



*TRANSPORTADORA  
DE GAS DEL NORTE S.A.*

**Interim condensed financial statements as of June 30, 2018 in thousand Pesos, on a comparative basis**

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

**INTERIM CONDENSED FINANCIAL STATEMENTS** for the six-month period ended June 30, 2018, on a comparative basis.

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

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

Registration number with the Superintendence of Corporations: 11,667 – Book 112 - Volume A - Corporations.

Amendments to by-laws registered with the Public Registry: March 7, 1994; June 9, 1994; July 5, 1994; February 14, 1995; August 9, 1995; June 27, 1996; December 23, 1996; September 20, 2000; July 7, 2004; August 24, 2005; August 18, 2006 and September 15, 2017.

Date of expiry of Company's existence: December 1<sup>st</sup>, 2091.

Controlling shareholder: Gasinvest S.A.

Registered address: Avda. Roque Sáenz Peña 938 – 3<sup>rd</sup>. floor – City of Buenos Aires.

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

Percentage of shares held by controlling shareholder: 56.354%.

Percentage of votes held by controlling shareholder: 56.354%.

Capital Structure (Note 14 to the Company's Financial Statements as of December 31, 2017)

Classes of Shares	Subscribed and Paid-in	
	06.30.18	12.31.17
	<b>Thousand \$</b>	
Book-entry Class A common shares, of \$1 par value each and entitled to one vote per share	179,264	179,264
Book-entry Class B common shares, of \$1 par value each and entitled to one vote per share	172,235	172,235
Book-entry Class C common shares, of \$1 par value each and entitled to one vote per share <sup>(1)</sup>	87,875	87,875
<b>Total</b>	<b>439,374</b>	<b>439,374</b>

<sup>(1)</sup> Authorized for public offering in Argentina. Listed on Argentine markets and stock exchanges.

See our report dated  
August 8, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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

Juan Carlos Pitrelli  
Regular Statutory Auditor

Emilio Daneri Conte-Grand  
President

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Additional information to the Notes to Interim Condensed Financial Statements required under Title IV, Chapter III, Section 12 of the National Securities Commission regulations.

Review Report on the Interim Condensed Financial Statements

Report from the Supervisory Committee

## Transportadora de Gas del Norte S.A.

### INTERIM CONDENSED BALANCE SHEET AS OF JUNE 30, 2018 AND DECEMBER 31, 2017 (in thousand pesos)

	Note	<u>06.30.2018</u>	<u>12.31.2017</u>
ASSETS			
Non-current assets			
Property, plant and equipment	5	21,119,566	21,696,171
Investments in affiliated companies	6	18,740	9,872
Materials and spare parts	10	89,439	98,353
Other accounts receivable	11	139,834	148,353
Trade accounts receivable	12	2,307,390	1,434,545
Investments at amortized cost	8	32,238	35,085
Total non-current assets		<u>23,707,207</u>	<u>23,422,379</u>
Current assets			
Materials and spare parts		77,590	36,848
Other accounts receivable	11	216,692	102,580
Trade accounts receivable	12	1,581,303	895,972
Investments at amortized cost	8	23,766	8,645
Investments at fair value	8	730,597	117,991
Cash and cash equivalents	13	1,408,286	475,496
Total current assets		<u>4,038,234</u>	<u>1,637,532</u>
Total assets		<u>27,745,441</u>	<u>25,059,911</u>

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# Transportadora de Gas del Norte S.A.

## INTERIM CONDENSED BALANCE SHEET AS OF JUNE 30, 2018 AND DECEMBER 31, 2017 (in thousand pesos)

	Note	<u>06.30.2018</u>	<u>12.31.2017</u>
SHAREHOLDERS' EQUITY			
Common stock	<b>14</b>	439,374	439,374
Property, plant and equipment revaluation allowance		13,417,908	14,135,790
Statutory Reserve		87,875	-
Other reserves		9,741	4,725
Retained earnings		1,088,871	455,552
Total shareholders' equity		<u>15,043,769</u>	<u>15,035,441</u>
LIABILITIES			
Non-current liabilities			
Contingencies	<b>19</b>	27,749	25,521
Deferred income tax liability	<b>7</b>	5,104,865	4,993,937
Loans	<b>15</b>	4,722,731	4,047,412
Other debts	<b>17</b>	24,150	21,061
Trade accounts payable	<b>18</b>	215,208	154,924
Total non-current liabilities		<u>10,094,703</u>	<u>9,242,855</u>
Current liabilities			
Contingencies	<b>19</b>	105,762	76,341
Loans	<b>15</b>	1,653,639	31,250
Salaries and social security contributions		98,221	139,801
Income tax		6,753	-
Taxes payable	<b>16</b>	182,379	69,897
Other debts	<b>17</b>	109,668	105,119
Trade accounts payable	<b>18</b>	450,547	359,207
Total current liabilities		<u>2,606,969</u>	<u>781,615</u>
Total liabilities		<u>12,701,672</u>	<u>10,024,470</u>
Total liabilities and shareholders' equity		<u>27,745,441</u>	<u>25,059,911</u>

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

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# Transportadora de Gas del Norte S.A.

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017 (in thousand pesos)

	Note	Six-month period ended		Three-month period ended	
		06.30.2018	06.30.2017	06.30.2018	06.30.2017
Revenues	20	4,227,953	1,628,860	2,666,206	995,068
Cost of service	21	(1,878,515)	(668,895)	(946,511)	(394,261)
<b>Gross profit</b>		<b>2,349,438</b>	<b>959,965</b>	<b>1,719,695</b>	<b>600,807</b>
Selling expenses	21	(166,669)	(114,933)	(53,203)	(76,565)
Administrative expenses	21	(306,382)	(197,674)	(179,218)	(123,938)
<b>Income before other net income and expenses</b>		<b>1,876,387</b>	<b>647,358</b>	<b>1,487,274</b>	<b>400,304</b>
Other net income and expenses	22	(112,184)	13,413	(116,317)	(12,580)
<b>Income before financial income</b>		<b>1,764,203</b>	<b>660,771</b>	<b>1,370,957</b>	<b>387,724</b>
Net financial income					
Other net financial income	23	(1,136,295)	(98,542)	(960,988)	(165,750)
Financial income	23	85,811	53,307	30,698	1,126
Financial expenses	23	(195,867)	(145,993)	(119,075)	(64,322)
<b>Net financial (loss) income</b>		<b>(1,246,351)</b>	<b>(191,228)</b>	<b>(1,049,365)</b>	<b>(228,946)</b>
Income from investments in affiliated companies	6	3,852	1,346	3,182	1,125
<b>Income before income tax</b>		<b>521,704</b>	<b>470,889</b>	<b>324,774</b>	<b>159,903</b>
Income tax					
Current	7	(39,787)	-	(39,787)	-
Deferred	7	(110,928)	(168,069)	(50,445)	(59,454)
<b>Subtotal income tax</b>		<b>(150,715)</b>	<b>(168,069)</b>	<b>(90,232)</b>	<b>(59,454)</b>
<b>Income for the period</b>		<b>370,989</b>	<b>302,820</b>	<b>234,542</b>	<b>100,449</b>
<b>Items that will be reclassified through profit or loss</b>					
Affiliated companies' financial statements currency translation adjustment	6	5,016	317	3,839	434
<b>Other comprehensive income for the period <sup>(1)</sup></b>		<b>5,016</b>	<b>317</b>	<b>3,839</b>	<b>434</b>
<b>Comprehensive income for the period</b>		<b>376,005</b>	<b>303,137</b>	<b>238,381</b>	<b>100,883</b>
Net earnings per share, basic and diluted	24	0.8444	0.689	0.528	0.228

<sup>(1)</sup> Comprehensive income is net of the income tax effect.

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

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## Transportadora de Gas del Norte S.A.

### INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017 (in thousand pesos)

ITEM	Common stock	Property, plant and equipment revaluation allowance	Statutory Reserve	Other reserves	Retained earnings	Total shareholders' equity
<b>Balances as of December 31, 2016</b>	<b>439,374</b>	-	-	<b>2,796</b>	<b>(386,304)</b>	<b>55,866</b>
Profit for the six-month period ended June 30, 2017	-	-	-	-	302,820	302,820
Other comprehensive income	-	-	-	317	-	317
<b>Balances as of June 30, 2017</b>	<b>439,374</b>	-	-	<b>3,113</b>	<b>(83,484)</b>	<b>359,003</b>
Profit for the six-month period ended December 31, 2017	-	-	-	-	539,036	539,036
Creation of Property, plant and equipment revaluation allowance	-	14,135,790	-	-	-	14,135,790
Other comprehensive income	-	-	-	1,612	-	1,612
<b>Balances as of December 31, 2017</b>	<b>439,374</b>	<b>14,135,790</b>	-	<b>4,725</b>	<b>455,552</b>	<b>15,035,441</b>
Resolution of the Ordinary Shareholders Meeting held in April 12, 2018:						
Reinstatement of Statutory Reserve	-	-	87,875	-	(87,875)	-
Distribution of dividends in cash	-	-	-	-	(367,677)	(367,677)
Profit for the six-month period ended June 30, 2018	-	-	-	-	370,989	370,989
Reversal of Property, plant and equipment revaluation allowance	-	(717,882)	-	-	717,882	-
Other comprehensive income	-	-	-	5,016	-	5,016
<b>Balances as of June 30, 2018</b>	<b>439,374</b>	<b>13,417,908</b>	<b>87,875</b>	<b>9,741</b>	<b>1,088,871</b>	<b>15,043,769</b>

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## INTERIM CONDENSED STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017 (in thousand pesos)

	Note	<u>06.30.2018</u>	<u>06.30.2017</u>
Profit for the period		370,989	302,820
<b>Adjustments to cash generated by (used in) operating activities:</b>			
Property, plant and equipment depreciation	5	1,135,269	90,015
Residual value of property, plant and equipment disposed of	5	1,784	57
Income tax	7	150,715	168,069
Accrued interest generated by liabilities	23	190,109	131,863
Accrued interest generated by assets	23	(37,612)	(19,122)
Increase in allowances and provisions (net of recoveries)		382,488	143,473
Exchange rate differences and other net financial income		1,370,739	138,231
Gain (loss) from investments in affiliated companies		(3,852)	(1,346)
<b>Net changes in operating assets and liabilities:</b>			
Increase in trade accounts receivable		(1,080,585)	(411,373)
Increase in other accounts receivable		(71,996)	(94,077)
Increase in materials and spare parts		(33,716)	(14,294)
Increase in trade accounts payable		97,877	31,451
Decrease in salaries and social security contributions		(41,580)	(26,826)
Increase (decrease) in taxes payable		57,880	(5,889)
Increase in other debts		7,639	63,781
Decrease in contingencies		-	(42,408)
<b>Net cash flow generated by operating activities</b>		<b><u>2,496,148</u></b>	<b><u>454,425</u></b>
Acquisition of property, plant and equipment	6	(560,448)	(306,840)
Subscriptions net of recovery of investments at amortized cost and investments at fair value (non-cash equivalents)		(603,464)	(46,048)
Principal received from investments at amortized cost and investments at fair value		4,188	4,188
Interest received from investments at amortized cost and investments at fair value		6,133	6,615
<b>Net cash flow used in investing activities</b>		<b><u>(1,153,591)</u></b>	<b><u>(342,085)</u></b>
Interest payment		(110,512)	(141,491)
Payment of dividends in cash		(367,677)	-
<b>Net cash flow used in financing activities</b>		<b><u>(478,189)</u></b>	<b><u>(141,491)</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b><u>864,368</u></b>	<b><u>(29,151)</u></b>
Cash and cash equivalents at the beginning of fiscal year		475,496	250,865
Financial income generated by cash		68,422	21,893
<b>Cash and cash equivalents at the end of period</b>	<b>13</b>	<b><u>1,408,286</u></b>	<b><u>243,607</u></b>

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# Transportadora de Gas del Norte S.A.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

### 1 - OVERVIEW

#### 1.1 – Incorporation of the Company

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

#### 1.2 – Economic Emergency and Renegotiation of the License

In January 2002, the Public Emergency Law No. 25,561 (“LEP”) established the pesification of the rates for natural gas transportation services within the domestic market and repealed the semi-annual adjustment mechanism based on the Producer Price Index (“PPI”). Furthermore, the LEP authorized the National Executive Branch to renegotiate public works and services contracts and rates. Within said legal framework, in March 2017, the Company entered into an Agreement for the Comprehensive Renegotiation of the License (the “Comprehensive Agreement”) with the National Government, which came into force and was ratified by means of National Executive Branch Decree No. 251, dated March 27, 2018. This put an end to the renegotiation process conducted under the LEP. The provisions under the Comprehensive Agreement cover the contractual period from January 6, 2002 to the termination date of the License.

