transportadora de Gas del Mercosur S.A.	28	-
Total Gas y Electricidad Argentina S.A. (Note 24.1)	n/a	73,207
Siat S.A.	5,522	-
Tecpetrol S.A.	126,877	73,207
Compañía General de Combustibles S.A.	127,119	73,418
<u>Total other related parties</u>	<u>259,546</u>	<u>219,832</u>
<b>Other debts</b>		
<u>Key management personnel</u>		
Provision for fees to the Board of Directors and to the statutory auditors committee	4,292	6,851
<u>Total key management personnel</u>	<u>4,292</u>	<u>6,851</u>

### 24.1 – Purchase and sale of shares

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

## **Transportadora de Gas del Norte S.A.**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016, PRESENTED IN A COMPARATIVE FORMAT (in thousands of pesos, except where specifically mentioned)

3<sup>rd</sup>, 2016. Consequently, in Note 24 transactions accrued with Total (and its related parties) are reported until that date and no balances with those companies are disclosed as of June 30, 2016.

### 25 - "IMPORTATION OF NATURAL GAS" ADMINISTRATION TRUST

On April 1<sup>st</sup>, 2016, the MINEM issued resolution No. 28/16, according to which, the inclusion of Decree No. 2067/08 charges in invoices to be made as from that date, is discontinued (refer to Note 1.1).

### 26 - SUBSEQUENT EVENTS

Subsequent to June 30, 2016, there have been no other events, situations or circumstances, that are not publicly known, that have impacted or could impact significantly on the net worth, or economic and financial situation of the Company that have not been considered or mentioned in these interim condensed financial statements.

Emilio Daneri Conte-Grand  
President

## Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED BY SECTION 68 OF THE BUENOS AIRES STOCK EXCHANGE LISTING RULES AND BY TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 (in thousands of pesos, except where specifically mentioned).

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

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

The Natural Gas Act and its regulations, the Specifications for the privatization of Gas del Estado S.E. ("GdE"), the Transfer Contract, the License and the resolutions issued by the ENARGAS make up the regulatory framework in which the Company conducts its operations. The License, granted for a term of 35 years with an option to extend it for a ten year-term, may be revoked by the PEN upon ENARGAS's recommendation in case the Company expressly fails to comply with its obligations. If the License is officially and finally revoked, the Company may be forced to cease operating the assets transferred by GdE to the Company and transfer them to the National State or the person the National State so appointed. Note 1 to TGN's interim condensed financial statements as of June 30, 2016 describes the Company's legal and regulatory aspects.

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

See Notes 1.3.5; 2; 15 and 18 to the Company's financial statements as of December 31, 2015 and Notes 1.1 and 24.1 to the Company's interim condensed financial statements as of June 30, 2016.

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

	06.30.2016		
	Receivables <sup>(1)</sup>	Loans <sup>(2)</sup>	Other payables <sup>(3)</sup>
Past due			
From 07.01.2005 up to 06.30.2006	703	-	10
From 07.01.2006 up to 06.30.2007	17,611	-	1
From 07.01.2007 up to 06.30.2008	169,320	-	74
From 07.01.2008 up to 06.30.2009	384,878	-	234
From 07.01.2009 up to 06.30.2010	496,871	-	38
From 07.01.2010 up to 06.30.2011	527,239	-	177
From 07.01.2011 up to 06.30.2012	319,429	-	32,504
From 07.01.2012 up to 06.30.2013	326,607	-	152
From 07.01.2013 up to 06.30.2014	328,335	-	239,466
From 07.01.2014 up to 06.30.2015	291,970	-	3,915
From 07.01.2015 up to 09.30.2015	12,429	-	203
From 10.01.2015 up to 12.31.2015	43,418	-	251
From 01.01.2016 up to 03.31.2016	12,292	-	31
From 04.01.2016 up to 06.30.2016	66,156	-	20,338

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

(2) Denominated at their present value.

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



## Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED BY SECTION 68 OF THE BUENOS AIRES STOCK EXCHANGE LISTING RULES AND BY TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 (in thousands of pesos, except where specifically mentioned).

