

# Interim Condensed Financial Statements as of June 30, 2020 in thousand Pesos, on a comparative basis

Free translation from the original in Spanish for publication in Argentina

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

**INTERIM CONDENSED FINANCIAL STATEMENTS** for the six-month period ended June 30, 2020, on a comparative basis.

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

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

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

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

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

Controlling shareholder: Gasinvest S.A.

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

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

Percentage of shares held by controlling shareholder: 56.354%.

Percentage of votes held by controlling shareholder: 56.354%.

Nominal Capital Structure (Note 9)

|  |  |
| --- | --- |
| **Classes of Shares** | **Subscribed and Paid-in** |
|  | **06.30.20** | **12.31.19** |
|  | **Thousand $** |
| Book-entry class A common shares, of $1 par value each and entitled to one vote per share | 179,264 | 179,264 |
| Book-entry class B common shares, of $1 par value each and entitled to one vote per share (1) | 172,235 | 172,235 |
| Book-entry class C common shares, of $1 par value each and entitled to one vote per share (2) | 87,875 | 87,875 |
| **Total** | **439,374** | **439,374** |

(1) Authorized for public offering in Argentina and admitted for listing on Bolsas y Mercados Argentinos S.A.

(2) Authorized for public offering in Argentina. Listed on Bolsas y Mercados Argentinos S.A.

INTERIM CONDENSED BALANCE SHEETS AS OF JUNE 30, 2020 AND DECEMBER 31, 2019 (in thousand pesos)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Note** | 06.30.2020 |  | 12.31.2019 |
|  |  |  |  |  |
| ASSETS |  |  |  |  |
| Non-current assets |  |  |  |  |
|  |  |  |  |  |
| Property, plant and equipment, net | **5** | 52,160,436 |  | 55,720,452 |
| Investments in affiliated companies, net | **6** | 85,391 |  | 68,599 |
| Materials and spare parts, net |  | 1,028,421 |  | 958,855 |
| Other accounts receivable |  | 7,441 |  | 8,752 |
| Trade accounts receivable, net | **8** | 5,999,864 |  | 5,790,124 |
| Investments at amortized cost | **7** | 7,708 |  | 12,507 |
|  |  |  |  |  |
| Total non-current assets |  | 59,289,261 |  | 62,559,289 |
|  |  |  |  |  |
| Current assets |  |  |  |  |
|  |  |  |  |  |
| Materials and spare parts |  | 184,109 |  | 193,289 |
| Derivative financial instruments | **7** | - |  | 90,767 |
| Other accounts receivable, net |  | 431,633 |  | 490,822 |
| Trade accounts receivable, net | **8** | 2,886,587 |  | 3,357,576 |
| Investments at amortized cost | **7** | 2,050,543 |  | 1,788,063 |
| Investments at fair value | **7** | 122,322 |  | 260,885 |
| Cash and cash equivalents | **7** | 4,189,866 |  | 2,412,456 |
|  |  |  |  |  |
| Total current assets |  | 9,865,060 |  | 8,593,858 |
|  |  |  |  |  |
| Total assets |  | 69,154,321 |  | 71,153,147 |

INTERIM CONDENSED BALANCE SHEETS AS OF JUNE 30, 2020 AND DECEMBER 31, 2019 (in thousand pesos)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Note** | 06.30.2020 |  | 12.31.2019 |
|  |  |  |  |  |
| SHAREHOLDERS’ EQUITY |  |  |  |  |
|  |  |  |  |  |
| Common stock | **9** | 439,374 |  | 439,374 |
| Common stock integral adjustment |  | 15,538,370 |  | 15,538,370 |
| Property, plant and equipment revaluation allowance |  | 17,516,924 |  | 19,741,191 |
| Statutory reserve |  | 3,195,550 |  | 3,195,550 |
| Optional reserve for working capital and liquidity coverage |  | 9,597,329 |  | 1,484,715 |
| Voluntary reserve for future dividends |  | 264,601 |  | 264,601 |
| Other reserves |  | (3,593) |  | (6,069) |
| Retained earnings |  | 3,169,255 |  | 8,112,614 |
|  |  |  |  |  |
| Total shareholders’ equity |  | 49,717,810 |  | 48,770,346 |
|  |  |  |  |  |
|  |  |  |  |  |
| LIABILITIES |  |  |  |  |
| Non-current liabilities |  |  |  |  |
|  |  |  |  |  |
| Deferred income tax liability |  | 9,468,686 |  | 10,148,486 |
| Loans | **10** | 454,545 |  | - |
| Lease debts |  | 11,512 |  | 11,649 |
| Other debts |  | 50,909 |  | 53,430 |
| Trade accounts payable |  | 248,148 |  | 303,562 |
|  |  |  |  |  |
| Total non-current liabilities |  | 10,233,800 |  | 10,517,127 |
|  |  |  |  |  |
| Current liabilities |  |  |  |  |
|  |  |  |  |  |
| Contingencies | **11** | 156,471 |  | 176,234 |
| Loans | **10** | 6,658,011 |  | 8,223,911 |
| Lease debts |  | 6,755 |  | 6,844 |
| Salaries and social security contributions |  | 253,510 |  | 437,287 |
| Income tax |  | 1,447,849 |  | 1,542,919 |
| Taxes payable |  | 156,850 |  | 218,685 |
| Other debts |  | 70,804 |  | 110,345 |
| Trade accounts payable |  | 452,461 |  | 1,149,449 |
|  |  |  |  |  |
| Total current liabilities |  | 9,202,711 |  | 11,865,674 |
|  |  |  |  |  |
| Total liabilities |  | 19,436,511 |  | 22,382,801 |
|  |  |  |  |  |
| Total liabilities and shareholders’ equity |  | 69,154,321 |  | 71,153,147 |