The Comprehensive Agreement contains an indemnity clause for the benefit of the National Government. On the one hand, TGN agrees to hold the National Government harmless in the event that any of TGN’s and/or controlling shareholder, Gasinvest S.A. (“Gasinvest”) and/or any assignee thereof obtain a final award or judgment, in Argentina or abroad, consisting of any type of economic indemnity, relief or compensation in connection with License related matters resulting from the LEP and/or PPI discontinuation, including legal costs and fees. In such case, the Company shall not be entitled to seek any relief, indemnity or compensation from the National Government, and costs and expenses incurred by TGN shall not be transferred to users of the transportation service.

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

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

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PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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C.P.C.E.C.A.B.A. T° I F° 17

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

#### 1 - OVERVIEW (Cont.)

##### 1.2 – Economic Emergency and Renegotiation of the License (Cont.)

The Comprehensive Agreement also established the guidelines to carry out TGN's rate review. See Note 1.3.3 to these interim condensed financial statements of the Company as of June 30, 2018.

##### 1.3 - Regulatory framework

###### 1.3.1 - General

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

###### 1.3.2 - Rates

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

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

###### 1.3.3 – Comprehensive Rate Review

Between April 2014 and December 2017 TGN received successive interim rate increases, until March 2018 when ENARGAS implemented the rate tables under the Comprehensive Rate Review ("CRR") that said entity has conducted since March 2016. In return, between April 1, 2017 and March 31, 2022, the Company must implement a Mandatory Investment Plan for approximately \$5.6 billion, which amount shall be adjusted in the same proportion as TGN's rates.

The industry's regulatory framework entitles the Company to charge a rate that allows it to cover reasonable operating costs and depreciation charges, pay taxes and obtain a reasonable profit margin similar to that derived from other comparable risky activities that is in line with the degree of efficiency in the provision of a high-quality service. Said regulatory framework provides for bi-annual non-automatic rate review mechanisms to reflect cost variations, based on the Domestic Wholesale Price Index published by the National Institute of Statistics and Census ("INDEC"). However, ENARGAS could consider other macroeconomic variables that would allow weighing the impact of rate adjustments on household economies considering levels of activity, salaries and retirement income, among others.

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

#### 2 – BASIS OF PREPARATION AND PRESENTATION

These interim condensed financial statements for the six-month period ended June 30, 2018 have not been audited. The Company's Management believes that all adjustments necessary have been made to reasonably present the results for each period. The results for the six-month period ended June 30, 2018 do not necessarily reflect the Company's full year results.

In addition, these financial statements have been prepared in accordance with the International Accounting Standard 34 ("Interim Financial Reporting").

The National Securities Commission ("CNV") established, through General Resolution No. 622/13, the implementation of Technical Resolutions No. 26 and 29 of the Argentine Federation of Professional Councils in Economic Sciences, which adopt International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), for entities comprised in the public offering regime, either because of their capital or notes, or because they have requested authorization to be included in said regime.

These interim condensed financial statements should be read in conjunction with the Company's financial statements as of December 31, 2017, which have been prepared in accordance with IFRS. Additionally, these interim condensed financial statements have been prepared applying the same accounting policies used in preparing the Company's financial statements as of December 31, 2017.

Furthermore, the provisions of ENARGAS Resolution No. 1,660/00 (as amended by said Entity's Resolution No. 1,903/00), which regulates certain valuation and disclosure criteria for the regulated natural gas transportation and distribution activity have been applied.

#### 2.1 – Use of Estimates and Accounting Policies

The preparation of interim condensed financial statements requires the Company's Board to make estimates that affect the reported valuation of assets and liabilities at the date of issuance of these interim condensed financial statements as well as income and expenses recorded for the period. However, actual results and amounts may significantly differ from estimates used in the preparation of interim condensed financial statements. Estimates and accounting policies applied by the Company during the six-month period ended June 30, 2018 are consistent with those applied for fiscal year ended December 31, 2017, save as described below.

Upon initial adoption of IFRS 9 as of January 1, 2018, the recognition of impairment losses associated with trade accounts receivable is based on the Company's best estimate of default risk and expected loss ratios, considering customers' historic performance, current market conditions and prospective estimates at the end of each reporting period.

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

#### 2 – BASIS OF PREPARATION AND PRESENTATION (Cont.)

##### 2.2 – Financial Reporting in Hyperinflationary Economies

IAS 29 “Financial Reporting in Hyperinflationary Economies” requires that financial statements of an entity which functional currency is that of a hyperinflationary economy be stated in terms of the unit of measurement current as of the closing date of the reporting period, whether based on the historical or current cost method. Consequently, in general terms, non-monetary items should include actual inflation since their acquisition or revaluation date, as appropriate.

IAS 29 describes a number of factors indicative of a hyperinflationary economy, such as when the cumulative inflation rate over three years approaches or exceeds 100%. In view that inflation in Argentina has reverted the declining trend observed during the last year to now show a significant increase in 2018, that the cumulative inflation rate over the last three years is expected to exceed 100%, and that all other indicators point at the conclusion that Argentina must be considered a hyperinflationary economy for reporting purposes, Management understands that there is sufficient evidence to conclude that Argentina is, effective as of July 1, 2018, a hyperinflationary economy in the terms of IAS.

As of June 30, 2018, restatement criteria established in IAS 29 have not been applied to financial information. However, certain macroeconomic variables that impact on the Company’s business such as the cost of salaries and price of supplies have had, in recent years, fairly significant variations. This factor should be considered in reviewing and interpreting the Company’s financial situation and results of operations presented in these financial statements.

##### 2.3 – Changes in Interpretation and Accounting Standards

###### **a) New accounting standards, amendments and interpretations issued by IASB applicable as from June 30, 2018, adopted by the Company**

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

- Amendments to IAS 7 “Statement of Cash Flows”: Disclosure by the Company of changes in liabilities arising from financing activities made it necessary to introduce additional information under Note 15 to these interim condensed financial statements. Said disclosure has had no impact on the Company’s financial position or results of operations.
- Amendments to IAS 12 “Income Taxes”: Recognition by the Company of deferred tax assets for unrealized losses has had no impact on the Company’s financial position or results of operations.
- IFRS 15 “Revenue from Contracts with Customers”: The Company decided to adopt IFRS 15 retrospectively for all those contracts pending performance as of the initial adoption date, recognizing, where appropriate, the resulting cumulative effect as an adjustment to the opening balance of cumulative earnings as of January 1, 2018.

See our report dated  
August 8, 2018

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PRICE WATERHOUSE & CO. S.R.L.

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C.P.C.E.C.A.B.A. T° I F° 17

## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

### 2 – BASIS OF PREPARATION AND PRESENTATION (Cont.)

#### 2.3 – Changes in Interpretation and Accounting Standards (Cont.)

##### **a) New accounting standards, amendments and interpretations issued by IASB applicable as from June 30, 2018, adopted by the Company (Cont.)**

Management has assessed the effects of adopting IFRS 15 with respect to contracts in effect as of January 1, 2018 and has not identified any differences related to reporting of performance obligations or transaction price allocation methodology, which might affect revenue recognition or timing of revenue recognition. Therefore, no adjustment to the opening balance of cumulative earnings as at the beginning of the period has been recognized by the Company. Finally, no contractual assets or liabilities required to be disclosed on a separate basis in accordance with IFRS 15 have been identified.

- IFRS 9 “Financial Instruments”: The Company has adopted IFRS 9 retrospectively as of January 1, 2018, through the use of allowed practical resources, without restating comparative periods. The negative impact of its initial adoption amounted to \$31.4 million.

The Company has reviewed the financial assets currently measured and classified at fair value through profit or loss or at amortized cost and has concluded that they meet the requirements to maintain their classification. Consequently, its initial adoption has not affected the classification and measurement of the Company’s financial assets.

As for the new hedge accounting model, the Company has not elected to designate any hedge ratio as of IFRS 9 initial adoption date; consequently, there has been no resulting impact on the Company’s financial position or results of operations.

Finally, as for the change in the impairment methodology based on expected credit losses, the Company applies the IFRS 9 simplified approach for trade accounts payable, regardless of actual impairment signs.

To measure expected credit losses, trade accounts receivable are grouped based on shared credit risk characteristics and default days counted as from maturity dates.

Trade accounts receivable are written off when reasonable recovery expectation no longer exists.

Although cash, cash equivalents, investments measured at fair value and other accounts receivable are also subject to the impairment requirements under IFRS 9, the identified impairment loss is negligible.

As for investments measured at amortized cost, the application of the expected credit risk model has caused no impact on the Company’s financial position or results of operations.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

### 2 – BASIS OF PREPARATION AND PRESENTATION (Cont.)

#### 2.3 – Changes in Interpretation and Accounting Standards (Cont.)

##### **a) New accounting standards, amendments and interpretations issued by IASB applicable as from June 30, 2018, adopted by the Company (Cont.)**

- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”: Issued in December 2016. The interpretation refers to the determination of the “date of the transaction” for the exchange rate to be used on initial recognition of the related asset, expense or income when an entity has paid or received an advance consideration in a foreign currency. The date of the transaction is the date when a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration is recognized. IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. The adoption of IFRIC 22 has had no impact on the Company’s financial position or results of operations.

- Annual improvements to IFRSs – 2014-2016 Cycle: These amendments were issued in December 2016 and are effective for annual reporting periods beginning on or after January 1, 2018. The adoption of this standard has had no impact on the Company’s financial position or results of operations.

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

### 2 – BASIS OF PREPARATION AND PRESENTATION (Cont.)

#### 2.3 – Changes in Interpretation and Accounting Standards (Cont.)

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

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

- Annual Improvements to IFRSs - 2015-2017 Cycle: These amendments were issued in December 2017 and are effective for annual reporting periods beginning on or after January 1, 2019. The Company believes that their adoption will have no impact on its financial position or results of operations.

### 3 – FINANCIAL RISK MANAGEMENT

Except as mentioned in Note 3.1. below, as of June 30, 2018 no significant variations in financial risks have been identified with respect to Note 3 to the Company’s Financial Statements as of December 31, 2017.

#### 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 \$26 million, provided that the other economic and financial variables affecting the Company remain stable. This sensitivity analysis is based on reasonable assumptions and information. Yet, actual results might differ significantly from such analysis.

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## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

### 3 – FINANCIAL RISK MANAGEMENT (Cont.)

#### Foreign Currency denominated Assets and Liabilities

	06.30.18			12.31.17	
	Amount and type of foreign currency <sup>(1)</sup>	Current trading price in \$	Amount in local currency <sup>(1)</sup>	Amount and type of foreign currency <sup>(1)</sup>	Amount in local currency <sup>(1)</sup>
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Investments in affiliated companies</b>					
Comgas Andina S.A.	Sch 424,683	0.04413	18,740	Sch 331,642	9,872
Companhia Operadora do Rio Grande do Sul	R\$ 190	7.6	1,447	R\$ 201	1,145
			20,187		11,017
<b>Trade accounts receivable</b>					
Trade accounts receivable with third parties	US\$ 189,378	28.75	5,444,618	US\$ 189,378	3,512,773
			5,444,618		3,512,773
<b>Investments at amortized cost</b>					
Other investments			-	US\$ 395	7,326
			-		7,326
<b>Total non-current assets</b>			<b>5,464,805</b>		<b>3,531,116</b>
<b>CURRENT ASSETS</b>					
<b>Other accounts receivable</b>					
Commercial compensations and other	US\$ 749	28.75	21,534	US\$ 822	15,251
Other receivables with controlling companies	US\$ 4	28.75	118	US\$ 4	76
Other receivables with affiliated companies	US\$ 3	28.75	91	US\$ 6	108
	R\$ 97	7.6	734	R\$ 93	530
			22,477		15,965
<b>Trade accounts receivable</b>					
Trade accounts receivable with third parties	US\$ 888	28.75	25,530	US\$ 411	7,624
Trade accounts receivable with related parties			-	US\$ 4,457	82,673
Trade accounts receivable with affiliated companies			-	US\$ 25	471
			25,530		90,768
<b>Investments at fair value</b>					
Mutual funds	US\$ 14,000	28.75	402,489		-
Government bonds	US\$ 5,275	28.75	151,656		-
			554,145		-
<b>Cash and cash equivalents</b>					
Term deposits	US\$ 20,059	28.75	576,695	US\$ 11,006	204,146
Mutual funds	US\$ 1,003	28.75	28,829		-
Bank balances	US\$ 25,503	28.75	733,219	US\$ 317	5,877
			1,338,743		210,023
<b>Total current assets</b>			<b>1,940,895</b>		<b>316,756</b>
<b>Total assets</b>			<b>7,405,700</b>		<b>3,847,872</b>

See our report dated  
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PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

### 3 – FINANCIAL RISK MANAGEMENT (Cont.)

#### Foreign Currency denominated Assets and Liabilities (Cont.)

	06.30.18			12.31.17	
	Amount and type of foreign currency <sup>(1)</sup>	Current trading price in \$	Amount in local currency <sup>(1)</sup>	Amount and type of foreign currency <sup>(1)</sup>	Amount in local currency <sup>(1)</sup>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
<b>Loans</b>					
Syndicated Loan	US\$ 163,700	28.85	4,722,731	US\$ 217,031	4,047,412
<b>Total Non-Current Liabilities</b>			<b>4,722,731</b>		<b>4,047,412</b>
<b>CURRENT LIABILITIES</b>					
<b>Trade Accounts Payable</b>					
Suppliers – Goods and Services	US\$ 695	28.85	20,047	US\$ 3,194	59,568
	£ 65	38.12	2,470	£ 65	1,637
Unbilled Goods and Services	US\$ 7,117	28.85	205,325	US\$ 6,698	124,906
	£ 133	38.12	5,067	£ 33	842
	€ 12	33.73	396	€ 14	305
			233,305		187,258
<b>Loans</b>					
Syndicated Loan	US\$ 57,317	28.85	1,653,583	US\$ 1,673	31,194
			1,653,583		31,194
<b>Total Current Liabilities</b>			<b>1,886,888</b>		<b>218,452</b>
<b>Total Liabilities</b>			<b>6,609,619</b>		<b>4,265,864</b>

US\$: US Dollars

£: Pound sterling

€: Euros

R\$: Brazilian Reais

\$ch: Chilean Pesos

<sup>(1)</sup> Does not include allowances or discounts at present value.