	Receivables <sup>(1)</sup>	06.30.2016 Loans <sup>(2)</sup>	Other payables <sup>(3)</sup>
Without due date	791,399	-	168,581
To be due			
09.30.2016	19,654	-	176,713
12.31.2016	3,315	146,926	33,896
06.30.2017	649	-	6,292
06.30.2018	2,111	431,961	12,585
06.30.2019	72	-	12,585
06.30.2020	-	2,792,083	12,585
06.30.2021	-	-	12,585
06.30.2022	-	-	12,585
06.30.2023	-	-	12,585
06.30.2024	-	-	12,585
06.30.2025	-	-	12,585
06.30.2026	-	-	12,585
06.30.2027	-	-	12,585
06.30.2028	-	-	7,341
<b>Total at 06.30.2016</b>	<b>3,814,458</b>	<b>3,370,970</b>	<b>816,067</b>

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

	Receivables <sup>(1)</sup>	06.30.2016 Loans <sup>(2)</sup>	Other payables <sup>(3)</sup>
In local currency	3,654,127	-	424,765
In foreign currency	53,017	3,370,970	373,132
In-kind	107,314	-	18,170
<b>Total At 06.30.2016</b>	<b>3,814,458</b>	<b>3,370,970</b>	<b>816,067</b>
Balances subject to adjustment	-	-	-
Balances not subject to adjustment	-	3,370,970	816,067
<b>Total At 06.30.2016</b>	<b>-</b>	<b>3,370,970</b>	<b>816,067</b>
Interest bearing balances	42,167	3,211,366	365,090
Non-interest bearing balances	3,772,291	159,604	450,977
<b>Total At 06.30.2016</b>	<b>3,814,458</b>	<b>3,370,970</b>	<b>816,067</b>

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

(2) Denominated at their present value.

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

#### 5. Percentage of interest in affiliate companies - Argentine Business Organizations Act, Section 33 -, in capital and total votes:

See Note 6 to the Company's interim condensed financial statements as of June 30, 2016.

## Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED BY SECTION 68 OF THE BUENOS AIRES STOCK EXCHANGE LISTING RULES AND BY TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 (in thousands of pesos, except where specifically mentioned).

### 5.1. Balances (positive and/or negative) with affiliate companies, classified according to their financial consequences:

	Comgas Andina S.A.		Companhia Operadora do Rio Grande do Sul	
	Receivables	Other payables	Receivables	Other payables
Past due				
From 01.01.2015 up to 06.30.2016	-	-	-	-
Without due date	-	-	353	-
To be due				
From 07.01.2016 up to 09.30.2016	3,375	-	-	-
<b>Total At 06.30.2016</b>	<b>3,375</b>	<b>-</b>	<b>353</b>	<b>-</b>
In local currency	-	-	-	-
In foreign currency	3,375	-	353	-
In-kind	-	-	-	-
<b>Total At 06.30.2016</b>	<b>3,375</b>	<b>-</b>	<b>353</b>	<b>-</b>
Balances subject to adjustment	-	-	-	-
Balances not subject to adjustment	3,375	-	353	-
<b>Total At 06.30.2016</b>	<b>3,375</b>	<b>-</b>	<b>353</b>	<b>-</b>
Interest bearing balances	-	-	-	-
Non-interest bearing balances	3,375	-	353	-
<b>Total At 06.30.2016</b>	<b>3,375</b>	<b>-</b>	<b>353</b>	<b>-</b>

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

None.

### ii. Physical count of inventories:

### 7. Periodicity and scope of physical count of inventories:

Physical count of materials and spare parts is performed on an annual basis, and is carried over 100% of stocks. Slow-moving and obsolete materials and spare parts amount to \$ 94.8 million and are totally written-off. (Refer to Note 9 to the Company's interim condensed financial statements as of June 30, 2016).

### iii. Current values:

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

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

### 9. Technically appraised fixed assets:

None.

## **Transportadora de Gas del Norte S.A.**

ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED BY SECTION 68 OF THE BUENOS AIRES STOCK EXCHANGE LISTING RULES AND BY TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 (in thousands of pesos, except where specifically mentioned).

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

None.

### **iv. Equity investments in other companies:**

#### **11. Equity investments in other companies exceeding the provisions of Section 31 of Argentine Business Organizations Act:**

None.