 The accompanying notes 1 to 18 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019 (in thousand pesos)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Note** |  | Six-month period ended |  | Three-month period ended |
|  |  |  |  06.30.2020 |  |  06.30.2019 |  |  06.30.2020 |  |  06.30.2019 |
| Revenues | **12** |  | 8,753,111 |  | 10,243,641 |  | 4,221,425 |  | 5,497,042 |
| Cost of service | **13** |  | (4,722,710) |  | (5,990,430) |  | (2,261,311) |  | (3,033,143) |
| **Gross profit** |  |  | **4,030,401** |  | **4,253,211** |  | **1,960,114** |  | **2,463,899** |
| Selling expenses | **13** |  | (481,674) |  | (436,485) |  | (164,689) |  | (221,962) |
| Administrative expenses | **13** |  | (711,947) |  | (739,372) |  | (372,859) |  | (391,501) |
| **Income before other net income and expenses** |  |  | **2,836,780** |  | **3,077,354** |  | **1,422,566** |  | **1,850,436** |
| Other net income and expenses |  **14** |  | 120,929 |  | (88,896) |  | 126,643 |  | (95,656) |
| **Income before financial income** |  |  | **2,957,709** |  | **2,988,458** |  | **1,549,209** |  | **1,754,780** |
|  |  |  |  |  |  |  |  |  |  |
| Net financial income |  |  |  |  |  |  |  |  |  |
| Other net financial income | **15** |  | 841,142 |  | 19,950 |  | 852,863 |  | (94,298) |
| Financial income | **15** |  | 39,459 |  | 131,065 |  | 20,096 |  | 57,710 |
| Financial expenses | **15** |  | (460,305) |  | (459,481) |  | (328,215) |  | (250,110) |
| (Loss) Gain on monetary position | **15** |  | (411,567) |  | 161,068 |  | (273,857) |  | 56,513 |
|  |  |  |  |  |  |  |  |  |  |
| **Net financial income (loss)**  |  |  | **8,729** |  | **(147,398)** |  | **270,887** |  | **(230,185)** |
|  |  |  |  |  |  |  |  |  |  |
| Income from investments in affiliated companies | **6** |  | 14,316 |  | 10,112 |  | 4,136 |  | 4,941 |
|  |  |  |  |  |  |  |  |  |  |
| **Income before income tax** |  |  | **2,980,754** |  | **2,851,172** |  | **1,824,232** |  | **1,529,536** |
|  |  |  |  |  |  |  |  |  |  |
| Income tax |  |  |  |  |  |  |  |  |  |
| Current |  |  | (1,116,624) |  | (1,596,468) |  | (446,095) |  | (1,015,716) |
| Special |  |  | - |  | 7,993 |  | - |  | (760) |
| Deferred |  |  | 275,226 |  | 484,265 |  | (82,993) |  | 285,300 |
| **Subtotal income tax** |  |  | **(841,398)** |  | **(1,104,210)** |  | **(529,088)** |  | **(731,176)** |
|  |  |  |  |  |  |  |  |  |  |
| **Income for the period** |  |  | **2,139,356** |  | **1,746,962** |  | **1,295,144** |  | **798,360** |
|  |  |  |  |  |  |  |  |  |  |
| **Items that will be reclassified through profit or loss** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Affiliated companies’ financial statements currency translation adjustment |  **6** |  | 2,476 |  | (4,732) |  | 6,543 |  | (4,887) |
|  |  |  |  |  |  |  |  |  |  |
| **Items that will not be reclassified through profit or loss** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  Property, plant and equipment revaluation allowance | **2.2** |  | (1,194,368) |  | - |  | (1,194,368) |  | - |
|  |  |  |  |  |  |  |  |  |  |
| **Other comprehensive income for the period (1)** |  |  | **(1,191,892)** |  | **(4,732)** |  | **(1,187,825)** |  | **(4,887)** |
|  |  |  |  |  |  |  |  |  |  |
| **Comprehensive income for the period**  |  |  | **947,464** |  | **1,742,230** |  | **107,319** |  | **793,473** |
|  |  |  |  |  |  |  |  |  |  |
| Net income per share, basic and diluted  | **16** |  | 4.8691 |  | 3.9760 |  | 2.9477 |  | 1.8170 |  |

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

The accompanying notes 1 to 18 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019 (in thousand pesos)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ITEM | Common stock | Common stock integral adjustment | Property, plant and equipment revaluation allowance | Statutory reserve  | Voluntary reserve for future dividends | Optional reserve for working capital and liquidity coverage | Other reserves | Retained earnings | Total shareholders’ equity |
| **Balances as of December 31, 2018** | **439,374** | **15,538,370** | **25,198,189** | **226,717** | **-** | **-** | **(2,417)** | **9,410,347** | **50,810,580** |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Resolution at Ordinary Shareholders’ Meeting dated April 10, 2019: |  |  |  |  |  |  |  |  |  |
|  Reinstatement of Statutory Reserve | - | - | - | 2,968,833 | - | - | - | (2,968,833) | - |
|  Creation of Voluntary Reserve for future dividends  | - | - | - | - | 1,061,654 | - | - | (1,061,654) | - |
|  Creation of Optional Reserve for working capital and liquidity coverage | - | - | - | - | - | 1,484,715 | - | (1,484,715) | - |
|  Distribution of Dividends in cash | - | - | - | - | - | - | - | (3,594,879) | (3,594,879) |
|  Absorption of Other reserves | - | - | - | - | - | - | 2,417 | (2,417) | - |
|  |  |  |  |  |  |  |  |  |  |
| Profit for the six-month period ended June 30, 2019  | - | - | - | - | - | - | - | 1,746,962 | 1,746,962 |
| Other comprehensive income | - | - | (1,853,400) | - | - | - | (4,732) | 1,853,399 | (4,733) |
| **Balances as of June 30, 2019** | **439,374** | **15,538,370** | **23,344,789** | **3,195,550** | **1,061,654** | **1,484,715** | **(4,732)** | **3,898,210** | **48,957,930** |
| Distribution of Voluntary Reserve for future dividends | - | - | - | - | (797,053) | - | - | - | (797,053) |
| Profit for the complementary six-month period until December 31, 2019 | - | - | - | - | - | - | - | 3,086,500 | 3,086,500 |
|  |  |  |  |  |  |  |  |  |  |
| Other comprehensive income | - | - | (3,603,598) | - | - | - | (1,337) | 1,127,904 | (2,477,031) |
| **Balances as of December 31, 2019** | **439,374** | **15,538,370** | **19,741,191** | **3,195,550** | **264,601** | **1,484,715** | **(6,069)** | **8,112,614** | **48,770,346** |
| Resolution at Ordinary Shareholders’ Meeting dated May 22, 2020: |  |  |  |  |  |  |  |  |  |
|  Reinstatement of Optional Reserve for working capital and liquidity coverage | - | - | - | - | - | 8,112,614 | - | (8,112,614) | - |
| Profit for the six-month period ended June 30, 2020 | - | - | - | - | - | - | - | 2,139,356 | 2,139,356 |
| Other comprehensive income | - | - | (2,224,267) | - | - | - | 2,476 | 1,029,899 | (1,191,892) |
| **Balances as of June 30, 2020** | **439,374** | **15,538,370** | **17,516,924** | **3,195,550** | **264,601** | **9,597,329** | **(3,593)** | **3,169,255** | **49,717,810** |