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## Transportadora de Gas del Norte S.A.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

#### 4 - BUSINESS SEGMENT INFORMATION

Segment reporting is presented in a manner consistent with the internal reporting submitted to the Chief Operating Decision Maker (“CODM”). The Company’s General Director has been identified as CODM. The management information used by the CODM for decision making is prepared on a quarterly basis and in million pesos and does not include any breakdown by business segment, which means that the information is presented as a single segment for the Company as a whole. It has been determined that the representative measure used for decision making by the CODM is the “management EBITDA”, together with acquisition of “Property, Plant and Equipment”. Information submitted to the CODM (in million pesos) is included below:

	<u>06.30.2018</u>	<u>06.30.2017</u>
Revenues	4,228.0	1,628.9
Cost of service	(1,216.3)	(891.5)
Management EBITDA	<u>3,011.7</u>	<u>737.4</u>
Acquisition of “Property, plant and equipment”	<u>(560.4)</u>	<u>(306.8)</u>

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

	<u>06.30.2018</u>	<u>06.30.2017</u>
Management EBITDA in million pesos	3,011.7	737.4
“Property, plant and equipment” depreciation	(1,135.3)	(90.0)
Other net income and expenses	(112.2)	13.4
Net financial income	(1,246.4)	(191.2)
Income from investments in affiliated companies	3.9	1.3
Income before income tax	<u>521.7</u>	<u>470.9</u>

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## Transportadora de Gas del Norte S.A.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)**  
**5 – PROPERTY, PLANT AND EQUIPMENT**

	At the beginning of fiscal year	06.30.2018									Net book value			
		Cost of acquisition				At the end of period	Depreciation				06.30.2018	12.31.2017	06.30.2017	
		Additions	Disposals	Transfers	Revaluation		At the beginning of fiscal year	Period	Disposals	At the end of period				
Essential assets:														
Gas pipelines and branch lines	16,617,403	-	-	5,262	-	16,622,665	-	788,312	-	788,312	15,834,353	16,617,403	1,385,312	
Compressor plants	2,619,025	-	(561)	49,350	-	2,667,814	-	268,485	(344)	268,141	2,399,673	2,619,025	254,382	
Meter and regulating stations	253,300	-	-	-	-	253,300	-	11,271	-	11,271	242,029	253,300	23,549	
SCADA system	358,876	-	-	-	-	358,876	-	28,076	-	28,076	330,800	358,876	33,295	
Gas inventory	335,814	-	-	-	-	335,814	-	-	-	-	335,814	335,814	54,054	
Lands	23,814	-	-	(10)	-	23,804	-	-	-	-	23,804	23,814	2,102	
Buildings and civil construction works	401,613	-	-	2	-	401,615	-	6,991	-	6,991	394,624	401,613	36,066	
Other technical installations	216,521	-	-	1,440	-	217,961	-	23,185	-	23,185	194,776	216,521	15,269	
<b>Sub-total essential assets</b>	<b>20,826,366</b>	<b>-</b>	<b>(561)</b>	<b>56,044</b>	<b>-</b>	<b>20,881,849</b>	<b>-</b>	<b>1,126,320</b>	<b>(344)</b>	<b>1,125,976</b>	<b>19,755,873</b>	<b>20,826,366</b>	<b>1,804,029</b>	
Other revalued assets:														
Lands	14,688	-	-	10	-	14,698	-	-	-	-	14,698	14,688	1,299	
Buildings and civil construction works	124,948	-	-	(2)	-	124,946	-	2,195	-	2,195	122,751	124,948	11,223	
<b>Sub-total other revalued assets</b>	<b>139,636</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>139,644</b>	<b>-</b>	<b>2,195</b>	<b>-</b>	<b>2,195</b>	<b>137,449</b>	<b>139,636</b>	<b>12,522</b>	
<b>Total revalued assets</b>	<b>20,966,002</b>	<b>-</b>	<b>(561)</b>	<b>56,052</b>	<b>-</b>	<b>21,021,493</b>	<b>-</b>	<b>1,128,515</b>	<b>(344)</b>	<b>1,128,171</b>	<b>19,893,322</b>	<b>20,966,002</b>	<b>1,816,551</b>	
Non-essential assets:														
Building installations	10,035	-	-	-	-	10,035	1,960	201	-	2,161	7,874	8,075	8,281	
Machinery, equipment and tools	34,365	1,375	(452)	-	-	35,288	29,591	921	(407)	30,105	5,183	4,774	5,689	
Other technical installations	42,582	-	(2,936)	-	-	39,646	36,017	1,105	(2,936)	34,186	5,460	6,565	7,648	
Communication equipment and devices	5,776	-	(11)	-	-	5,765	5,417	90	(11)	5,496	269	359	473	
Vehicles	57,575	3,310	(2,350)	-	-	58,535	27,284	4,205	(2,268)	29,221	29,314	30,291	8,154	
Furniture and fixtures	14,027	323	(40)	-	-	14,310	11,128	232	(37)	11,323	2,987	2,899	3,145	
Works in progress	677,206	555,440	(1,437)	(56,052)	-	1,175,157	-	-	-	-	1,175,157	677,206	376,739	
<b>Sub-total non-essential assets</b>	<b>841,566</b>	<b>560,448</b>	<b>(7,226)</b>	<b>(56,052)</b>	<b>-</b>	<b>1,338,736</b>	<b>111,397</b>	<b>6,754</b>	<b>(5,659)</b>	<b>112,492</b>	<b>1,226,244</b>	<b>730,169</b>	<b>410,129</b>	
<b>Balances as of June 30, 2018</b>	<b>21,807,568</b>	<b>560,448</b>	<b>(7,787)</b>	<b>-</b>	<b>-</b>	<b>22,360,229</b>	<b>111,397</b>	<b>1,135,269</b>	<b>(6,003)</b>	<b>1,240,663</b>	<b>21,119,566</b>			
<b>Balances as of December 31, 2017</b>	<b>4,285,279</b>	<b>788,137</b>	<b>(4,701)</b>	<b>-</b>	<b>19,091,011</b>	<b>24,159,726</b>	<b>2,275,367</b>	<b>192,512</b>	<b>(4,324)</b>	<b>2,463,555</b>		<b>21,696,171</b>		
<b>Balances as of June 30, 2017</b>	<b>4,285,279</b>	<b>306,840</b>	<b>(1,834)</b>	<b>-</b>	<b>-</b>	<b>4,590,285</b>	<b>2,275,367</b>	<b>90,015</b>	<b>(1,777)</b>	<b>2,363,605</b>			<b>2,226,680</b>	

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PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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## Transportadora de Gas del Norte S.A.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

#### 5 – PROPERTY, PLANT AND EQUIPMENT (Cont.)

##### 5.1 – Commitments

As of June 30, 2018, the Company has firm contractual commitments with suppliers for the acquisition of Property, Plant and Equipment for 975,186.

#### 6 – INVESTMENTS IN AFFILIATED COMPANIES

	<u>06.30.2018</u>	<u>12.31.2017</u>
Balance at the beginning of fiscal year	9,872	5,364
Income from investments in affiliated companies <sup>(1)</sup>	<u>8,868</u>	<u>4,508</u>
Balance at the end of period / fiscal year	<u>18,740</u>	<u>9,872</u>

<sup>(1)</sup> Includes 5,016 and 1,929 that have been charged to “Other Comprehensive Income” in the Statement of Comprehensive Income, as of June 30, 2018 and December 31, 2017, respectively.

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PRICE WATERHOUSE & CO. S.R.L.

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## Transportadora de Gas del Norte S.A.

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### 6 – INVESTMENTS IN AFFILIATED COMPANIES (Cont.)

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

Issuer	Description		Amount	Cost	Book Value as of		Main Activity	Information on issuer					
	Shares	Face Value			06.30.18	12.31.17		Most recent Financial Statements					
								Date	Capital Stock and Capital Adjustment	Other Reserves	Retained Earnings	Shareholders Equity	Percentage of Direct Interest
Comgas Andina S.A.	Common	<sup>(1)</sup> 1 per share	490	246	18,740	9,872	Gas pipeline operation and maintenance service	06.30.18	44	-	38,202	38,246	49.0
Companhia Operadora do Rio Grande do Sul	Common	<sup>(2)</sup> 1 per share	49	0.1	1,447	1,145	Gas pipeline operation and maintenance service	12.31.17	1	1,354	981	2,336	49.0
		Investment allowance			(1,447)	(1,145)							
<b>Total</b>					<b>18,740</b>	<b>9,872</b>							

- (1) Chilean pesos  
(2) Brazilian Reais

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

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

	<u>06.30.2018</u>	<u>12.31.2017</u>
Deferred income tax assets:		
Deferred income tax assets to be recovered after 12 months	199,617	412,078
Deferred income tax assets to be recovered within 12 months	87,474	71,640
	<u>287,091</u>	<u>483,718</u>
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after 12 months	(5,421,914)	(5,491,253)
Deferred income tax liabilities to be recovered within 12 months	29,958	13,598
	<u>(5,391,956)</u>	<u>(5,477,655)</u>
Deferred income tax liabilities (net)	<u>(5,104,865)</u>	<u>(4,993,937)</u>

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

Deferred income tax assets	Trade accounts payable and financial liabilities	Materials and spare parts	Contingencies	Tax-loss	Other debts	Other accounts receivable	Investments at fair value	Total
Balances as of December 31, 2016	137,206	111,535	32,425	611,801	254	6,583	(3,358)	896,446
Charged to statement of comprehensive income	(83,003)	(18,790)	(8,305)	(323,106)	20,509	(3,929)	3,896	(412,728)
Balances as of December 31, 2017	54,203	92,745	24,120	288,695	20,763	2,654	538	483,718
Charged to statement of comprehensive income	34,152	55,366	9,495	(288,695)	(11,888)	1,788	3,155	(196,627)
Balances as of June 30, 2018	88,355	148,111	33,615	-	8,875	4,442	3,693	287,091

Deferred income tax liabilities	Property, plant and equipment	Trade accounts receivable	Revaluation of property, plant and equipment <sup>(1)</sup>	Total
Balances as of December 31, 2016	(261,149)	(332,379)	-	(593,528)
Charged to statement of comprehensive income	85,730	(14,636)	(4,955,221)	(4,884,127)
Balances as of December 31, 2017	(175,419)	(347,015)	(4,955,221)	(5,477,655)
Charged to statement of comprehensive income	(8,486)	(213,478)	307,663	85,699
Balances as of June 30, 2018	(183,905)	(560,493)	(4,647,558)	(5,391,956)

<sup>(1)</sup> As of June 30, 2018, included net of revaluation balance of “Property, Plant and Equipment” under Shareholders’ Equity

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#### 7 - INCOME TAX (Cont.)