### **v. Recoverable values:**

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

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

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

## Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED BY SECTION 68 OF THE BUENOS AIRES STOCK EXCHANGE LISTING RULES AND BY TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 (in thousands of pesos, except where specifically mentioned).

### vi. Insurance:

#### 13. Insurance covering the Company's tangible assets:

Property insured	Risks covered	Amount insured in thousands	Book value in thousands of \$
<ul style="list-style-type: none"> <li>Personal and real property allocated to the provision of services, except for machinery and equipment</li> </ul>	All physical risks and loss of profits.	US\$ 85,000	280,918
	Liability insurance.	US\$ 50,000	
<ul style="list-style-type: none"> <li>Compressor plants</li> </ul>	Terrorism.	US\$ 35,000	294,047
<ul style="list-style-type: none"> <li>Machinery</li> </ul>	Machinery breakdown.	US\$ 10,000	119,699
<ul style="list-style-type: none"> <li>Automobiles:                             <ul style="list-style-type: none"> <li>- Management's fleet</li> <li>- Operational fleet (cars and pick-ups)</li> <li>- Trucks and trailers</li> </ul> </li> </ul>	Limited liability insurance.	\$ 4,000	1,117
	Total loss car accident.	\$ 4,765	
	Total or partial loss due to fire, robbery or theft.	\$ 4,765	10,577
	Limited liability insurance.	\$ 4,000	
	Limited liability insurance.	\$ 13,000	37
<ul style="list-style-type: none"> <li>Personal property located in Head Office and IT equipments</li> </ul>	Fire of contents. Theft.	US\$ 8,500	11,474

### vii. Positive and negative contingencies:

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

Allowances and provisions balances amount to 1,707,366. A breakdown of these allowances and provisions as well as its following up during the period, are presented in Annex E to the additional information to the notes to the interim condensed financial statements required by Title IV, Chapter III, Section 1<sup>st</sup> of the CNV.

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

None.

## **Transportadora de Gas del Norte S.A.**

ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED BY SECTION 68 OF THE BUENOS AIRES STOCK EXCHANGE LISTING RULES AND BY TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 (in thousands of pesos, except where specifically mentioned).

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

#### **16. Status of the capitalization process:**

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

#### **17. Unpaid cumulative dividends of preferred shares:**

None.

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

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

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

On March 31, 2016, the ENARGAS issued resolution I/3723, establishing an increase of TGN's rates of 289.2% as from April 1<sup>st</sup>, 2016. In return, the ENARGAS established a mandatory investment plan for \$ 1.041 billion to be carried out in a term of one year, under penalty of law. Meanwhile, TGN will not be allowed to distribute dividends without ENARGAS' prior authorization. Refer to Note 1.1 to the Company's interim condensed financial statements as of June 30, 2016.

Autonomous City of Buenos Aires, August 9, 2016

Emilio Daneri Conte-Grand  
President

## **Transportadora de Gas del Norte S.A.**

ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED BY TITLE IV, CHAPTER III, SECTION 1<sup>ST</sup> OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 (in thousands of pesos, except where specifically mentioned).

### **ANNEX A – PROPERTY, PLANT AND EQUIPMENT**

See Note 5 to the Company's interim condensed financial statements as of June 30, 2016.

### **ANNEX B - INTANGIBLE ASSETS**

Not applicable.

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

See Note 6 to the Company's interim condensed financial statements as of June 30, 2016.

### **ANNEX D - OTHER INVESTMENTS**

	<u>06.30.2016</u>	<u>12.31.2015</u>
Mutual funds in \$	136,159	37,010
Government bonds in US\$	56,335	101,031
Government bonds in \$	36,800	17,400
LEBAC notes	27,554	-
VRD bonds in \$	9,080	8,867
Time deposits in US\$	94,142	81,525
<b>Total current</b>	<b>360,070</b>	<b>245,833</b>
Other investments in US\$	5,901	5,111
VRD bonds in \$	40,321	44,508
<b>Total non-current</b>	<b>46,222</b>	<b>49,619</b>

### **ANNEX F - COST OF PRODUCTS SOLD OR SERVICES PROVIDED**

See Note 19 to the Company's interim condensed financial statements at June 30, 2016.