The accompanying notes 1 to 18 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019 (in thousand pesos)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Note** | 06.30.2020 |  | 06.30.2019 |
| Profit for the period |  | 2,139,356 |  | 1,746,962 |
| **Adjustments to cash generated by operating activities:**  |  |  |  |  |
| Property, plant and equipment depreciation | **5** | 3,035,787 |  | 4,058,686 |
| Residual value of property, plant and equipment written-off | **5** | 5,823 |  | 21,612 |
| Income tax |  | 841,398 |  | 1,104,210 |
| Accrued interest generated by liabilities  | **15** | 460,023 |  | 521,909 |
|  Accrued interest generated by assets | **15** | (39,459) |  | (131,065) |
| Increase / (recovery) net of allowances and provisions |  | 378,518 |  | (843,836) |
| Income from derivative financial instruments | **15** | 64,482 |  | 51,963 |
| Exchange rate differences and other net financial income |  | (1,018,647) |  | (1,539,233) |
| Loss from investments in affiliated companies | **6** | (14,316) |  | (10,112) |
|  **Net changes in operating assets and liabilities:**  |  |  |  |  |
| Decrease in trade accounts receivable |  | 873,241 |  | 1,602,297 |
| Decrease in other accounts receivable |  | 93,554 |  | 47,123 |
| Increase in materials and spare parts  |  | (86,687) |  | (93,243) |
| Decrease in trade accounts payable  |  | (680,768) |  | (238,803) |
| Decrease in salaries and social security contributions  |  | (183,777) |  | (152,596) |
| Decrease in taxes payable  |  | (297,967) |  | (1,327,143) |
| Increase in derivative financial instruments |  | 26,285 |  | - |
| Decrease in other debts  |  | (80,350) |  | (31,752) |
| Decrease in contingencies |  | (19,763) |  | (70,560) |
| Income tax payment |  | (1,002,570) |  | (6,070) |
| **Net cash flow generated by operating activities** |  | **4,494,163** |  | **4,710,349** |
| Acquisition of property, plant and equipment | **5** | (1,078,216) |  | (1,376,518) |
| Subscriptions net of recovery of investments at amortized cost and investments at fair value (non-cash equivalents) |  | 1,069,513 |  | 1,479,195 |
| Principal received from investments at amortized cost and investments at fair value  |  | 3,489 |  | 5,977 |
| Interest received from investments at amortized cost and investments at fair value  |  | 3,698 |  | 9,094 |
| **Net cash flow (used in) generated by investing activities** |  | **(1,516)** |  | **117,748** |
| Taking of local loans in pesos | **10.1** | 5,644,124 |  | - |
| Payment of principal and interest on Syndicated Loan | **10.1** | (3,971,421) |  | (4,122,402) |
| Payment of principal and interest on local loans in pesos | **10.1** | (3,147,289) |  | - |
| Payment of dividends in cash |  | - |  | (3,594,879) |
| Lease payment |  | (5,715) |  | (5,662) |
| **Net cash flow (used in) financing activities** |  | **(1,480,301)** |  | **(7,722,943)** |
|  |  |  |  |  |
| **Net increase (decrease) in cash and cash equivalents** |  | **3,012,346** |  | **(2,894,846)** |
| Cash and cash equivalents at the beginning of fiscal year |  | 2,412,456 |  | 4,092,572 |
| Financial income generated by cash |  | (1,234,936) |  | (24,939) |
| **Cash and cash equivalents at the end of the period** |  | **4,189,866** |  | **1,172,787** |
|  |  |  |  |  |
| **Transactions not affecting cash:** |  |  |  |  |
| Right-of-use on property, plant and equipment through leases | **5** | **(2,319)** |  | **(29,422)** |

The accompanying notes 1 to 18 are an integral part of these interim condensed financial statements.

1 – OVERVIEW

1.1 - Incorporation of the Company

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

1.2 –Effects of the economic emergency on the License

The License has been subject to a renegotiation process under the Public Emergency Law 25,561 (“LEP”), enacted in January 2002, which further 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. Under said legal framework and after more than thirteen years of rate freezing, in March 2017, the Company entered into an Agreement with the PEN toward amendment of its License (the “Comprehensive Agreement”), which was ratified and came into force with the enactment of Decree No. 251 on March 27, 2018. This put an end to the renegotiation process conducted under the LEP. The Comprehensive Agreement covers the contractual period from January 6, 2002 to the end of the License.

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

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

Furthermore, the Comprehensive Agreement, which came into force in March 2018 for the 2017 – 2021 period, established rules for the conduct of TGN rate review. See Note 1.3.3 to these interim condensed financial statements as of June 30, 2020.

1 – OVERVIEW (Cont.)

1.2 – Effects of the economic emergency on the License (Cont.)

The Social Solidarity and Productive Reactivation under the Public Emergency Framework Law No. 27,541 (the “Solidarity Law”), enacted in December 2019, empowered the PEN to maintain natural gas rates that are under federal jurisdiction, and to start renegotiating the comprehensive rate review in force, or else a rate review of an exceptional nature, in the terms of the Gas Act, for a maximum term of up to 180 days, aimed at reducing the actual rate burden on household, commercial and industrial users in year 2020. The PEN was further empowered to administratively intervene ENARGAS for a one-year term. Indeed, on March 16, 2020 the PEN instructed the intervention of the ENARGAS until December 31, 2020, entrusting the comptroller, to conduct a legal, technical and economic audit of all aspects regulated under the Solidarity Law in energetic matters, and to prepare a report to be submitted to the PEN. On June 18, 2020, the PEN enacted Decree 543/20 extending once again the rate freeze established under the Solidarity Law for another 180 running days.

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. 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 initial 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. The request for extension may be filed no less than 18 months nor more than 54 months prior to the expiration date of the initial term.

1.3.2 - Rates

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

1. 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;
2. non-recurring adjustments to reflect changes in costs resulting from changes in tax regulations (except for changes in income tax); and
3. non-scheduled adjustments for other objective and justifiable reasons at the discretion of ENARGAS.

1 – OVERVIEW (Cont.)

1.3 - Regulatory framework (Cont.)

1.3.3 – 2017 Comprehensive rate review

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

The regulatory framework provides for non-automatic semiannual transportation rate procedures for rate reviews, due to changes experienced in the cost of the service, in order to maintain the economic-financial balance and quality of the service.

In June 2019, the Government Energy Secretariat (“the Energy Secretariat”) established, through Resolution 336/2019, on an exceptional basis, for the benefit of residential users of natural gas and undiluted propane through networks, a 22% payment deferral for invoices issued from July 1, 2019 to October 31, 2019. Said deferral has been invoiced in five monthly, equal consecutive periods starting on December 1, 2019. The financial cost of the deferral shall be borne by the National Government by way of subsidy through payment of interest to distributors, sub-distributors, transporters and producers, based on the interest rate for 30- or 35-day term deposits for $ 20 million and higher amounts, published by the Central Bank of Argentina (“BCRA”). On August 23, 2019, the Energy Secretariat through Resolution 488/2019, established the procedure for distributors to defer payment to transporters, as well as the methodology for calculating and paying applicable interest. According to said resolution, distributors must disclose to transporters and ENARGAS, in the form of a sworn statement, the amounts to be deferred, and ENARGAS in turn must forward the so compiled information to the Energy Secretariat, which will be the one responsible for calculating and issuing interest payment orders to licensees within 30 business days from the relevant deferral month end. As of today, the Company has already collected the full deferred amount. In connection with the reporting and interest calculation process, it is worth mentioning that it is still delayed, with no interest payment orders having been issued as of today.

In September 2019, the Energy Secretariat passed Resolution 521/2019 (amended by Resolution 751/2019) deferring the semiannual rate adjustment that should have been applied effective October 1, 2019, until February 1, 2020, and further established that licensees would be compensated with the MIP review to the extent of the lower revenues derived from said measure. Consequently, between October and December 2019 the Company submitted proposals to ENARGAS for adjusting the MIP for an amount of $ 459.2 million (at December 2016 currency). However, upon enactment of the Solidarity Law, the new administration that took power in December 2019 announced its intention to suspend rate adjustments for natural gas and electricity transportation and distribution utility services under federal jurisdiction for 180 days, to start renegotiating the CRR in place since 2017, or embark on a rate review of an exceptional nature. On June 18, 2020, the PEN enacted Decree 543/20 extending once again the rate freeze established under the Solidarity Law for another 180 running days.

1 – OVERVIEW (Cont.)

1.3 - Regulatory framework (Cont.)