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

	<u>06.30.2018</u>	<u>06.30.2017</u>
Income before income tax	521,704	470,889
Statutory income tax rate	<u>30%</u>	<u>35%</u>
Income tax charge determined by applying statutory tax rate to the income for the period / year	(156,511)	(164,811)
Exceptions to statutory income tax rate:		
- Income from investments in affiliated companies	1,156	471
- Non-deductible items	(1,261)	-
- Adjustment to income tax provision balance	4,827	(5,833)
- Other	<u>1,074</u>	<u>2,104</u>
Total income tax charge	<u>(150,715)</u>	<u>(168,069)</u>

A detailed breakdown of the minimum presumed income tax credit as of June 30, 2018 is shown below:

<u>Fiscal Year</u>	<u>Amount</u>	<u>Expiration year</u>
2011	20,301	2021
2013	20,320	2023
2014	21,630	2024
2015	20,342	2025
2016	22,716	2026
2017	31,370	2027
<u>Balance as of June 30, 2018</u>	<u>136,679<sup>(1)</sup></u>	

<sup>(1)</sup> Net of calculation of 8,184 on account of income tax.

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#### 7 – INCOME TAX (Cont.)

Projections of future taxable income have been taken into consideration to determine the recoverability of tax-loss carry-forwards and the minimum presumed income tax credit. Such projections have been prepared on a best estimate basis, in accordance with the guidelines described in Note 4 to the Company's Financial Statements as of December 31, 2017. According to such projections, the book value of the minimum presumed income tax credit and tax-loss carry-forward does not exceed their recoverable value.

#### 8 - INVESTMENTS

	<u>06.30.2018</u>	<u>12.31.2017</u>
<b>Non-current:</b>		
<b>Financial assets at amortized cost:</b>		
Other investments in US\$	-	7,326
VRD bonds in \$	32,238	27,759
<b>Total financial assets at amortized cost</b>	<b>32,238</b>	<b>35,085</b>
<b>Current:</b>		
<b>Financial assets at amortized cost:</b>		
LEBAC bonds	23,766	-
VRD bonds in \$	-	8,645
<b>Total financial assets at amortized cost</b>	<b>23,766</b>	<b>8,645</b>
<b>Financial assets at fair value <sup>(1)</sup>:</b>		
Mutual funds in \$	176,452	-
Mutual funds in US\$	402,489	-
Government bonds in US\$	151,656	-
LEBAC bonds	-	117,991
<b>Total financial assets at fair value</b>	<b>730,597</b>	<b>117,991</b>

<sup>(1)</sup> All financial assets at fair value have been measured using Level 1 fair values. The value of financial instruments traded on active markets is based on quoted market prices at the date of the Financial Statements. The quoted market price used for financial assets held by the Company is the ask price as of June 30, 2018 and December 31, 2017.

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

#### 9 – FINANCIAL INSTRUMENTS BY CATEGORY

	<u>06.30.2018</u>	<u>12.31.2017</u>
<b>Financial assets at fair value:</b>		
Classified as “Investments at fair value”:		
Mutual funds in \$	176,452	-
Mutual funds in US\$	402,489	-
Government bonds in US\$	151,656	-
LEBAC bonds	-	117,991
Subtotal	<u>730,597</u>	<u>117,991</u>
Classified as “Cash and cash equivalents”:		
Mutual funds in \$ (Note 13)	46,384	241,322
Mutual funds in US\$ (Note 13)	28,829	-
Subtotal	<u>75,213</u>	<u>241,322</u>
<b>Total financial assets at fair value - Current</b>	<b><u>805,810</u></b>	<b><u>359,313</u></b>
<b>Financial assets at amortized cost:</b>		
<b>Current:</b>		
Classified as “Investments at amortized cost”:		
LEBAC bonds	23,766	-
VRD bonds in \$	-	8,645
Subtotal	<u>23,766</u>	<u>8,645</u>
Classified as “Cash and cash equivalents”:		
Cash and banks (Note 13)	756,378	30,028
Term deposits in US\$ <sup>(1)</sup> (Note 13)	576,695	204,146
Subtotal	<u>1,333,073</u>	<u>234,174</u>
Classified as “Trade accounts receivable” and “Other accounts receivable”	1,650,773	900,260
<b>Total financial assets at amortized cost - Current</b>	<b><u>3,007,612</u></b>	<b><u>1,143,079</u></b>
<b>Non-Current:</b>		
Classified as “Investments at amortized cost”:		
Other investments in US\$	-	7,326
VRD bonds in \$	32,238	27,759
Subtotal	<u>32,238</u>	<u>35,085</u>
Classified as “Trade accounts receivable” and “Other accounts receivable”	2,310,544	1,438,046
<b>Total financial assets at amortized cost – Non-Current</b>	<b><u>2,342,782</u></b>	<b><u>1,473,131</u></b>

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#### 9 - FINANCIAL INSTRUMENTS BY CATEGORY (Cont.)

##### Financial liabilities at amortized cost:

	<u>06.30.2018</u>	<u>12.31.2017</u>
<b>Current:</b>		
Loans	66,889	31,250
Trade accounts payable, other debts and taxes payable	778,563	534,223
<b>Total financial liabilities at amortized cost – Current</b>	<b>845,452</b>	<b>565,473</b>
<b>Non-Current:</b>		
Loans	6,309,481	4,047,412
Trade accounts payable and other debts	239,359	175,985
<b>Total financial liabilities at amortized cost – Non-Current</b>	<b>6,548,840</b>	<b>4,223,397</b>

(1) Investments 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 13.

#### 10 - MATERIALS & SPARE PARTS

	<u>06.30.2018</u>	<u>12.31.2017</u>
Non-Current		
Spare parts and consumables	195,659	202,258
Allowance for slow-moving and obsolete materials	(106,220)	(103,905)
Total non-current materials and spare parts	<u>89,439</u>	<u>98,353</u>

##### Changes in allowance for slow-moving and obsolete materials:

	<u>Non-Current</u>
Balance as of December 31, 2016	95,582
– Increases, net of recoveries	7,530
Balances as of June 30, 2017	<u>103,112</u>
– Increases, net of recoveries	793
Balance as of December 31, 2017	103,905
– Increases, net of recoveries	2,315
Balance as of June 30, 2018	<u>106,220</u>

#### 11 - OTHER ACCOUNTS RECEIVABLE

	<u>06.30.2018</u>	<u>12.31.2017</u>
Non-current		
Minimum presumed income tax (Note 7)	136,679	144,852
Other	3,155	3,501
Total other accounts receivable – Non-current	<u>139,834</u>	<u>148,353</u>

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#### 11 - OTHER ACCOUNTS RECEIVABLE (Cont.)

	<u>06.30.2018</u>	<u>12.31.2017</u>
Current		
Commercial compensation and loss recoveries	20,651	13,324
Key management personnel (Note 25)	12,047	9,841
Prepaid expenses and advances	168,847	79,660
Attachments, guarantee court deposits and expenses to be recovered	51	84
Assistance fees from controlling company and expense recovery (Note 25)	118	76
Other receivables – affiliated companies (Note 25)	825	638
Other receivables – other related parties (Note 25)	10,804	736
Transactions on behalf of third parties	1,151	995
Allowance for doubtful accounts	(11,888)	(7,120)
Other accounts receivable	14,086	4,346
Total other accounts receivable - Current	<u>216,692</u>	<u>102,580</u>

#### 12 - TRADE ACCOUNTS RECEIVABLE

Non-current		
Trade accounts receivable – third parties	5,469,394	3,190,931
Less: Allowance for doubtful accounts and disputed amounts	<u>(3,162,004)</u>	<u>(1,756,386)</u>
Total trade accounts receivable – Non-current	<u>2,307,390</u>	<u>1,434,545</u>
Current		
Trade accounts receivable - third parties	1,425,691	707,380
Trade accounts receivable – other related parties (Note 25)	259,957	237,933
Trade accounts receivable – affiliated companies (Note 25)	-	471
Less: Allowance for doubtful accounts and disputed amounts	<u>(104,345)</u>	<u>(49,812)</u>
Total trade accounts receivable – Current	<u>1,581,303</u>	<u>895,972</u>

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

	<u>06.30.2018</u>	<u>06.30.2017</u>
Balance at the beginning of fiscal year	1,813,318	1,622,878
- Recoveries / increases	(7,973)	42,971
- Exchange rate differences	1,475,406	70,071
- Decreases	<u>(2,514)</u>	<u>830</u>
Balance at the end of period	<u>3,278,237</u>	<u>1,736,750</u>

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#### 13 - CASH AND CASH EQUIVALENTS

	<u>06.30.2018</u>	<u>12.31.2017</u>
Cash and banks	756,378	30,028
Mutual funds in \$	46,384	241,322
Mutual funds in US\$	28,829	-
Term deposits in US\$	<u>576,695</u>	<u>204,146</u>
Total	<u>1,408,286</u>	<u>475,496</u>

#### 14 - COMMON STOCK

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

##### 14.1 - Restrictions on the Transfer of the Company's Shares

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

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#### 14 - COMMON STOCK (Cont.)

##### 14.2 - Restriction on Distribution of Profits

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

#### 15 - LOANS

Information on the terms and conditions of TGN's financial indebtedness is included in Note 15 to the Company's Financial Statements as of December 31, 2017.

##### 15.1 – Changes in Loans

	<u>06.30.2018</u>	<u>06.30.2017</u>
Loan Balance as of beginning of fiscal year	4,078,662	3,427,828
Accrual of interest	167,291	118,844
Exchange difference	2,240,929	159,974
Interest payment	(110,512)	(147,667)
Loan Balance as of end of period	<u>6,376,370</u>	<u>3,558,979</u>

#### 16 – TAXES PAYABLE

	<u>06.30.2018</u>	<u>12.31.2017</u>
Value added tax	141,431	15,121
Turnover tax	7,334	369
Minimum presumed income tax	-	9,534
Tax withholdings and collections from third-parties	<u>33,614</u>	<u>44,873</u>
Total other non-current debts	<u>182,379</u>	<u>69,897</u>

#### 17 – OTHER DEBTS

Non-current		
Provision for easements	<u>24,150</u>	<u>21,061</u>
Total other debts – Non-current	<u>24,150</u>	<u>21,061</u>

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

#### 17 – OTHER DEBTS (Cont.)

	<u>06.30.2018</u>	<u>12.31.2017</u>
Current		
Provision for easements	20,922	15,173
Key management personnel (Note 25)	15,000	9,858
Advances	1,063	1,063
Various fees payable	66,659	63,194
Other debts and customer's guarantees	6,024	15,831
Total other debts - Current	<u>109,668</u>	<u>105,119</u>

#### 18 - TRADE ACCOUNTS PAYABLE

Non-current		
AES Argentina Generación S.A.	215,208	154,924
Total trade accounts payable – Non current	<u>215,208</u>	<u>154,924</u>
Current		
Suppliers – goods and services	123,053	97,400
AES Argentina Generación S.A.	27,428	18,648
Other related parties (Note 25)	28	28
Unbilled goods and services	300,038	243,131
Total trade accounts payable - Current	<u>450,547</u>	<u>359,207</u>

#### 19 - CONTINGENCIES

	<u>Non-current</u>	<u>Current</u>
Provision for labor, civil and administrative lawsuits		
Balances as of December 31, 2016	25,158	88,947
– Recoveries / increases	(1,718)	24,940
– Decreases (payments / uses)	-	(42,936)
Balances as of June 30, 2017	<u>23,440</u>	<u>70,951</u>
– Increases, net of recoveries	2,081	15,102
– Decreases (payments / uses)	-	(9,712)
Balances as of December 31, 2017	<u>25,521</u>	<u>76,341</u>
– Increases, net of recoveries	2,228	50,783
– Decreases (payments / uses)	-	(21,362)
Balances as of June 30, 2018	<u>27,749</u>	<u>105,762</u>

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#### 19 – CONTINGENCIAS (Cont.)

##### 19.1 – Legal Matters

The Company is party to several legal proceedings and claims that have arisen in the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters due to their complexity and current status, it is the opinion of the Company's Board, based upon the estimates described in Note 4 to the Company's Financial Statements as of December 31, 2017, that the expected outcome of these claims and legal actions, individually or in the aggregate, would not have a material effect on the Company's financial position or results of operations in excess of the provisions recorded by the Company. However, the actual future outcome of these claims could differ from the estimates and assessments performed as of the date of issuance of these Interim Condensed Financial Statements. The most significant developments related to the Company's legal matters occurred in the six-month period ended June 30, 2018 are summarized below.

##### 19.1.1. – Pending Judicial Disputes with YPF S.A. (“YPF”)

The motion filed by the Company to proceed *in forma pauperis* in connection with the legal action brought against YPF referred to in Note 18.1.4 to the Company's Financial Statements as of December 31, 2017, has been withdrawn in June 2018, as a result of the Company's rate adjustment.