### **ANNEX H – INFORMATION REQUIRED BY ARGENTINE BUSINESS ORGANIZATIONS ACT, SECTION 64, SUB-SECTION I.b)**

See Note 19 to the Company's interim condensed financial statements at June 30, 2016.

## Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED BY TITLE IV, CHAPTER III, SECTION 1<sup>ST</sup> OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 (in thousands of pesos, except where specifically mentioned).

### ANNEX E - ALLOWANCES AND PROVISIONS

Description	06.30.16				12.31.15	
	Balances at the beginning of the fiscal year	Increases (net of recoveries)	Transfers	Decreases (payment / usage)	Balances at the end of the period	Balances at the end of the fiscal year
<b>Deducted from assets</b>						
<b>Non-current assets</b>						
<b>Investments in affiliate companies</b>						
Impairment of investment in affiliate companies	602	(107)	-	-	495	602
<b>Materials and spare parts</b>						
Allowance for slow-moving and obsolete materials and spare parts	86,454	8,311 (1)	-	-	94,765	86,454
<b>Other accounts receivable</b>						
Allowance for receivables from actions for refund	11,966	(68) (2)	-	-	11,898	11,966
<b>Trade accounts receivables</b>						
Allowance for doubtful accounts and disputed amounts	1,225,276	189,377 (3)	-	-	1,414,653	1,225,276
<b>Current assets</b>						
<b>Other accounts receivable</b>						
Allowance for doubtful accounts	828	4,026 (4)	-	(70)	4,784	828
<b>Trade accounts receivables</b>						
Allowance for doubtful accounts and disputed amounts	33,548	26,132 (4)	-	-	59,680	33,548
<b>Total allowances deducted from assets</b>	<b>1,358,674</b>	<b>227,671</b>	<b>-</b>	<b>(70)</b>	<b>1,586,275</b>	<b>1,358,674</b>
<b>Included in liabilities</b>						
<b>Non-current liabilities</b>						
<b>Contingencies</b>						
Provisions for labor, civil and contentious lawsuits	74,023	6,476 (5)	-	-	80,499	74,023
<b>Current liabilities</b>						
<b>Contingencies</b>						
Provisions for labor, civil and contentious lawsuits	26,916	13,908 (5)	-	(232)	40,592	26,916
<b>Total provisions included in liabilities</b>	<b>100,939</b>	<b>20,384</b>	<b>-</b>	<b>(232)</b>	<b>121,091</b>	<b>100,939</b>
<b>Total at 06.30.16</b>	<b>1,459,613</b>	<b>248,055</b>	<b>-</b>	<b>(302)</b>	<b>1,707,366</b>	<b>-</b>
<b>Total at 12.31.15</b>	<b>1,012,869</b>	<b>449,662</b>	<b>-</b>	<b>(2,918)</b>	<b>-</b>	<b>1,459,613</b>

(1) Charged to Cost of services - Slow moving and obsolete materials and spare parts (Note 19 to the Company's interim condensed financial statements as of June 30, 2016).

(2) Charged to Administrative expenses - Contingencies (Note 19 to Company's interim condensed financial statements as of June 30, 2016).

(3) Charged to Net financial results - Generated by exchange rate differences (Note 21 to the Company's interim condensed financial statements as of June 30, 2016).

(4) Charged to Selling expenses - Doubtful accounts (Note 19 to the Company's interim condensed financial statements as of June 30, 2016).

(5) 13,908 charged to Administrative expenses - Contingencies (Note 19 to the Company's interim condensed financial statements as of June 30, 2016) and 6,476 to Net financial results - Financial expenses - Results on discounting at present value (Note 21 to the Company's interim condensed financial statements as of June 30, 2016).

## Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED BY TITLE IV, CHAPTER III, SECTION 1<sup>ST</sup> OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 (in thousands, except where specifically mentioned).