1.3.3 – 2017 Comprehensive rate review (Cont.)

On March 24, 2020, the PEN passed Decree No. 311 establishing that natural gas transportation and distribution utility service licensees, among others, shall not be allowed to suspend or interrupt the service in the event of late or lack of payment of up to three consecutive or alternate bills due from March 1 to September 30, 2020. This measure covers universal child allowance beneficiaries, retirees, pensioners and employees with a gross salary of at least two index-linked minimum wages, unemployment insurance beneficiaries, micro, small and medium-sized companies, cooperatives or recovered companies and public and private healthcare entities, among others, as established in the regulation. Licensees shall, in all cases, offer all users covered by said regulation, payment plans consisting of thirty equal and consecutive installments starting in September 2020 to pay outstanding balances.

1.4 – Current economic context

In addition to the rate issue mentioned earlier, worth noting is the fact that the Company operates within a complex economic context where main variables have recently experienced a strong volatility. See Note 1.4 to the Company’s financial statements as of December 31, 2019, where the economic measures timely adopted by the new national administration which took power in December 2019, are described.

Note also that the outbreak and spread of the so-called Coronavirus (or “Covid-19”) toward the end of 2019, have had several consequences on business and economic transactions globally. Given the magnitude of the virus spread, in March 2020 various governments around the world implemented drastic measures to stop the virus spreading including, among other things, closure of borders, prohibition on travels to and from certain parts of the world for a period of time, and finally, a mandatory lockdown on population, together with the suspension of non-essential commercial activities. On March 11, the World Health Organization (“WHO”) declared Covid-19 a ‘pandemic’ globally. Specifically, in Argentina, the National Government issued the Necessity and Urgency Decree No. 260/20 whereby the public emergency in health matters as a result of the WHO pandemic declaration due to Covid-19 was extended for a one-year period. Consequently, a number of preventive measures were adopted aimed at reducing the population traffic, such as a mandatory social isolation (“ASPO”) mainly in Buenos Aires metropolitan area and a mandatory social distancing in other urban conglomerates of Argentina, with only those persons engaged in the provision and/or production of essential goods and services and other permitted activities being, in general, allowed to move on the streets. Said isolation and/or distancing, as the case may be, has been successively extended due to the pandemic. The ultimate extent of the Covid-19 outbreak and its impact on the global and domestic economy are uncertain, and governments are still likely to adopt tougher measures which are unpredictable at this point in time. As of the date of issuance of these interim condensed financial statements, the extent to which the Covid-19 will impact on the Company’s business and results of operations, if the current state of affairs extends further in time cannot be reasonably quantified.

1 – OVERVIEW (Cont.)

1.4 – Current economic context (Cont.)

Additionally, worth mentioning is that in April 2020 the National Government announced the launch of a public debt exchange offer subject to foreign legislation for an amount of US$ 66.2 billion. On August 4, Argentina and representatives of “Argentina Bondholder Group”, “Argentina Creditor Committee” and “Exchange Bondholder Group”, as well as other bondholders, reached an agreement allowing the members of said creditor groups to support Argentina’s debt restructuring proposal.

With respect to the public debt subject to local legislation for an amount of US$ 49.7 billion, the National Government postponed due dates until December 31, 2020 or such earlier date to be determined by the Ministry of Economy.

Furthermore, in order to mitigate the adverse economic effects derived from Covid-19, the Government also implemented massive subsidies to the population, reinforced food assistance and adopted other measures in support of companies (including deferral of tax payments and subsidized loans), which lead the Central Bank (BCRA) to increase the issue of currency in order to fund public expenditure, raising concerns about the exchange rate and inflation.

Tax revenues dropped by 20% in the second quarter of the current year in real terms, so given the limited local debt market, the national government decided to support the National Treasury by requesting additional monetary assistance from the BCRA. During the year, the BCRA has accumulated $ 1.35 billion between interim advances and profit distributions. On the other hand, the economic activity dropped 5.4% p.a. during the first quarter of 2020 with strong adjustments seen in private consumption and investments, even if the ASPO only had a partial impact in March. As of the date of issuance of these interim condensed financial statements, the Monthly Estimate of Economic Activity Index reflects a drop of 26.4% annually.

So far, the Company has not experienced a significant impact on its results of operations due to the events above described. The Company’s Board is keeping track of the events and adopting all necessary measures.

Due to the circumstances above described, the Company has not been able to have their interim condensed financial statements as of March 31, 2020 and June 30, 2020 reflected in the Balance Sheet and Inventory Book. The Board, Audit Committee and Supervisory Committee meetings where said financial statements were discussed and approved were held virtually, this being the reason why the minutes of said meetings have not been yet reflected in the respective books and signed.

2 - Preparation and presentation of financial statements

These interim condensed financial statements for the six-month period ended June 30, 2020 have not been audited. The Company’s Management believes that all adjustments necessary have been made to reasonably present the results for the period. The results for the six-month period ended June 30, 2020 do not necessarily reflect the Company's full year results.

2 - Preparation and presentation of financial statements (Cont.)

In addition, these interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 (“Interim Financial Reporting”).

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

These interim condensed financial statements, which were approved for their release by the Company’s Board on August 10, 2020, should be read together with the audited financial statements as of December 31, 2019, which have been prepared in accordance with IFRS. These interim condensed financial statements have been prepared following the same accounting policies applied in preparing the audited financial statements as of December 31, 2019.

These interim condensed financial statements have been prepared based on the historic cost, in the measuring unit applicable as of the closing date of the reporting period, except for the revaluation of financial assets and liabilities (including derivative instruments), for which the fair value approach has been used, with the variation shown in the interim condensed statement of comprehensive income.

2.1 – Changes in Interpretation and Accounting Standards

**a) New accounting standards, amendments and interpretations issued by IASB applicable as from June 30, 2020, adopted by the Company**

There are no new accounting standards, interpretations and/or amendments in effect as of this fiscal year that might have a significant impact on the Company’s financial statements.

**b) New accounting standards, interpretations and/or amendments published but not yet effective for this fiscal year**

There are no new accounting standards, interpretations and/or amendments in effect as of this fiscal year that might have a significant impact on the Company’s financial statements.

2 - Preparation and presentation of financial statements (Cont.)

2.2 – Property, plant and equipment

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

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

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

Discounted cash flows used cover a period of 17 years, i.e. the years remaining to elapse until the due date of the initial 35-year License period (to take place in 2027) plus the ten-year extension period the Company may apply for (National Executive Branch Decree 2255/92). Additionally, TGN has reflected under discounted cash flows an additional amount foreseen in the License upon expiration thereof, when the Company will be entitled to receive the lesser of the residual value of essential assets or the amount resulting from a new tender, net of expenses and taxes paid by the successful bidder. This latter amount has been recognized by the Company as a perpetual income as of that date.

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

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

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

2.2 – Property, plant and equipment (Cont.)