##### 19.1.2. – Claim against the National Government

In connection with the action brought against the National Government on October 11, 2012, referred to in Note 18.1.6 to the Company's Financial Statements as of December 31, 2017, mention should be made that upon expiration of the ninety calendar day term counted as from the date on which ENARGAS resolution approving the last step of the rate increase resulting from the CRR came into force, in June 2018 TGN fully and expressly waived the right and abandon the action brought against the National Government, as well as all rights and actions it might invoke or bring against the National Government, based on or related to events or legal measures ordered in connection with the License under the LEP and/or the fact that the PPI is no longer effective due to its elimination. The same course of action was followed by the Company's controlling shareholder, Gasinvest, and shareholders representing at least two thirds of Gasinvest's capital stock.

#### 20 – REVENUES

	<u>Six-month period as of</u>		<u>Three-month period as of</u>	
	<u>06.30.2018</u>	<u>06.30.2017</u>	<u>06.30.2018</u>	<u>06.30.2017</u>
Gas transportation service	4,095,522	1,530,722	2,591,782	938,542
Gas pipeline operation and maintenance and other services	132,431	98,138	74,424	56,526
Total revenues	<u>4,227,953</u>	<u>1,628,860</u>	<u>2,666,206</u>	<u>995,068</u>

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### 21 – EXPENSES BY NATURE

Item	Cost of service		Selling expenses		Administrative expenses		Total as of 06.30.2018	Total as of 06.30.2017
	2018	2017	2018	2017	2018	2017		
Directors' fees	-	-	-	-	19,583	2,528	19,583	2,528
Supervisory Committee's fees	-	-	-	-	2,050	1,634	2,050	1,634
Fees for professional services	10,198	7,823	18	114	19,925	10,745	30,141	18,682
Salaries, wages and other personnel benefits	244,488	199,034	6,682	2,994	85,218	59,349	336,388	261,377
Social security contributions	48,015	39,911	787	602	18,775	12,364	67,577	52,877
Technical assistance fees	-	6,807	-	-	-	-	-	6,807
Materials and spare parts	42,759	33,580	9	2	1,699	255	44,467	33,837
Third party services and supplies	26,200	19,739	129	69	1,330	712	27,659	20,520
Maintenance and repair of property, plant and equipment	311,984	203,048	264	187	4,558	3,920	316,806	207,155
Travel expenses	32,270	23,405	483	169	5,342	2,709	38,095	26,283
Freight and transportation	4,291	3,034	-	-	16	4	4,307	3,038
Post and telecommunication expenses	2,147	1,982	129	101	1,312	1,290	3,588	3,373
Insurance	20,620	12,919	2	1	1,852	1,516	22,474	14,436
Office supplies	4,366	2,542	143	41	4,456	2,765	8,965	5,348
Rentals	6,114	4,302	110	46	1,400	682	7,624	5,030
Easements	11,601	12,762	-	-	-	-	11,601	12,762
Taxes, rates and contributions	949	947	165,296	67,581	105,219	66,267	271,464	134,795
Property, plant and equipment depreciation	1,107,106	87,767	556	21	27,607	2,227	1,135,269	90,015
Doubtful accounts	-	-	(7,973)	42,971	-	-	(7,973)	42,971
Lawsuits	-	-	-	-	1,282	27,303	1,282	27,303
Slow-moving and obsolete materials and spare parts	2,323	7,539	-	-	-	-	2,323	7,539
Other	3,084	1,754	34	34	4,758	1,404	7,876	3,192
<b>Balances as of June 30, 2018</b>	<b>1,878,515</b>	-	<b>166,669</b>	-	<b>306,382</b>	-	<b>2,351,566</b>	-
<b>Balances as of June 30, 2017</b>	-	<b>668,895</b>	-	<b>114,933</b>	-	<b>197,674</b>	-	<b>981,502</b>

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### 21 – EXPENSES BY NATURE (Cont.)

Item	Three-month period as of 06.30						Total three-month period as of 06.30.2018	Total three-month period as of 06.30.2017
	Cost of service		Selling expenses		Administrative expenses			
	2018	2017	2018	2017	2018	2017		
Directors' fees	-	-	-	-	17,998	1,388	17,998	1,388
Supervisory Committee's fees	-	-	-	-	1,060	868	1,060	868
Fees for professional services	6,403	4,114	14	107	11,765	4,797	18,182	9,018
Salaries, wages and other personnel benefits	138,089	114,810	4,189	1,944	52,135	34,442	194,413	151,196
Social security contributions	27,543	22,885	268	406	11,499	7,289	39,310	30,580
Technical assistance fees	-	3,407	-	-	-	-	-	3,407
Materials and spare parts	20,588	17,214	4	-	1,502	196	22,094	17,410
Third party services and supplies	14,530	10,554	75	41	779	422	15,384	11,017
Maintenance and repair of property, plant and equipment	147,258	141,162	165	149	2,777	2,813	150,200	144,124
Travel expenses	16,854	12,947	341	134	3,543	1,635	20,738	14,716
Freight and transportation	2,440	1,918	-	-	(4)	3	2,436	1,921
Post and telecommunication expenses	1,248	1,135	77	58	770	598	2,095	1,791
Insurance	10,214	6,590	1	-	1,042	1,013	11,257	7,603
Office supplies	2,669	1,468	91	21	2,704	1,431	5,464	2,920
Rentals	2,947	2,035	59	24	766	398	3,772	2,457
Easements	6,402	3,325	-	-	-	-	6,402	3,325
Taxes, rates and contributions	366	249	103,487	41,647	52,840	42,108	156,693	84,004
Property, plant and equipment depreciation	551,851	45,160	407	11	14,127	1,146	566,385	46,317
Doubtful accounts	-	-	(55,999)	31,992	-	-	(55,999)	31,992
Lawsuits	-	-	-	-	626	22,288	626	22,288
Slow-moving and obsolete materials and spare parts	(5,032)	4,044	-	-	-	-	(5,032)	4,044
Other	2,141	1,244	24	31	3,289	1,103	5,454	2,378
<b>Balances for the three-month period as of June 30, 2018</b>	<b>946,511</b>	<b>-</b>	<b>53,203</b>	<b>-</b>	<b>179,218</b>	<b>-</b>	<b>1,178,932</b>	<b>-</b>
<b>Balances for the three-month period as of June 30, 2017</b>	<b>-</b>	<b>394,261</b>	<b>-</b>	<b>76,565</b>	<b>-</b>	<b>123,938</b>	<b>-</b>	<b>594,764</b>

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## Transportadora de Gas del Norte S.A.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

#### 22 – OTHER NET INCOME AND EXPENSES

	<u>Six-month period as of</u>		<u>Three-month period as of</u>	
	<u>06.30.2018</u>	<u>06.30.2017</u>	<u>06.30.2018</u>	<u>06.30.2017</u>
Commercial compensation	387	74	-	74
Disposal of property, plant and equipment, net	4,861	-	4,677	-
Compensation for damages adjustment	(79,022)	-	(79,022)	-
Court fees	(47,836)	-	(47,836)	-
Other sales, loss recovery and other, net	9,426	13,339	5,864	(12,654)
Total other net income and expenses	<u>(112,184)</u>	<u>13,413</u>	<u>(116,317)</u>	<u>(12,580)</u>

#### 23 – NET FINANCIAL INCOME

	<u>Six-month period as of</u>		<u>Three-month period as of</u>	
	<u>06.30.2018</u>	<u>06.30.2017</u>	<u>06.30.2018</u>	<u>06.30.2017</u>
Other net financial income				
Foreign exchange gains	1,181,668	80,796	1,009,948	(40,960)
Foreign exchange losses	(2,317,963)	(179,338)	(1,970,936)	(124,790)
Total other net financial income	<u>(1,136,295)</u>	<u>(98,542)</u>	<u>(960,988)</u>	<u>(165,750)</u>
Financial income				
Interest	37,612	19,122	17,088	10,260
Income from discount at present value	-	20,505	(11,233)	(19,801)
Income from changes in fair values	46,372	13,087	23,830	10,074
Discounts obtained	1,827	593	1,013	593
Total financial income	<u>85,811</u>	<u>53,307</u>	<u>30,698</u>	<u>1,126</u>
Financial expenses				
Interest	(190,109)	(131,863)	(116,152)	(64,851)
Interest compounded on property, plant and equipment	5,286 <sup>(1)</sup>	-	5,286	-
Expense from discount at present value	(8,544)	-	(4,965)	3,516
Banking and financial fees, expenses and taxes	(2,500)	(14,130)	(3,244)	(2,987)
Total financial expenses	<u>(195,867)</u>	<u>(145,993)</u>	<u>(119,075)</u>	<u>(64,322)</u>
Total net financial (loss) income	<u>(1,246,351)</u>	<u>(191,228)</u>	<u>(1,049,365)</u>	<u>(228,946)</u>

<sup>(1)</sup> The monthly effective compound interest rate used is 0.64%.

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## Transportadora de Gas del Norte S.A.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

#### 24 – NET EARNINGS PER SHARE

Earnings per common share have been calculated by dividing the income for the six-month periods ended June 30, 2018 and 2017, by the weighted average of outstanding common shares, which as at said dates totaled 439,373,939 shares. Basic earnings per share are calculated by dividing profits attributable to the Company's equity holders by the weighted average number of common shares outstanding during the fiscal year. The Company has no preferred shares or debt convertible into shares, so the basic earnings per share are equal to the diluted earnings per share.

#### 25 – RELATED PARTIES

Transactions among related parties are as follows:

	<u>06.30.2018</u>	<u>06.30.2017</u>
<b>Controlling company</b>		
<u>Other net income and expenses</u>		
Gasinvest S.A.	215	104
<u>Total other net income and expenses</u>	<u>215</u>	<u>104</u>
<b>Affiliated companies</b>		
<u>Revenues</u>		
Comgas Andina S.A.	664	784
Companhia Operadora do Rio Grande do Sul	-	159
<u>Total revenues</u>	<u>664</u>	<u>943</u>
<u>Recovery of expenses</u>		
Comgas Andina S.A.	113	210
<u>Total recovery of expenses</u>	<u>113</u>	<u>210</u>
<b>Other related parties</b>		
<u>Revenues</u>		
Litoral Gas S.A.	667,682	265,537
Siderar S.A.	98,738	37,001
Siderca S.A.	84,881	23,272
Transportadora de Gas del Mercosur S.A.	8,907	6,320
Gasoducto Gasandes Argentina S.A.	3,101	1,176
<u>Total revenues</u>	<u>863,309</u>	<u>333,306</u>

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## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

### 25 – RELATED PARTIES (Cont.)

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

#### **Other Related Parties (Cont.)**

	<u>06.30.2018</u>	<u>06.30.2017</u>
<u>Cost of service</u>		
Tecpetrol S.A.	-	(1,250)
Compañía General de Combustibles S.A.	-	(1,250)
<u>Total cost of service</u>	-	(2,500)
<u>Other net income and expenses</u>		
Gasoducto Gasandes Argentina S.A.	627	188
<u>Total other income and expenses</u>	627	188
<u>Financial income</u>		
Transportadora de Gas del Mercosur S.A.	-	1,741
<u>Total financial income</u>	-	1,741
<u>Financial expenses (interest)</u>		
Tecpetrol S.A.	-	(1,773)
Compañía General de Combustibles S.A.	-	(1,774)
VR Global Partners L.P.	-	(6,982)
<u>Total financial expenses</u>	-	(10,529)
<u>Recovery of expenses</u>		
Transportadora de Gas del Mercosur S.A.	1,699	710
<u>Total Recovery of expenses</u>	1,699	710
<u>Acquisition of materials and property, plant and equipment</u>		
Siat S.A.	-	(38,562)
Litoral Gas S.A.	-	(38)
<u>Total acquisition of materials and property, plant and equipment</u>	-	(38,600)
<b>Key management personnel</b>		
Board of Directors' fees	(19,583)	(2,528)
Supervisory Committee's fees	(2,050)	(1,634)

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## Transportadora de Gas del Norte S.A.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

### 25 – RELATED PARTIES (Cont.)

Balances with related parties are as follows:

	<u>06.30.2018</u>	<u>12.31.2017</u>
<b>Trade accounts receivable</b>		
<u>Other related parties</u>		
Transportadora de Gas del Mercosur S.A.	2,286	82,424
Litoral Gas S.A.	195,404	129,431
Siderar S.A.	25,041	15,619
Siderca S.A.	36,893	10,210
Gasoducto Gasandes Argentina S.A.	333	249
<u>Total trade accounts receivable - other related parties</u>	<u>259,957</u>	<u>237,933</u>
<u>Accounts receivable – affiliated companies</u>		
Comgas Andina S.A.	-	372
Companhia Operadora do Rio Grande do Sul	-	99
<u>Total other accounts receivable –affiliated companies</u>	<u>-</u>	<u>471</u>
<b>Other accounts receivable</b>		
<u>Assistance fee – controlling company</u>		
Gasinvest S.A.	118	76
<u>Total assistance fee – controlling company</u>	<u>118</u>	<u>76</u>
<u>Other accounts receivable – affiliated companies</u>		
Comgas Andina S.A.	91	108
Companhia Operadora do Rio Grande do Sul	734	530
<u>Total other accounts receivable – affiliated companies</u>	<u>825</u>	<u>638</u>
<u>Other accounts receivable – related parties</u>		
Litoral Gas S.A.	-	117
Transportadora de Gas del Mercosur S.A.	-	55
Siat S.A.	567	564
Tecpetrol S.A.	1,284	-
Tecpetrol Internacional S.L.	18	-
Southern Cone Energy Holding Company Inc.	8,935	-
<u>Total other accounts receivable – related parties</u>	<u>10,804</u>	<u>736</u>
<u>Key management personnel</u>		
Board of Directors and Supervisory Committee’s fees paid in advance	12,047	9,841
<u>Total key management personnel</u>	<u>12,047</u>	<u>9,841</u>

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C.P.C.E.C.A.B.A. T° 1 F° 17

## Transportadora de Gas del Norte S.A.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 ON A COMPARATIVE BASIS (in thousand pesos, except as otherwise expressly stated)

#### 25 – RELATED PARTIES (Cont.)

Balances with related parties are as follows:

	<u>06.30.2018</u>	<u>12.31.2017</u>
<b>Trade accounts payable</b>		
<u>Other related parties</u>		
Transportadora de Gas del Mercosur S.A.	28	28
<u>Total other related parties</u>	28	28
<b>Other debts</b>		
<u>Key management personnel</u>		
Provision for Board of Directors and Supervisory Committee's fees	15,000	9.858
<u>Total key management personnel</u>	15,000	9.858

#### 25 – SUBSEQUENT EVENTS

No events or circumstances have occurred subsequent to June 30, 2018 which may significantly impact on the Company's financial or economic position as of that date other than those made available to the public and disclosed in these interim condensed financial statements.