### ANNEX G - ASSETS AND LIABILITIES IN FOREIGN CURRENCY

	06.30.16			12.31.15	
	Foreign currency class and amount <sup>(1)</sup>	Exchange rate in \$	Amount in local currency <sup>(1)</sup>	Foreign currency class and amount <sup>(1)</sup>	Amount in local currency <sup>(1)</sup>
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Investments in affiliate companies</b>					
Comgas Andina S.A.	\$ch 866,277	0.0231	20,011	\$ch 938,477	18,488
Companhía Operadora do Rio Grande do Sul	R\$ 155	3.20	495	R\$ 154	602
			20,506		19,090
<b>Trade accounts receivable</b>					
Trade accounts receivable with third parties	US\$ 189,378	14.94	2,829,306	US\$ 189,378	2,450,552
			2,829,306		2,450,552
<b>Investments at amortised cost</b>					
Other investments	US\$ 395	14.94	5,901	US\$ 395	5,111
			5,901		5,111
<b>Total non-current assets</b>			<b>2,855,713</b>		<b>2,474,753</b>
<b>CURRENT ASSETS</b>					
<b>Other accounts receivable</b>					
Commercial indemnifications	US\$ 553	14.94	8,265		
Prepaid expenses and advances	US\$ 226	14.94	3,376	US\$ 3,253	42,094
	£ 82	19.76	1,620	£ 285	5,458
	€ 3	16.49	49	€ 55	774
Other receivables – affiliate companies	US\$ 72	14.94	1,071	US\$ 46	590
	R\$ 830	3.20	2,657	R\$ 77	302
			17,038		49,218
<b>Trade accounts receivable</b>					
Trade accounts receivable with third parties	US\$ 346	14.94	5,166	US\$ 6,974	90,240
Trade accounts receivable with related parties	US\$ 2,650	14.94	39,586	US\$ 2,243	29,018
			44,752		119,258
<b>Investments at fair value</b>					
Government bonds	US\$ 3,771	14.94	56,335	US\$ 7,808	101,031
			56,335		101,031
<b>Cash and cash equivalents</b>					
Time deposits	US\$ 6,301	14.94	94,142	US\$ 6,300	81,525
Balances in bank accounts	US\$ 437	14.94	6,524	US\$ 4,037	52,238
			100,666		133,763
<b>Total current assets</b>			<b>218,791</b>		<b>403,270</b>
<b>Total assets</b>			<b>3,074,504</b>		<b>2,878,023</b>



## Transportadora de Gas del Norte S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED BY TITLE IV, CHAPTER III, SECTION 1<sup>ST</sup> OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 (in thousands, except where specifically mentioned).

	06.30.16			12.31.15	
	Foreign currency class and amount <sup>(1)</sup>	Exchange rate in \$	Amount in local currency <sup>(1)</sup>	Foreign currency class and amount <sup>(1)</sup>	Amount in local currency <sup>(1)</sup>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
<b>Loans</b>					
Step-up Notes					
Principal	US\$ 150,066	15.04	2,256,993	US\$ 150,066	1,956,861
Interests	US\$ 10,612	15.04	159,604	US\$ 10,429	135,994
Capitalized interests	US\$ 24,966	15.04	375,491	US\$ 22,119	288,428
Five-Year Negotiable Obligations					
Principal	US\$ 19,546	15.04	293,972	US\$ 19,545	254,867
Capitalized interests	US\$ 9,174	15.04	137,984	US\$ 7,501	97,808
			3,224,044		2,733,958
<b>Total non-current liabilities</b>			<b>3,224,044</b>		<b>2,733,958</b>
<b>CURRENT LIABILITIES</b>					
<b>Trade accounts payable</b>					
Suppliers – purchases and services	US\$ 2,509	15.04	37,735	US\$ 2,774	36,173
	£ 61	19.94	1,216	£ 196	3,791
Unbilled services and purchases	US\$ 4,717	15.04	70,944	US\$ 4,170	54,377
	£ 17	19.94	339	£ 38	735
	€ 9	16.64	150	€ 6	85
Other related parties	US\$ 16,155	15.04	242,971	US\$ 16,155	210,661
			353,355		305,822
<b>Loans</b>					
Five-Year Negotiable Obligations					
Principal	US\$ 9,769	15.04	146,926	US\$ 9,769	127,388
			146,926		127,388
<b>Total current liabilities</b>			<b>500,281</b>		<b>433,510</b>
<b>Total liabilities</b>			<b>3,724,325</b>		<b>3,167,168</b>