Based on the measurement made in accordance with the revaluation model, the following differences have been identified with respect to book values measured by the ‘cost model’, for Revalued Assets as of June 30, 2020:

|  |  |  |  |
| --- | --- | --- | --- |
| **Revalued Assets**  | **Residual book value as of 06/30/2020****(cost model)** | **Higher value, net of impairment** | **Fair value as of 06/30/2020****(revaluation model)** |
| Gas pipelines and branch lines | 19,260,254 | 18,725,026 | 37,985,280 |
| Compressor plants | 3,157,931 | 2,356,057 | 5,513,988 |
| Meter and regulating stations | 344,496 | 365,198 | 709,694 |
| SCADA System | 252,998 | 425,588 | 678,586 |
| Lands | 8,780 | 39,761 | 48,541 |
| Buildings and civil construction works | 581,903 | 417,927 | 999,830 |
| Gas inventory | 274,496 | 637,275 | 911,771 |
| Other technical installations | 548,800 | 253,279 | 802,079 |
| **Subtotal essential assets** | **24,429,658** | **23,220,111** | **47,649,769** |
|  |  |  |  |
| Lands | 2,268 | 24,116 | 26,384 |
| Buildings and civil construction works | 185,563 | 114,340 | 299,903 |
| **Subtotal other revalued assets**  | **187,831** | **138,456** | **326,287** |
|  |  |  |  |
| **Total Revalued Assets**  | **24,617,489** | **23,358,567** | **47,976,056** |

Any accumulated depreciation as of the revaluation date is derecognized against the gross book value of the asset. Depreciation, based on a component criterion is calculated using the straight-line method based on the remaining useful life as of the revaluation date:

|  |  |
| --- | --- |
|  | **Years of estimated remaining useful life**  |
| Gas pipelines and branch lines  | 2 and 17 |
| Compressor plants | 17 |
| Meter and regulating stations | 17 |
| SCADA System | 7 |
| Gas inventory | n/a |
| Lands | n/a |
| Buildings and civil construction works | 26 |
| Other technical installations | 3 |

2 - Preparation and presentation of financial statements (Cont.)

2.2 – Property, plant and equipment (Cont.)

During the period ended June 30, 2020, the Company recognized an impairment charge for its property, plant and equipment for an amount of $ 1,598,941.

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

Changes in “Property, plant and equipment revaluation allowance” during 2020 year are described below:

|  |  |
| --- | --- |
| Balance as of December 31, 2019  | 19,741,191 |
|  |  |
|  Reversal during the six-month period as of June 30, 2020 | (1,029,899) |
|  Impairment during the six-month period ended June 30, 2020 | (1,194,368) |
|  |  |
|  Balance as of June 30, 2020  | 17,516,924 |

With respect to non-essential assets not subject to revaluation, there have been no changes in respect of the valuation policy applied as of December 31, 2019. See Note 2.6 to the Company’s financial statements as of December 31, 2019.

3 – FINANCIAL RISK MANAGEMENT

Except as mentioned in Note 3.1. below, as of June 30, 2020 no significant variations in financial risks have been identified with respect to Note 3 to the Company’s Financial Statements as of December 31, 2019.

3.1 – Currency Risks

The potential impact on the statement of comprehensive income and the statement of changes in shareholders' equity as of June 30, 2020, resulting from each percentage point of depreciation or appreciation of the peso against the US dollar would account for an approximate loss or profit, as applicable, of $ 61.5 million, provided that the other economic and financial variables affecting the Company remain stable. This sensitivity analysis is based on reasonable assumptions and information. Yet, actual results might significantly differ from such analysis.

3 – FINANCIAL RISK MANAGEMENT (Cont.)

Foreign Currency denominated Assets and Liabilities

|  | **06.30.20** | **12.31.19** |
| --- | --- | --- |
|  | **Amount and type of foreign currency** (1) | **Current trading price in $** | **Amount in local currency** (1) | **Amount and type of foreign currency** (1) | **Amount in local currency** (1) |
| **ASSETS** |  |  |  |  |  |
| **NON-CURRENT ASSETS** |  |  |  |  |  |  |  |
| **Trade accounts receivable** |  |  |  |  |  |  |  |
| Trade accounts receivable with third parties | US$ | 189,378 | 70.26 | 13,305,687 | US$ | 189,378 | 12,840,553 |
| **Total non-current assets** |  |  |  | **13,305,687** |  |  | **12,840,553** |
|  |  |  |  |  |  |
| **CURRENT ASSETS** |  |  |  |  |  |
| **Other accounts receivable** |  |  |  |  |  |  |  |
| Other sundry accounts receivable | US$ | 1,503 | 70.26 | 105,601 | US$ | 736 | 49,904 |
| Guarantee deposits – rentals |  |  |  | - | US$ | 250 | 16,958 |
| Other receivables with controlling company | US$ | 4 | 70.26 | 295 | US$ | 4 | 287 |
| Other receivables with affiliated companies | US$ | 2 | 70.26 | 130 | US$ | 11 | 725 |
|  | R$ | 110 | 11.80 | 1,303 | R$ | 106 | 1,690 |
|  |  |  |  | 107,329 |  |  | 69,564 |
| **Trade accounts receivable** |  |  |  |  |  |  |  |
| Trade accounts receivable with third parties | US$ | 1,503 | 70.26 | 105,588 | US$ | 188 | 12,759 |
| Trade accounts receivable with related parties | US$ | 146 | 70.26 | 10,227 | US$ | 118 | 7,984 |
| Trade accounts receivable with affiliated companies | US$ | 11 | 70.26 | 782 | US$ | 11 | 754 |
|  | R$ | 119 | 11.80 | 1,402 | R$ | 41 | 656 |
|  |  |  |  | 117,999 |  |  | 22,153 |
| **Derivative financial instruments** |  |  |  |  |  |  |  |
| Derivative financial instruments |  |  |  | - |  | 1,339 | 90,767 |
|  |  |  |  | - |  |  | 90,767 |
| **Investments at amortized cost** |  |  |  |  |  |  |  |
| Government bonds in US$ - T-BILLS | US$ | 27,259 | 70.26 | 1,915,198 | US$ | 24,461 | 1,658,548 |
| Government bonds in US$ - Letes | US$ | 1,818 | 70.26 | 127,747 | US$ | 1,764 | 119,617 |
|  |  |  |  | 2,042,945 |  |  | 1,778,165 |
| **Investments at fair value** |  |  |  |  |  |  |  |
| Mutual funds in US$ |  |  |  | - | US$ | 985 | 66,762 |
| Government bonds in US$ | US$ | 1,741 | 70.26 | 122,322 | US$ | 2,863 | 194,123 |
|  |  |  |  | 122,322 |  |  | 260,885 |
| **Cash and cash equivalents** |  |  |  |  |  |
| Term deposits in US$ |  |  |  | - | US$ | 5,522 | 374,418 |
| Mutual funds in US$ | US$ | 24,126 | 70.26 | 1,695,094 | US$ | 27,601 | 1,871,459 |
| Bank balances | US$ | 6,045 | 70.26 | 424,703 | US$ | 501 | 33,958 |
|  |  |  |  | 2,119,797 |  |  | 2,279,835 |
| **Total current assets** |  |  |  | **4,510,392** |  |  | **4,501,369** |
| **Total assets** |  |  |  | **17,816,079** |  |  | **17,341,922** |

3 – FINANCIAL RISK MANAGEMENT (Cont.)