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**PRICE WATERHOUSE & CO. S.R.L.**

(Partner)

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

Juan Carlos Pitrelli  
Regular Statutory Auditor

Emilio Daneri Conte-Grand  
President

## Transportadora de Gas del Norte S.A.

### OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

As required by the National Securities Commission (“CNV”), an overview of Transportadora de Gas del Norte S.A. (“TGN” or the “Company”) revenues, financial position, business prospects and other economic-financial indicators for current fiscal year, that must be read in conjunction with the Company’s Interim Condensed Financial Statements as of June 30, 2018, additional information to the Notes required under Title IV, Chapter III, Section 12 of CNV’s regulations, relevant facts timely informed to the CNV and the Company’s financial statements as of December 31, 2017.

#### D) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

- *Comprehensive income for the period:*

Accounts	(in million pesos)		
	Six-month period ended June 30		
	2018	2017	Variation
<b>Revenues</b>			
Gas transportation service	4,095.5	1,530.7	2,564.8
Gas pipeline operation & maintenance and other services	132.4	98.2	34.2
<b>Total revenues</b>	<b>4,227.9</b>	<b>1,628.9</b>	<b>2,599.0</b>
<b>Cost of service</b>			
Operation and maintenance costs	(771.4)	(581.1)	(190.3)
Property, plant and equipment depreciation	(1,107.1)	(87.8)	(1,019.3)
<b>Subtotal</b>	<b>(1,878.5)</b>	<b>(668.9)</b>	<b>(1,209.6)</b>
<b>Gross profit</b>	<b>2,349.4</b>	<b>960.0</b>	<b>1,389.4</b>
Administrative and selling expenses	(473.0)	(312.6)	(160.4)
<b>Income before other net income and expenses</b>	<b>1,876.4</b>	<b>647.4</b>	<b>1,229.0</b>
Other net income and expenses	(112.2)	13.4	(125.6)
<b>Income before financial income</b>	<b>1,764.2</b>	<b>660.8</b>	<b>1,103.4</b>
Net financial income	(1,246.4)	(191.2)	(1,055.2)
Income from investments in affiliated companies	3.9	1.3	2.6
<b>Income before income tax</b>	<b>521.7</b>	<b>470.9</b>	<b>50.8</b>
Income tax	(150.7)	(168.1)	17.4
<b>Income for the period</b>	<b>371.0</b>	<b>302.8</b>	<b>68.2</b>
Currency conversion of affiliated companies’ financial statements	5.0	0.3	4.7
<b>Other comprehensive income</b>	<b>5.0</b>	<b>0.3</b>	<b>4.7</b>
<b>Comprehensive income for the period</b>	<b>376.0</b>	<b>303.1</b>	<b>72.9</b>
<b>EBITDA</b>	<b>3,011.7</b>	<b>737.4</b>	<b>2,274.3</b>

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## Transportadora de Gas del Norte S.A.

### OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

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

	<i>(in million pesos)</i>	
	<b>06.30.2018</b>	<b>12.31.2017</b>
<i>Total assets</i>	<b>27,746</b>	<b>25,060</b>
<i>Total liabilities</i>	<b>12,702</b>	<b>10,025</b>
<i>Shareholders' equity</i>	<b>15,044</b>	<b>15,035</b>

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

- *Revenues*

Revenue variation of \$2,599.0 million between the six-month periods ended June 30, 2018 and 2017 is due to:

- an increase of \$2,192.5 million as a result of higher domestic transportation rates;
- an increase of \$372.3 million in interruptible and other transportation services; and
- an increase of \$34.3 million in *Gas pipeline operation and maintenance and other services*.

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# Transportadora de Gas del Norte S.A.

## OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

### D) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION (Cont.)

- *Cost of service*

<i>Accounts</i>	<i>(in million pesos)</i>		
	<i>Six-month period ended June 30</i>		
	<i>2018</i>	<i>2017</i>	<i>Variation</i>
<i>Fees for professional services</i>	10.2	7.8	2.4
<i>Salaries, wages and other personnel benefits and social security contributions</i>	292.5	238.9	53.6
<i>Technical assistance fee</i>	-	6.8	(6.8)
<i>Materials and spare parts</i>	42.8	33.6	9.2
<i>Maintenance and repair of property, plant and equipment and third-party services and supplies</i>	338.2	222.7	115.5
<i>Post, telecommunications, transportation, freight and travel expenses</i>	38.7	28.4	10.3
<i>Insurance</i>	20.6	12.9	7.7
<i>Rentals and office supplies</i>	10.5	6.9	3.6
<i>Easements</i>	11.6	12.8	(1.2)
<i>Taxes, rates and contributions</i>	0.9	0.9	-
<i>Property, plant and equipment depreciation</i>	1,107.1	87.8	1,019.3
<i>Slow-moving and obsolete materials and spare parts</i>	2.3	7.5	(5.2)
<i>Other</i>	3.1	1.9	1.2
<b>Total</b>	<b>1,878.5</b>	<b>668.9</b>	<b>1,209.6</b>
<i>% of Cost of service on revenues</i>	<b>44.4%</b>	<b>41.3%</b>	

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

- an increase of \$53.6 million in *Salaries, wages and other personnel benefits and social security contributions*, principally as a result of pay increases for inflation adjustment (\$39.3 million), headcount increase (\$0.7 million), a greater use of overtime and temporary staff (\$10.4 million), among others;
- an increase of \$115.5 million in *Maintenance and repair of property, plant and equipment and third-party services and supplies*, mainly due to the fact that during the period ended June 30, 2018 higher disbursements were made in cleaning, painting and weeding of facilities (\$10.6 million), outsourced maintenance works (\$9.8 million), layout changes (\$61.6 million), integrity projects associated with meter and regulating stations (\$8 million) and ancillary facilities (\$11.3 million) and pipeline projects (\$14.2 million); and
- an increase of \$1,019.3 million in *Property, plant and equipment depreciation* due to a greater depreciation over the period of items of “*Property, plant and equipment*” which were revalued as of December 31, 2017.

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## Transportadora de Gas del Norte S.A.

### OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

#### D) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION (Cont.)

- *Administrative and selling expenses*

*(in million pesos)*

<i>Accounts</i>	<i>Six-month period ended June 30</i>		
	<i>2018</i>	<i>2017</i>	<i>Variation</i>
<i>Salaries, wages and other personnel benefits and social security contributions</i>	<i>111.5</i>	<i>75.3</i>	<i>36.2</i>
<i>Property, plant and equipment depreciation</i>	<i>28.2</i>	<i>2.2</i>	<i>26.0</i>
<i>Fees for professional services</i>	<i>19.9</i>	<i>10.9</i>	<i>9.0</i>
<i>Taxes, rates and contributions</i>	<i>270.5</i>	<i>133.8</i>	<i>136.7</i>
<i>Post, telecommunications, transportation, freight and travel expenses</i>	<i>7.3</i>	<i>4.3</i>	<i>3.0</i>
<i>Maintenance and repair of property, plant and equipment and third-party services and supplies</i>	<i>6.3</i>	<i>4.9</i>	<i>1.4</i>
<i>Rentals and office supplies</i>	<i>6.1</i>	<i>3.5</i>	<i>2.6</i>
<i>Doubtful accounts</i>	<i>(8.0)</i>	<i>43.0</i>	<i>(51.0)</i>
<i>Lawsuits</i>	<i>1.3</i>	<i>27.3</i>	<i>(26.0)</i>
<i>Supervisory Committee's fees</i>	<i>2.0</i>	<i>1.6</i>	<i>0.4</i>
<i>Board of Directors' fees</i>	<i>19.6</i>	<i>2.5</i>	<i>17.1</i>
<i>Other</i>	<i>8.3</i>	<i>3.3</i>	<i>5.0</i>
<b><i>Total</i></b>	<b><i>473.0</i></b>	<b><i>312.6</i></b>	<b><i>160.4</i></b>
<i>% of Administrative and Selling expenses on revenues</i>	<i>11.2%</i>	<i>19.3%</i>	

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

- i.* an increase of \$36.2 million in *Salaries, wages and other personnel benefits and social security contributions* as a result of pay increases for inflation adjustment (\$13.9 million), headcount increase (\$21.6 million), among others;
- ii.* an increase of \$136.7 million in *Taxes, rates and contributions* principally due to a higher verification and control fee charged by the National Gas Regulatory Entity ("ENARGAS") (\$12.8 million), tax on bank transactions (\$23 million) and turnover tax (\$97.9 million);
- iii.* a decrease of \$51.0 million in *Doubtful accounts*, due to higher provisions created during the period ended June 30, 2017;
- iv.* a decrease of \$26.0 million in *Lawsuits*, as a result of an adjustment to the provision for contingencies to reflect the current status of lawsuits and complaints in which the Company is involved; and
- v.* an increase of \$26.0 million in *Property, plant and equipment depreciation* due to a greater depreciation over the period of items of *Property, plant and equipment* which were revalued as of December 31, 2017.

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## Transportadora de Gas del Norte S.A.

### OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

#### D) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION (Cont.)

- *Other net income and expenses*

(in million pesos)

<i>Accounts</i>	<i>Six-month period ended June 30</i>		
	<i>2018</i>	<i>2017</i>	<i>Variation</i>
<i>Commercial compensations</i>	<i>0.4</i>	<i>0.0</i>	<i>0.4</i>
<i>Disposal of property, plant and equipment, net</i>	<i>4.9</i>	<i>-</i>	<i>4.9</i>
<i>Compensation for damages adjustment</i>	<i>(79.1)</i>	<i>-</i>	<i>(79.1)</i>
<i>Court fees</i>	<i>(47.8)</i>	<i>-</i>	<i>(47.8)</i>
<i>Other sales, loss recovery and other, net</i>	<i>9.4</i>	<i>13.4</i>	<i>(4.0)</i>
<b><i>Total</i></b>	<b><i>(112.2)</i></b>	<b><i>13.4</i></b>	<b><i>(125.6)</i></b>

During the period ended June 30, 2018, the Company has recognized the following losses:

- \$79.1 million in respect of the compromise and settlement agreement executed with AES Argentina Generación S.A. ("AES") in 2012 (as amended in 2014). This loss has been the result of valuing the liability with AES on the basis of the "Access and use charge" in force in each period; and
- \$47.8 million associated with a greater provision for court fee expenses as of June 30, 2018;