US\$: US Dollars

\$ ch: Chilean Pesos

R\$: Brazilian Reais

£: Pound sterling

€: Euro

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

Emilio Daneri Conte-Grand  
President

## **REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**

To the President and Directors of  
Transportadora de Gas del Norte S.A.  
Legal Domicile: Don Bosco 3672 - Piso 3°  
City of Buenos Aires  
CUIT No. 30-65786305-6

### **Introduction**

We have reviewed the attached interim condensed financial statements of Transportadora de Gas del Norte S.A. (the "Company" or "TGN"), which consist of the statement of financial position as of June 30, 2016 and the statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the six month period then ended and the selected explanatory notes.

The balances and other information for the fiscal year 2015 and interim periods are an integral part of the above-mentioned financial statements and therefore they should be considered in relation with those financial statements.

### **Management Responsibility**

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements in accordance with International Financial Reporting Standards, adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated by the National Securities Commission (CNV) to its regulations, as approved by the International Accounting Standards Board (IASB), and is therefore responsible for the preparation and presentation of the interim condensed financial statements mentioned in the first paragraph, in accordance with International Accounting Standard 34 "Interim Financial Information" (IAS 34).

### **Scope of our review**

Our review was limited to the application of the procedures established under International Standard on Review Engagements ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", adopted as a review standard in Argentina by Technical Pronouncement No. 33 of the FACPCE and approved by the International Auditing and Assurance Standards Board (IAASB). A review of interim financial information consists of inquiries of Company staff responsible for preparing the information included in the interim condensed financial statements and of analytical and other review procedures. This review is substantially less in scope than an audit examination performed in accordance with international auditing standards; consequently, a review does not enable us to obtain assurance that we will get to know all significant matters that could be identified in an audit. Therefore, we express no audit opinion on the financial position, comprehensive income and cash flow of the Company.

## **Conclusion**

On the basis of our review, nothing has come to our attention that make us think that the interim condensed financial statements mentioned in the first paragraph of this report are not prepared, in all material respects, in accordance with International Accounting Standard 34.

## **Emphasis of matter paragraph**

Without modifying our conclusion, we want to emphasize the information contained in note 1 to the attached interim condensed financial statements, which indicates that the modifications upon enactment of the Public Emergency Law No. 25,561 introduced by the National Government to the Company's license, generated an accumulated loss of \$286.8 million as of the period ended June 30, 2016, situation that led the Company to fall within article 206 of the General Companies Law. These circumstances, along with other matters described in note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

## **Report on compliance with current regulations**

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

- a) The interim condensed financial statements of Transportadora de Gas del Norte S.A. are transcribed into the "Inventory and Balance Sheet" book and are in compliance, as regards matters within our field of competence, with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;
- b) The interim condensed financial statements of Transportadora de Gas del Norte S.A. arise from accounting records kept in their formal respects in conformity with legal provisions;
- c) We have read the summary of activity and the additional information to the notes to the interim condensed financial statements required by Section 68 of the Buenos Aires Stock Exchange Regulations and section 12, Chapter III, Title IV, of CNV regulations, on which we have no observations to make insofar as concerns matters within our field of competence.
- d) The debt accrued as of June 30, 2016 in favor of the Argentine Integrated Social Security System, as shown by the Company's accounting records, amounted to \$ 14.259.319 and was not claimable at that date.

Autonomous City of Buenos Aires, August 9, 2016

PRICE WATERHOUSE & CO. S.R.L.

by \_\_\_\_\_ (Partner)  
Carlos N. Martínez

## **STATUTORY AUDIT COMMITTEE'S REPORT**

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

I.- In accordance with the provisions of Section 63, subsection b, of the Buenos Aires Stock Exchange Listing Rules, we have performed a limited review of Transportadora del Gas del Norte S.A.'s Interim Condensed Balance Sheet as of June 30, 2016 and the related Interim Condensed Statement of Comprehensive Income, Interim Condensed Statement of Changes in Shareholders' Equity and Interim Condensed Statement of Cash Flows, as well as supplementary additional reports and explanatory notes for the six-month period then ended. The Board of Directors, within the scope of its exclusive functions, is responsible for the preparation and presentation of these documents in full compliance with current 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 in light of conditioning circumstances. Our responsibility is to report on these documents based on the work mentioned in the following paragraph.