Foreign Currency denominated Assets and Liabilities (Cont.)

|  | **06.30.20** | **12.31.19** |
| --- | --- | --- |
|  | **Amount and type of foreign currency** (1) | **Current trading price in $** | **Amount in local currency** (1) | **Amount and type of foreign currency** (1) | **Amount in local currency** (1) |
| **LIABILITIES** |  |  |  |  |  |  |  |
| **CURRENT LIABILITIES** |  |  |  |  |  |  |  |
| **Trade accounts payable** |  |  |  |  |  |  |  |
| Suppliers - goods and services | US$ | 1,378 | 70.46 | 97,084 | US$ | 1,201 | 81,734 |
|  |  |  |  | - | £ | 188 | 16,813 |
| Unbilled Goods and Services | US$ | 1,456 | 70.46 | 102,579 | US$ | 6,769 | 460,500 |
|  | £ | 64 | 86.90 | 5,590 | £ | 39 | 3,478 |
|  | € | 20 | 78.87 | 1,600 | € | 24 | 1,838 |
|  |  |  |  | 206,853 |  |  | 564,363 |
| **Loans** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Syndicated loan | US$ | 55,276 | 70.46 | 3,894,779 | US$ | 110,866 | 7,542,351 |
|  |  |  |  | 3,894,779 |  |  | 7,542,351 |
| **Total Current Liabilities** |  |  |  | **4,101,632** |  |  | **8,106,714** |
| **Total Liabilities** |  |  |  | **4,101,632** |  |  | **8,106,714** |

US$: US Dollars

£: Pound sterling

€: Euros

R$: Brazilian Reais

 (1) Does not include allowances or discounts at present value.

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, in million Pesos, and does not include any breakdown by business segment, which means that the information is presented as a single segment, and reflects the Company as a whole. It has been determined that the representative measure used for decision making by the CODM is the “management EBITDA”, together with acquisition of “Property, plant and equipment”. Here is the information provided to the CODM (in million Pesos);

|  |  |  |  |
| --- | --- | --- | --- |
|  | 06.30.2020 |  | 06.30.2019 |
|  |  |  |  |
| Revenues | 8,753 |  | 10,244 |
| Operating costs | (2,881) |  | (3,108) |
|  |  |  |  |
| Management EBITDA | 5,872 |  | 7,136 |
|  |  |  |  |
| Acquisition of “Property, plant and equipment” | 1,081 |  | 1,406 |

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | 06.30.2020 |  | 06.30.2019 |
|  |  |  |  |
| Management EBITDA in million pesos | 5,872 |  | 7,136 |
| “Property, plant and equipment” depreciation | (3,036) |  | (4,059) |
| Other net income and expenses | 121 |  | (89) |
| Net financial income | 9 |  | (147) |
| Income (loss) from investments in affiliated companies | 14 |  | 10 |
| Income before income tax | 2,980 |  | 2,851 |

5 – PROPERTY, PLANT AND EQUIPMENT

|  |  |  |
| --- | --- | --- |
|  | 06.30.2020 | Net book value |
|  | Original Value | Depreciation |
|  | At the beginning of fiscal year | Additions | Disposals | Transfers | Impairment/ Revaluation  | At the end of period | At the beginning of fiscal year | Fiscal year | Disposals | At the end of period | 06.30.2020 | 12.31.2019 | 06.30.2019 |
| Essential assets: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gas pipelines and branch lines | 40,708,851 | - | - | 847,776 | (1,265,970) | 40,290,657 | - | 2,305,377 | - | 2,305,377 | 37,985,280 | 40,708,851 | 43,825,516 |
| Compressor plants | 5,669,491 | - | (2,365) | 517,618 | (183,770) | 6,000,974 | - | 488,421 | (1,435) | 486,986 | 5,513,988 | 5,669,491 | 6,180,833 |
| Meter and regulating stations | 755,383 | - | - | 15,406 | (23,653) | 747,136 | - | 37,442 | - | 37,442 | 709,694 | 755,383 | 670,129 |
| SCADA system | 686,542 | - | - | 88,002 | (22,616) | 751,928 | - | 73,342 | - | 73,342 | 678,586 | 686,542 | 813,883 |
| Gas inventory | 942,158 | - | - | - | (30,387) | 911,771 | - | - | - | - | 911,771 | 942,158 | 1,001,366 |
| Lands | 47,947 | - | - | 2,212 | (1,618) | 48,541 | - | - | - | - | 48,541 | 47,947 | 51,599 |
| Buildings and civil construction works | 1,054,774 | - | - | - | (33,322) | 1,021,452 | - | 21,622 | - | 21,622 | 999,830 | 1,054,774 | 1,141,268 |
| Other technical installations | 558,511 | - | - | 325,195 | (26,731) | 856,975 | - | 54,896 | - | 54,896 | 802,079 | 558,511 | 480,680 |
| **Sub-total essential assets** | **50,423,657** | **-** | **(2,365)** | **1,796,209** | **(1,588,067)** | **50,629,434** | **-** | **2,981,100** | **(1,435)** | **2,979,665** | **47,649,769** | **50,423,657** | **54,165,274** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other revalued assets |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Lands | 27,262 | - | - | - | (878) | 26,384 | - | - | - | - | 26,384 | 27,262 | 28,840 |
| Buildings and civil construction works | 316,294 | - | - | - | (9,996) | 306,298 | - | 6,395 | - | 6,395 | 299,903 | 316,294 | 342,093 |
| **Sub-total other revalued assets** | **343,556** | **-** | **-** | **-** | **(10,874)** | **332,682** | **-** | **6,395** | **-** | **6,395** | **326,287** | **343,556** | **370,933** |
| **Total revalued assets** | **50,767,213** | **-** | **(2,365)** | **1,796,209** | **(1,598,941)** | **50,962,116** | **-** | **2,987,495** | **(1,435)** | **2,986,060** | **47,976,056** | **50,767,213** | **54,536,207** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-essential assets: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Building installations | 80,208 | - | - | - | - | 80,208 | 36,992 | 1,563 | - | 38,555 | 41,653 | 43,216 | 45,266 |
| Machinery, equipment and tools | 404,202 | 15,339 | (1,091) | - | - | 418,450 | 342,890 | 8,177 | (1,091) | 349,976 | 68,474 | 61,312 | 35,500 |
| Other technical installations | 460,718 | 86,554 | (1,774) | - | - | 545,498 | 445,627 | 4,848 | (1,730) | 448,745 | 96,753 | 15,091 | 16,439 |
| Communication equipment and devices | 51,866 | 2,589 | (43) | - | - | 54,412 | 49,170 | 475 | (43) | 49,602 | 4,810 | 2,696 | 1,633 |
| Vehicles | 405,102 | 2,178 | (3,787) | - | - | 403,493 | 240,593 | 25,409 | (1,193) | 264,809 | 138,684 | 164,509 | 134,149 |
| Furniture and fixtures | 208,476 | 13,586 | (414) | - | - | 221,648 | 188,547 | 1,725 | (413) | 189,859 | 31,789 | 19,929 | 28,496 |
| Right of use  | 33,207 | 2,319 | - | - | - | 35,526 | 13,253 | 6,095 | - | 19,348 | 16,178 | 19,954 | 23,138 |
| Works in progress | 4,626,532 | 957,970 | (2,254) | (1,796,209) | - | 3,786,039 | - | - | - | - | 3,786,039 | 4,626,532 | 4,641,547 |
| **Sub-total non-essential assets** | **6,270,311** | **1,080,535** | **(9,363)** | **(1,796,209)** | **-** | **5,545,274** | **1,317,072** | **48,292** | **(4,470)** | **1,360,894** | **4,184,380** | **4,953,239** | **4,926,168** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balances as of June 30, 2020** | **57,037,524** | **1,080,535** | **(11,728)** | **-** | **(1,598,941)** | **56,507,390** | **1,317,072** | **3,035,787** | **(5,905)** | **4,346,954** | **52,160,436** | **-** | **-** |
| **Balances as of December 31, 2019** | **63,409,633** | **3,182,758** | **(76,943)** | **-** | **(3,168,688)** | **63,346,760** | **1,272,900** | **6,403,799** | **(50,391)** | **7,626,308** | **-** | **55,720,452** | **-** |
| **Balances as of June 30, 2019** | **63,409,633** | **1,405,940** | **(50,904)** | **-** | **-** | **64,764,669** | **1,272,900** | **4,058,686** | **(29,292)** | **5,302,294** | **-** | **-** | **59,462,375** |