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C.P.C.E.C.A.B.A. T° 1 F° 17

# Transportadora de Gas del Norte S.A.

## OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

### D) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION (Cont.)

- *Net financial income*

*(in million pesos)*

<i>Accounts</i>	<i>Six-month period ended June 30</i>		
	<i>2018</i>	<i>2017</i>	<i>Variation</i>
<b><i>Other net financial income:</i></b>			
<i>Exchange rate gain</i>	1,181.7	80.8	1,100.9
<i>Exchange rate loss</i>	(2,318.0)	(179.3)	(2,138.7)
<b><i>Total Other net financial (loss) income</i></b>	<b>(1,136.3)</b>	<b>(98.5)</b>	<b>(1,037.8)</b>
<b><i>Financial income:</i></b>			
<i>Interest</i>	37.6	19.1	18.5
<i>Income due to changes in fair values</i>	46.4	13.1	33.3
<i>Discounts obtained</i>	1.8	0.6	1.2
<i>Income due to discount at present value</i>	-	20.5	(20.5)
<b><i>Total financial income</i></b>	<b>85.8</b>	<b>53.3</b>	<b>32.5</b>
<b><i>Financial expenses:</i></b>			
<i>Interest</i>	(190.1)	(131.9)	(58.2)
<i>Expense due to discount at present value</i>	(8.6)	-	(8.6)
<i>Interest compounded on property, plant and equipment</i>	5.3	-	5.3
<i>Banking, financial and other fees, expenses and taxes</i>	(2.5)	(14.1)	11.6
<b><i>Total financial expenses</i></b>	<b>(195.9)</b>	<b>(146.0)</b>	<b>(49.9)</b>
<b><i>Total net financial (loss) income</i></b>	<b>(1,246.4)</b>	<b>(191.2)</b>	<b>(1,055.2)</b>

Net financial income for the six-month period ended June 30, 2018 showed a higher loss by \$1,055.2 million as compared to the six-month period ended June 30, 2017. Accounts with the most relevant variations between both periods were:

- i. a higher loss of \$2,138.7 million on account of exchange rate differences on US dollar denominated liabilities;
- ii. a higher gain of \$1,100.9 million on account of exchange rate differences on US dollar denominated assets;
- iii. a higher loss of \$39.7 million associated with interest accrued on syndicated loan;
- iv. a higher loss of \$29.1 million due to long-term receivables and payables discounted at present value;
- v. a higher gain of \$33.3 million due to changes in fair values accrued during the period ended June 30, 2018; and
- vi. a higher gain of \$11.6 million due to lower banking and financial fees, expenses and taxes during the period ended June 30, 2018.

See our report dated  
August 8, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

## Transportadora de Gas del Norte S.A.

### OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

#### D) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION (Cont.)

- Income tax

Income tax for the six-month period ended June 30, 2018 reported a lower loss for \$17.4 million as compared to the same period in previous year. Said variation is mainly the result of a lower loss of \$57.2 million in deferred income tax as a result of the estimated use of the tax-loss reported in the six-month period ended June 30, 2018 and a higher loss of \$39.8 million in current tax.

- Summary of statement of cash flows

	(in million pesos)	
	Six-month period ended June 30	
	2018	2017
Cash generated by operating activities	2,155.3	154.4
Income tax	150.7	168.1
Interest accrued on liabilities	190.1	131.9
<b>Net cash flow generated by operating activities</b>	<b>2,496.1</b>	<b>454.4</b>
Acquisition of property, plant and equipment	(560.4)	(306.8)
Principal and interest received from investments at amortized cost and investments at fair value	10.4	10.8
Subscriptions, net of recovery of investment at amortized cost and investments at fair value (non-cash equivalents)	(603.5)	(46.1)
<b>Net cash flow used in investing activities</b>	<b>(1,153.5)</b>	<b>(342.1)</b>
Interest payment	(110.5)	(141.5)
Payment of dividends in cash	(367.7)	-
<b>Net cash flow used in financing activities</b>	<b>(478.2)</b>	<b>(141.5)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>864.4</b>	<b>(29.2)</b>
<b>Cash and cash equivalents at the beginning of fiscal year</b>	<b>475.5</b>	<b>250.9</b>
<b>Financial income generated by cash</b>	<b>68.4</b>	<b>21.9</b>
<b>Cash and cash equivalents at the end of period</b>	<b>1,408.3</b>	<b>243.6</b>

- Breakdown of cash and cash equivalents

	(in million pesos)	
	Six-month period ended June 30	
	2018	2017
Cash and banks	756.4	28.9
LEBAC bonds	-	38.6
Term deposits in US\$	576.7	52.9
Mutual funds in \$	46.4	123.2
Mutual funds in US\$	28.8	-
<b>Cash and cash equivalents at the end of period</b>	<b>1,408.3</b>	<b>243.6</b>

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# Transportadora de Gas del Norte S.A.

## OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

### II) COMPARATIVE BALANCE SHEETS AS OF JUNE 30, 2018, 2017, 2016, 2015 AND 2014

(in million pesos)

	As of June 30				
	2018	2017	2016	2015	2014
<i>Non-current assets</i>	23,707	3,844	3,530	2,629	2,452
<i>Current assets</i>	4,039	1,215	937	674	828
<b>Total</b>	<b>27,746</b>	<b>5,059</b>	<b>4,467</b>	<b>3,303</b>	<b>3,280</b>
<i>Shareholders' equity</i>	15,044	359	159	738	977
<i>Non-current liabilities</i>	10,095	3,534	3,491	2,097	1,888
<i>Current liabilities</i>	2,607	1,166	817	468	415
<i>Subtotal liabilities</i>	12,702	4,700	4,308	2,565	2,303
<b>Total</b>	<b>27,746</b>	<b>5,059</b>	<b>4,467</b>	<b>3,303</b>	<b>3,280</b>

### III) COMPARATIVE COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018, 2017, 2016, 2015 AND 2014

(in million pesos)

	As of June 30				
	2018	2017	2016	2015	2014
<b>Income (loss) before other net income and expenses</b>	<b>1,876.4</b>	<b>647.4</b>	<b>193.9</b>	<b>(109.8)</b>	<b>(76.6)</b>
<i>Other net income and expenses</i>	(112.2)	13.4	(96.0)	(5.4)	32.6
<b>Income (loss) before financial income</b>	<b>1,764.2</b>	<b>660.8</b>	<b>97.9</b>	<b>(115.2)</b>	<b>(44.0)</b>
<i>Net financial(loss) income</i>	(1,246.4)	(191.2)	(344.9)	(13.1)	(108.0)
<i>Income from investments in affiliated companies</i>	3.9	1.3	0.7	1.2	2.3
<b>Income (loss) before income tax</b>	<b>521.7</b>	<b>470.9</b>	<b>(246.3)</b>	<b>(127.1)</b>	<b>(149.7)</b>
<i>Income tax</i>	(150.7)	(168.1)	86.9	36.0	40.4
<b>Income (loss) for the period</b>	<b>371.0</b>	<b>302.8</b>	<b>(159.4)</b>	<b>(91.1)</b>	<b>(109.3)</b>
<i>Other comprehensive income for the period</i>	5.0	0.3	6.5	-	-
<b>Comprehensive income (loss) for the period</b>	<b>376.0</b>	<b>303.1</b>	<b>(152.9)</b>	<b>(91.1)</b>	<b>(109.3)</b>

### IV) COMPARATIVE STATISTICAL DATA FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018, 2017, 2016, 2015 AND 2014

Dispatched volumes in million m3:

By type of transportation

	As of June 30				
	2018	2017	2016	2015	2014
<i>Firm</i>	7,363	7,434	7,415	7,534	7,309
<i>Interruptible &amp; exchange and displacement</i>	4,311	3,441	3,870	3,846	3,768
<b>Total</b>	<b>11,674</b>	<b>10,875</b>	<b>11,285</b>	<b>11,380</b>	<b>11,077</b>

See our report dated  
August 8, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17

## Transportadora de Gas del Norte S.A.

### OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

#### IV) COMPARATIVE STATISTICAL DATA FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018, 2017, 2016, 2015 AND 2014 (Cont.)

*By source*

	<i>As of June 30</i>				
	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
<i>Northern Pipeline</i>	5,054	4,854	4,891	4,970	5,047
<i>Central West Pipeline</i>	6,620	6,021	6,394	6,410	6,030
<b>Total</b>	<b>11,674</b>	<b>10,875</b>	<b>11,285</b>	<b>11,380</b>	<b>11,077</b>

*By destination*

	<i>As of June 30</i>				
	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
<i>Domestic market</i>	11,653	10,872	11,283	11,038	10,941
<i>Export market</i>	21	3	2	342	136
<b>Total</b>	<b>11,674</b>	<b>10,875</b>	<b>11,285</b>	<b>11,380</b>	<b>11,077</b>

#### V) COMPARATIVE RATIOS AS OF JUNE 30, 2018, 2017, 2016, 2015 AND 2014

	<i>As of June 30</i>				
	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
<i>Liquidity (1)</i>	1.55	1.04	1.15	1.44	2.00
<i>Solvency (2)</i>	1.18	0.08	0.04	0.29	0.42
<i>Equity Immobility</i>	0.85	0.76	0.79	0.80	0.75

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

#### VI) BUSINESS PROSPECTS (not covered by the Independent Accountants' Report)

This section about the Company's business, operating, financial and regulatory prospects should be read, analyzed and interpreted in conjunction with the notes to the interim condensed financial statements as of June 30, 2018 and the additional information required under Title IV, Chapter III, Section 12 of the National Securities Commission regulations as of June 30, 2018, in order to have a full picture of corporate matters.

See our report dated  
August 8, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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

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

### VI) BUSINESS PROSPECTS (not covered by the Independent Accountants' Report) (Cont.)

#### Business perspectives for the fiscal year:

Rate increases implemented since 2016 have allowed the Company to cover its operating and maintenance expenses, execute certain works, meet its financial liabilities when due, and derive during the year ended December 31, 2017 a profit that allowed it to distribute dividends in April 2018. In order to maintain transportation rates updated over time and thus be able to meet gas pipeline operation and maintenance requirements, the Comprehensive Rate Review (CRR) conducted by ENARGAS introduces non-automatic bi-annual transportation rate adjustments, between five-year rate reviews, due to changes experienced in the cost of service, in order to maintain the economic-financial balance and quality of the service. However, the ENARGAS could consider other macroeconomic variables that would allow weighing the impact of rate adjustments on household economies, considering levels of activity, salaries and retirement income, among others. The Company expects that the new rates shall be maintained at constant values to be able to face such expenses and investments required for the operation and maintenance of gas pipelines. However, the bi-annual rate adjustment could have an outcome different from what is currently expected.

City of Buenos Aires, August 8, 2018

See our report dated  
August 8, 2018

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PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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

Emilio Daneri Conte-Grand  
President



## Transportadora de Gas del Norte S.A.

### ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 (in thousand pesos, except as otherwise expressly stated)

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

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

The Natural Gas Act and its regulations, the Bidding Terms and Conditions for the privatization of Gas del Estado S.E. ("GdE"), the Transfer Agreement, the License and the resolutions adopted by ENARGAS establish the legal framework pursuant to which the Company carries out its business. The License, granted for an original term of 35 years, with an option for a ten year extension, may be revoked by the National Executive Branch upon ENARGAS' recommendation in case the Company fails to comply with the duties thereunder expressly established. If the License is revoked, the Company may be forced to cease operating the assets received from GdE and transfer them to the National Government or any designee thereof. Note 1 to the Company's interim condensed financial statements as of June 30, 2018 contains a description of the legal and regulatory aspects applicable to the Company.

##### 2. Major changes in the Company's business activities or other similar circumstances that took place during the periods covered by the interim condensed financial statements which affect or could affect the ability to compare them with those submitted in previous and future periods:

See Notes 1.3.5; 2; 15 and 19 to the Company's Financial Statements for the fiscal year ended December 31, 2017, and Note 1 to the Company's interim condensed financial statements as of June 30, 2018.

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

	June 30, 2018		
	Receivables <sup>(1)</sup>	Loans <sup>(2)</sup>	Other Payables <sup>(3)</sup>
Past due			
From 07.01.2007 to 06.30.2008	360,967	-	86
From 07.01.2008 to 06.30.2009	740,660	-	428
From 07.01.2009 to 06.30.2010	956,129	-	43
From 07.01.2010 to 06.30.2011	1,013,690	-	174
From 07.01.2011 to 06.30.2012	610,724	-	58
From 07.01.2012 to 06.30.2013	616,247	-	15,944
From 07.01.2013 to 06.30.2014	616,372	-	40,960
From 07.01.2014 to 06.30.2015	554,592	-	15,859
From 07.01.2015 to 06.30.2016	9,631	-	16,139
From 07.01.2016 to 06.30.2017	40,348	-	17,020
From 07.01.2017 to 09.30.2017	9,742	-	17,939
From 10.01.2017 to 12.31.2017	9,718	-	3,527
From 01.01.2018 to 03.31.2018	16,096	-	5,697
From 04.01.2018 to 06.30.2018	47,055	-	13,124

(1) Includes trade accounts receivable and other accounts receivable at face value, and excludes allowances.

(2) Recorded at present value.

(3) Includes all non-financial liabilities, excluding contingencies and deferred income tax liabilities.