II.- Our work on the documents mentioned in the first paragraph consisted in assessing the consistency of significant information contained in those statements with the information on corporate decisions set forth in minutes, and the compliance 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 also considered the Review Report on the Interim Condensed Financial Statements by independent auditor Carlos N. Martínez (CPA), Partner of Price Waterhouse & Co. S.R.L., dated August 9, 2016, issued in compliance with current standards in Argentina for the "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." We have not conducted any management control and therefore we have not evaluated business decisions and criteria concerning the provision of the natural gas carriage public service, its administration and marketing, since these issues are the sole responsibility of the Board and fall outside the competence of this Statutory Audit Committee.

III.- There is a material uncertainty that may cast a significant doubt as to whether future cash inflows will be sufficient to recover the value of non-current assets and whether the Company will be able to repay its financial debts, as well as to future results, consistent with assessments and/or estimates made. As set forth in Note 1 to the interim condensed financial statements, changes introduced by the National Government to the license, under which the Company operates, generated accumulated losses that, at the end of the period ended on June 30, 2016, caused the Company to be under the scope of Section 206 of the Argentine Business Organizations Act. Consequently, there is a material uncertainty that may cast a significant doubt regarding the Company's ability to continue as a going concern.

The evolution of contractual disputes with certain clients is uncertain, as is the possibility to recover receivable balances past due and pending collection resulting therefrom, which is why they have been partially allowed for, according to the most reasonably collection perspectives.

On February 29, 2016, TGN entered into a new Temporary Agreement with the "Finance" and "Energy and Mining" Ministries, that set the basic guidelines for a temporary adjustment of its rates and a future Comprehensive Rates Review ("CRR"). On March 31, 2016, the ENARGAS issued resolution I/3723 setting a TGN's temporary rates increase of 289.2% as from April 1st, 2016. On July 27 TGN was informed by the ENARGAS that as a consequence of the decision of the La Plata Federal Court of Appeals, Room II, annulling the MINEM resolutions

and also in relation to the extraordinary appeal filed by the MINEM against that decision, the above mentioned rates temporary increase is not applicable until a decision is made regarding whether granting or not the extraordinary appeal filed by the MINEM. The extraordinary appeal was granted by Room II of the Court of Appeals, but without granting the suspension of the effects of the annulling judgment, that consequently maintain its effectiveness, until the National Supreme Court of Justice issues an opinion. In case of a negative judgment regarding the collection of the rate increase, the Company will again face an economic-financial imbalance situation that will worsen the existing problem in that sense and will increase the uncertainty on whether or not apply Section 206 of the Argentine Business Organizations Act, whose applicability was postponed until the Annual Shareholders Meeting that will consider the Company's financial statements for the fiscal year ending on December 31, 2016 is held. The controversies disclosed in Note 1.1 to the Interim Condensed Financial Statements (paragraphs 11 to 16), generate a new set of uncertainties in relation to the Company's future economic and financial evolution.

The Interim Condensed Financial Statements have been prepared using accounting principles applicable to a going concern.

Consequently, the Interim Condensed Financial Statements should be analyzed from the perspective of the prevailing uncertainties.

IV.- Finally, 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 compliance with applicable regulations, we report that:

a) The Interim Condensed Financial Statements as of June 30, 2016, considered and approved on this date by the Company's Board of Directors, contemplate all significant facts and circumstances of which we are aware.

b) The Interim Condensed Financial Statements arise from accounting records kept in all formal respects in conformity with current legal provisions, and comply with the regulations of the Companies Law and pertinent resolutions of the CNV [National Securities Commission].

c) As regards such Interim Condensed Financial Statements and the additional information to the notes thereto, required by section 68 of the Buenos Aires Stock Exchange Listing Rules and by sections 1 and 12, Chapter III, Title IV, of the CNV regulations, we have no further observations to make in addition to what we have previously stated.

d) During the period under review, we complied with the provisions of section 294 of Companies Law.

Autonomous City of Buenos Aires, August 9, 2016.

By Statutory Audit Committee

Dr. Juan Carlos Pitrelli  
Syndic