5 – PROPERTY, PLANT AND EQUIPMENT (Cont.)

5.1 – Commitments

As of June 30, 2020, the Company has firm contractual commitments with suppliers for the acquisition of Property, plant and equipment for $ 534,047.

6 – INVESTMENTS IN AFFILIATED COMPANIES

|  |  |  |  |
| --- | --- | --- | --- |
|   | 06.30.2020 |  | 12.31.2019 |
|  |  |  |  |
| Balance at the beginning of fiscal year | 68,599 |  | 48,938 |
| Income from investments in affiliated companies (1) | 16,792 |  | 19,661 |
| Balance at the end of period | 85,391 |  | 68,599 |

(1) Includes $ 2,476 and $ (6,069) that have been charged to “Other comprehensive income” in the Statement of Comprehensive Income, as of June 30, 2020 and December 31, 2019, respectively.

6 – INVESTMENTS IN AFFILIATED COMPANIES (Cont.)

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Description** |  |  | **Book value as of** |  | **Information on issuer** |
|  |  |  |  | **Most Recent Financial Statements** |
| **Issuer** | **Shares** | **Face Value** | **Amount** | **Cost**  | **06.30.20** | **12.31.19** | **Main Activity** | **Date** | **Capital Stock and Capital Adjustment** | **Other Reserves** | **Retained Earnings** | **Shareholders’’ Equity** |  | **Percentage of Direct Interest** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Comgas Andina S.A. | Common | (1) 1 per share | 490 | 246 | 83,410 | 65,773 | Gas pipeline operation and maintenance service  | 06.30.20 | 115 | - | 170,109 |  170,224 |  | 49.0 |
| Companhia Operadora do Rio Grande do Sul    | Common | (2) 1 per share | 49 | 0.1 | 1,981 | 2,826 | Gas pipeline operation and maintenance service  | 06.30.20 | 1 | 5,075  | (1,034) | 4,042 |  |  49.0 |
| **Total** |  |  |  |  | **85,391** | **68,599** |  |  |  |  |  |  |  |  |

1. Chilean pesos
2. Brazilian Reais

7 – FINANCIAL INSTRUMENTS BY CATEGORY

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 06.30.2020 |  | 12.31.2019 |
| **Financial assets at fair value (1):**  |  |   |  |  |
|  |  |  |  |  |
| **Current**: |  |  |  |  |
| Classified as “Investments at fair value”: |  |  |  |  |
|  Mutual funds in US$  |  | - |  | 66,762 |
|  Government bonds in US$  |  | 122,322 |  | 194,123 |
| Subtotal |  | 122,322 |  | 260,885 |
| Classified as “Cash and cash equivalents”: |  |  |  |  |
|  Mutual funds in $  |  | 1,242,848 |  | 113,253 |
|  Mutual funds in US$  |  | 1,695,094 |  | 1,871,459 |
| Subtotal  |  | 2,937,942 |  | 1,984,712 |
|  |  |  |  |  |
|  Derivative financial instruments (3) |  | - |  | 90,767 |
| Subtotal |  | - |  | 90,767 |
|  |  |  |  |  |
| **Total financial assets at fair value - Current** |  | **3,060,264** |  | **2,336,364** |
| **Financial assets at amortized cost:** |  |  |  |  |
| **Current:** |  |  |  |  |
|  |  |  |  |  |
| Classified as “Investments at amortized cost”: |  |  |  |  |
| Government bonds in US$ - T-BILLS |  | 1,915,198 |  | 1,658,548 |
| Government bonds in US$ - Letes |  | 127,747 |  | 119,617 |
| VRD bonds in $  |  | 7,598 |  | 9,898 |
| Subtotal |  | 2,050,543 |  | 1,788,063 |
|  |  |  |  |  |
| Classified as “Cash and cash equivalents”: |  |  |  |  |
|  Cash and banks  |  | 1,251,924 |  | 53,326 |
|  Term deposits in US$ (2)  |  | - |  | 374,418 |
| Subtotal  |  | 1,251,924 |  | 427,744 |
|  |  |  |  |  |
| Classified as “Trade accounts receivable” and “Other accounts receivable” |  | 3,149,494 |  | 3,484,563 |
|  |  |  |  |  |
| **Total financial assets at amortized cost - Current** |  | **6,451,961** |  | **5,700,370** |
| **Non-Current:** |  |  |  |  |
|  |  |  |  |  |
| Classified as “Investments at amortized cost”: |  |  |  |  |
| VRD bonds in $ |  | 7,708 |  | 12,507 |
| Subtotal |  | 7,708 |  | 12,507 |
|  |  |  |  |  |
| Classified as “Trade accounts receivable” and “Other accounts receivable” |  | 6,007,305 |  | 5,798,876 |
|  |  |  |  |  |
| **Total financial assets at amortized cost – Non-Current** |  | **6,015,013** |  | **5,811,383** |
|  |  |  |  |  |

7 – FINANCIAL INSTRUMENTS BY CATEGORY (Cont.)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Financial liabilities at amortized cost:** |  |  |  |  |
|  |  |  |  |  |
| **Current:** |  | 06.30.2020 |  | 12.31.2019 |
|  Loans |  | 6,658,011 |  | 8,223,911 |
|  Trade accounts payable, other debts and lease debt |  | 530,020 |  | 1,266,638 |
| **Total financial liabilities at amortized cost – Current** |  | **7,188,031** |  | **9,490,549** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Non-Current:** |  |  |  |  |
|  Loans |  | 454,545 |  | - |
|  Trade accounts payable, other debts and lease debt |  | 310,569 |  | 368,641 |
| **Total financial liabilities at amortized cost – Non-Current** |  | **765,114** |  | **368,641** |
|  |  |  |  |  |

(1) Financial assets at fair value, except for derivative financial instruments, have been measured using Level 1 fair values. The value of financial instruments traded on active markets is based on quoted market prices as of the date of the interim condensed financial statements. The quoted market price used for financial assets held by the Company is the ask price as of June 30, 2020 and December 31, 2019.

(2) Investments originally falling due within three months or less are classified as “Cash and cash equivalents” in the interim condensed balance sheet.