See our report dated  
August 8, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° I F° 17

## Transportadora de Gas del Norte S.A.

### ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 (in thousand pesos, except as otherwise expressly stated)

	06.30.2018		
	Receivables <sup>(1)</sup>	Loans <sup>(2)</sup>	Other Payables <sup>(3)</sup>
Without due date	319,878	-	270,973
To become due			
09.30.2018	1,598,168	-	434,754
12.31.2018	87	66,889	6,330
03.31.2019	16	-	6,330
06.30.2019	192	1,586,750	6,330
06.30.2020	828	3,173,500	25,319
06.30.2021	2,316	1,549,231	25,319
06.30.2022	-	-	25,319
06.30.2023	-	-	25,319
06.30.2024	-	-	25,319
06.30.2025	-	-	25,319
06.30.2026	-	-	25,319
06.30.2027	-	-	25,319
06.30.2028	-	-	12,659
<b>Total as of 06.30.2018</b>	<b>7,523,456</b>	<b>6,376,370</b>	<b>1,086,926</b>

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

	06.30.2018		
	Receivables <sup>(1)</sup>	Loans <sup>(2)</sup>	Other payables <sup>(3)</sup>
In local currency	2,030,831	56	941,250
In foreign currency	5,492,625	6,376,314	145,676
In kind	-	-	-
<b>Total as of 06.30.2018</b>	<b>7,523,456</b>	<b>6,376,370</b>	<b>1,086,926</b>
Balances subject to adjustment clause	-	-	-
Balances not subject to adjustment clause	7,523,456	6,376,370	1,086,926
<b>Total as of 06.30.2018</b>	<b>7,523,456</b>	<b>6,376,370</b>	<b>1,086,926</b>
Interest bearing balances	125	-	24,151
Non-interest bearing balances	7,523,331	6,376,370	1,062,775
<b>Total as of 06.30.2018</b>	<b>7,523,456</b>	<b>6,376,370</b>	<b>1,086,926</b>

(1) Includes trade accounts receivable and other accounts receivable at face value, and excludes allowances.

(2) Recorded at present value.

(3) Includes non-financial liabilities and excludes contingencies and deferred income tax liabilities.

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

See Note 6 to the Company's interim condensed financial statements as of June 30, 2018.

See our report dated  
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PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° I F° 17

## Transportadora de Gas del Norte S.A.

**ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 (in thousand pesos, except as otherwise expressly stated)**

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

	Comgas Andina S.A.		Companhia Operadora do Rio Grande do Sul	
	Receivables	Other payables	Receivables	Other payables
Past due				
From 04.01.2018 to 06.30.2018	-	-	-	-
Without due date	91	-	734	-
To become due				
From 07.01.2018 to 12.31.2018	-	-	-	-
<b>Total as of 06.30.2018</b>	<b>91</b>	<b>-</b>	<b>734</b>	<b>-</b>
In local currency	-	-	-	-
In foreign currency	91	-	734	-
In kind	-	-	-	-
<b>Total as of 06.30.2018</b>	<b>91</b>	<b>-</b>	<b>734</b>	<b>-</b>
Balances subject to adjustment clause	-	-	-	-
Balances not subject to adjustment clause	91	-	734	-
<b>Total as of 06.30.2018</b>	<b>91</b>	<b>-</b>	<b>734</b>	<b>-</b>
Interest bearing balances	-	-	-	-
Non-interest bearing balances	91	-	734	-
<b>Total as of 06.30.2018</b>	<b>91</b>	<b>-</b>	<b>734</b>	<b>-</b>

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

None.

### ii. Physical count of inventories:

### 7. Frequency and scope of physical count of inventories.

The physical count of all (100%) materials and spare parts is performed on an annual basis. Slow-moving and obsolete materials and spare parts amount to \$106.2 million and are totally covered by an allowance. (See Note 10 to the Company's interim condensed financial statements as of June 30, 2018).

See our report dated  
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## **Transportadora de Gas del Norte S.A.**

**ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 (in thousand pesos, except as otherwise expressly stated)**

### **iii. Current Values:**

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

The only assets the Company appraises using current values are disclosed under “Investments at fair value”. The sources used to calculate those current values are included in Note 3.6 to the Company’s Financial Statements as of December 31, 2017.

#### **9. Technically Appraised Fixed Assets:**

See Note 2.5 to the Company’s Financial Statements as of December 31, 2017.

#### **10. Value of Obsolete Fixed Assets:**

None.

### **iv. Equity Investments in Other Companies:**

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

None.

### **v. Recoverable Values:**

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

-Materials and spare parts, and property, plant and equipment: the recoverable value of said assets was determined based on their economic use - Note 2.7 to the Company’s Financial Statements as of December 31, 2017.

-Minimum presumed income tax asset and tax-loss carry-forward: projections of future taxable income have been considered in calculating the recoverable value. Said projections are based on the best estimate in accordance with the guidelines contained in Notes 2.13.b), 4 and 8 to the Company’s Financial Statements as of December 31, 2017.

See our report dated  
August 8, 2018

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PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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C.P.C.E.C.A.B.A. T° 1 F° 17

## Transportadora de Gas del Norte S.A.

**ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 (in thousand pesos, except as otherwise expressly stated)**

**vi. Insurance:**

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

<b>Property Insured</b>	<b>Risks covered</b>	<b>Insured amount in thousands</b>	<b>Book value in thousand \$</b>
<ul style="list-style-type: none"> <li>• Personal and real property allocated to the provision of service</li> </ul>	Operational all risk and loss of profit.	US\$87,000	19,873,606
	Third party Liability	US\$220,000	
	Terrorism.	US\$35,000	
<ul style="list-style-type: none"> <li>• Machinery.</li> </ul>	Machinery breakdown.	US\$10,000	834,574
<ul style="list-style-type: none"> <li>• Vehicles:</li> <li>- Management fleet.</li> <li>- Operational fleet (cars and pickups).</li> <li>- Trucks and trailers.</li> </ul>	Limited liability.	\$6,000	3,339
	Total loss for car accident.	\$9,720	
	Total or partial loss due to fire, robbery or theft.	\$9,720	
	Limited liability.	\$6,000	25,975
	Limited liability	\$18,000	
<ul style="list-style-type: none"> <li>• Personal property at Head Office and IT equipment.</li> </ul>	Fire. Theft.	US\$8,650 US\$10	8,984
<ul style="list-style-type: none"> <li>• Works in progress.</li> </ul>	All risk, construction and assembly	US\$5,000	1,175,157

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## Transportadora de Gas del Norte S.A.

**ADDITIONAL INFORMATION TO THE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS REQUIRED UNDER TITLE IV, CHAPTER III, SECTION 12 OF THE NATIONAL SECURITIES COMMISSION REGULATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 (in thousand pesos, except as otherwise expressly stated)**

**vii. Positive and negative contingencies:**

**14. Balance of allowances and provisions, which jointly or individually exceed 2% of equity:**

The allowances and provisions deducted from assets and included under liabilities amount to 3,519,415. The interim condensed financial statements as of June 30, 2018 contain a breakdown of these allowances and provisions and their changes during the period.

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

None.

**viii. Irrevocable advances toward future subscription of shares:**

**16. Status of capitalization process:**

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

**17. Unpaid cumulative dividends on preferred shares:**

None.

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

At the Shareholders Meeting held on October 3, 2017, the Board was delegated the power to establish restrictions on payment of dividends (see Note 15.1 to the Company's Financial Statements as of December 31, 2017).

See our report dated  
August 8, 2018

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

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

Juan Carlos Pitrelli  
Regular Statutory Auditor

Emilio Daneri Conte-Grand  
President



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

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

### **Introduction**

We have reviewed the accompanying condensed interim financial statements of Transportadora de Gas del Norte S.A. (hereinafter, the Company), which comprise the interim condensed balance sheet at June 30, 2018, the interim condensed statement of comprehensive income for the six and three months period then ended, the interim condensed statement of changes in equity and the interim condensed statement of cash flow for the six months period then ended, and the selected explanatory notes.

The amounts and other information related to the fiscal year 2017 are an integral part of the audited financial statements mentioned above; therefore, they should be considered in connection with these financial statements.

### **Management's responsibilities**

The Board of Directors of the Company is responsible for the preparation and 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 included by the National Securities Commission (CNV) in its regulations, as approved by the International Accounting Standards Board (IASB), and is therefore responsible for the preparation and presentation of the interim condensed consolidated 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 Standards 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 making inquiries to the Company's personnel responsible for preparing the information included in the interim condensed consolidated financial statements and performing analytical and other review procedures. This review is substantially less in scope than an audit examination conducted in accordance with international standards on auditing and consequently it does not enable us to be sure that we would become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion on the Company's consolidated financial position, consolidated comprehensive income and consolidated cash flows.

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## **Conclusion**

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

## **Report on compliance with regulations in force**

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 as regards those matters that are within our competence, they are in compliance with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;
- b) the interim condensed financial statements of Transportadora de Gas del Norte S.A. arise from accounting records carried in all formal aspects in conformity with legal requirements;
- a) we have read the Overview and the Additional Information to the notes to the interim condensed financial statements required by section 12, Chapter III, Title IV of the regulations of National Securities Commission, on which we have no observations to make insofar as concerns matters within our field of competence;
- d) at June 30, 2018, the debt accrued by Transportadora de Gas del Norte S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records and calculations amounted to \$ 24.339.763, none of which was claimable at that date.

Ciudad Autónoma de Buenos Aires, 8 de agosto de 2018.

PRICE WATERHOUSE & CO. S.R.L.

(Socio)

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



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## **REPORT FROM THE SUPERVISORY COMMITTEE**

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

### **Documents reviewed**

In accordance with the provisions of Section 63, Subsection b) of Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires) Regulations, we have reviewed the enclosed Interim Condensed Financial Statements of Transportadora de Gas del Norte S.A. (hereinafter “the Company” or “TGN”), which comprise the Interim Condensed Balance Sheet as of June 30, 2018, Interim Condensed Statement of Comprehensive Income for the six-month period ended June 30, 2018, and Statement of Changes in Shareholders’ Equity and Statement of Cash Flows for the six-month period ended as of that date, and selected notes.

Balances and other information for fiscal year 2017 and interim periods thereof, are an integral part of the financial statements above mentioned and therefore should be considered in relation to those financial statements.

### **Management Responsibility**

The preparation and presentation of said Financial Statements are the responsibility of the Company’s Board, in exercise of its exclusive duties, and in full observance of applicable regulations. This responsibility includes the design, implementation and maintenance of an adequate and efficient control system so that such Statements are free from material mistakes, whether due to error or fraud, and also includes the selection and application of appropriate accounting policies and the most reasonable estimates under the prevailing circumstances.

### **Supervisory Committee’s Responsibility**

We conducted our review of the Financial Statements in accordance with Statutory Auditing Standards in force. Those standards require that the review is conducted in accordance with standards applicable to assignments for review of interim financial information and that the consistency of significant information contained in those statements is verified against the information on corporate decisions set forth in minutes, including the consistency of those decisions with the Law and the Company’s Bylaws concerning their formal and documentary aspects.

We have also examined the review report on the Interim Condensed Financial Statements and the Report by independent auditor Carlos N. Martínez (CPA), Partner of Price Waterhouse & Co. S.R.L. dated August 8, 2018, issued in compliance with standards applicable in Argentina for the “Review of Interim Financial Information developed by the Company’s Independent Auditor”. Our review included the verification of the work planning, scope, nature and timeliness of the procedures followed and the results of the review conducted by said professional.

We have not reviewed the Company’s management performance and therefore we have not assessed the Company’s criteria and decisions concerning the gas transportation utility service, its administration and commercialization, since these issues are the exclusive responsibility of the Board and are beyond the scope of this Supervisory Committee.

## **Conclusion**

We believe that the scope of our work and the Independent Auditor's Report provide a reasonable basis for our opinion, and in accordance with applicable regulations we inform that, in our view, the Interim Condensed Financial Statements as of June 30, 2018, discussed and approved by the Company's Board on the date hereof, include all material facts and circumstances that have come to our knowledge.

## **Report on compliance with applicable regulations**

- a) The Interim Condensed Financial Statements are derived from books and records kept, in all formal respects, in accordance with applicable legislation, and comply with the provisions of the General Company Law and National Securities Commission resolutions.
- b) As regards the above mentioned Interim Condensed Financial Statements, and the Additional Information to the notes to such Interim Condensed Financial Statements required under Title IV, Chapter III, Section 12 of the CNV regulations, we have no other remarks than those above stated.
- c) We have complied with the requirements of Section 294 of the Argentine General Company Law, during the reported period.

City of Buenos Aires, August 8, 2018

By the Supervisory Committee

Dr. Juan Carlos Pitrelli  
Regular Statutory Auditor