(3) All derivative financial instruments have been measured using Level 2 fair values. The fair value has been determined based on available market information.

**Derivative FinancialInstruments:**

As of December 31, 2019, the Company had exchange rate forward positions due in January 2020 for US$ 9.6 million ($ 59.41 per dollar) and in February 2020 for US$ 17 million ($ 61.28 per dollar). Those positions have been valued at the exchange rate in force on the futures market at 2019 year end.

8 – TRADE ACCOUNTS RECEIVABLE

|  |  |  |  |
| --- | --- | --- | --- |
|  Non-current | 06.30.2020 |  | 12.31.2019 |
| Trade accounts receivable - third parties | 13,305,687 |  | 12,840,553 |
| Allowance for doubtful accounts and disputed amounts | (7,305,823) |  | (7,050,429) |
|  Total trade accounts receivable – Non-current | 5,999,864 |  | 5,790,124 |
| Current |  |  |  |
| Trade accounts receivable – third parties | 2,912,078 |  | 3,219,117 |
| Trade accounts receivable – other related parties (Note 17) | 449,630 |  | 517,247 |
| Trade accounts receivable – affiliated companies (Note 17) | 2,184 |  | 1,410 |
| Less: Allowance for doubtful accounts and disputed amounts | (477,305) |  | (380,198) |
|  Total trade accounts receivable - Current | 2,886,587 |  | 3,357,576 |

9 – COMMON STOCK

The nominal 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 boo-entry Class B common shares, of $1 par value each and entitled to 1 vote per share, and 87,874,754 book-entry Class C common shares, of $ 1 par value each and entitled to 1 vote per share. All issued shares are subscribed and paid-in. Class B shares are admitted for listing on Bolsas y Mercados Argentinos S.A. (“BYMA”). Class C shares are listed on BYMA.

10 - LOANS

Note 16 to the Company’s Financial Statements as of December 31, 2019 includes information about the terms and conditions concerning TGN’s financial indebtedness.

During this period, the Company took short-term loans in pesos mainly through bank accounts overdrafts, for a total amount of $ 3,970 million and an average term of 70 days. The average rate was 30%.

Additionally, the Company took the following loans:

* With Banco Santander, on May 15 this year, for $ 1 billion for a term of eighteen months, at BADLAR plus 10.5%;
* With Banco Itaú, on June 26 this year, for $ 500 million, for a term of twelve months, at BADLAR plus 9.5%.

10.1 Changes in Loans

|  |  |  |  |
| --- | --- | --- | --- |
|  | 06.30.2020 |  | 06.30.2019 |
| Balance at the beginning of fiscal year | 8,223,911 |  | 14,643,420 |
|  |  |  |  |
| Accrual of interest on Syndicated Loan | 183,519 |  | 393,814 |
| Exchange rate difference on Syndicated Loan | 965,620 |  | 1,672,429 |
| Payment of principal and interest on Syndicated Loan | (3,971,421) |  | (4,122,402) |
| Taking of local loans in pesos | 5,644,124 |  | - |
| Accrual of interest on local loans in pesos | 214,256 |  | - |
| Payment of principal and interest on local loans in pesos | (3,147,289) |  | - |
| Loss on monetary position | (1,000,164) |  | (2,478,360) |
|  |  |  |  |
| Balance at the end of period | 7,112,556 |  | 10,108,901 |

11 - CONTINGENCIES

|  |  |  |  |
| --- | --- | --- | --- |
| Provision for labor, civil and administrative lawsuits |  |  | Current |
|  |  |  |  |
| Balance as of December 31, 2018 |  |  | 290,071 |
| –Net recoveries |  |  | (7,796) |
| – Decreases (payments / uses) |  |  | (8,826) |
| –Loss on monetary position |  |  | (53,940) |
| Balance as of June 30, 2019 |  |  | 219,509 |
| – Increases, net of recoveries |  |  | 8,409 |
| – Decreases (payment / uses) |  |  | (35,522) |
| – Loss on monetary position |  |  | (16,162) |
| Balance as of December 31, 2019 |  |  | 176,234 |
| –Increases, net of recoveries |  |  | 4,744 |
| – Decreases (payment / uses) |  |  | (3,385) |
| – Loss on monetary position |  |  | (21,122) |
| Balance as of June 30, 2020 |  |  | 156,471 |

12 – REVENUES

|  |  |  |  |
| --- | --- | --- | --- |
|  | For the six-month period as of |  | For the three-month period as of |
|  | 06.30.2020 |  | 06.30.2019 |  | 06.30.2020 |  | 06.30.2019 |
|  |  |  |  |  |  |  |  |
| Gas transportation service | 8,318,672 |  | 9,928,343 |  | 4,021,593 |  | 5,361,925 |
| Gas pipeline operation and maintenance and other services | 434,439 |  | 315,298 |  | 199,832 |  | 135,117 |
| Total revenues | 8,753,111 |  | 10,243,641 |  | 4,221,425 |  | 5,497,042 |

13 – EXPENSES BY NATURE

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **For the six-month period as of 06.30** | **Total as of 06.30.2020** | **Total as of 06.30.2019** |
| **Cost of service** | **Selling expenses** | **Administrative expenses** |
| **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Directors’ fees | - | - | - | - | 13,877 | 16,523 | **13,877** | **16,523** |
| Supervisory Committee’s fees  | - | - | - | - | 3,891 | 4,387 | **3,891** | **4,387** |
| Fees for professional services | 42,049 | 35,928 | 78 | 744 | 42,164 | 61,231 | **84,291** | **97,903** |
| Salaries, wages and other personnel benefits | 564,733 | 567,493 | 13,069 | 15,287 | 224,272 | 225,560 | **802,074** | **808,340** |
| Social security contributions | 109,558 | 104,921 | 2,641 | 3,081 | 49,205 | 42,601 | **161,404** | **150,603** |
| Materials and spare parts | 194,015 | 324,501 | - | 130 | 17,512 | 2,020 | **211,527** | **326,651** |
| Third party services and supplies | 65,638 | 64,950 | 242 | 148 | 2,931 | 3,699 | **68,811** | **68,797** |
| Maintenance and repair of property, plant and equipment | 569,973 | 802,992 | 4,415 | 2,194 | 15,387 | 18,374 | **589,775** | **823,560** |
| Travel expenses | 51,118 | 85,428 | 425 | 1,717 | 6,859 | 11,134 | **58,402** | **98,279** |
| Freight and transportation | 7,614 | 15,004 | - | - | 2 | 16 | **7,616** | **15,020** |
| Post and telecommunication expenses | 5,139 | 4,825 | 330 | 296 | 3,999 | 3,572 | **9,468** | **8,693** |
| Insurance | 86,232 | 55,346 | 9 | 6 | 4,627 | 5,668 | **90,868** | **61,020** |
| Office supplies | 6,426 | 10,967 | 363 | 211 | 12,436 | 13,895 | **19,225** | **25,073** |
| Rentals | 18,660 | 13,585 | 234 | 246 | 6,454 | 3,610 | **25,348** | **17,441** |
| Easements | 18,109 | 24,469 | - | - | - | - | **18,109** | **24,469** |
| Taxes, rates and contributions | 2,302 | 3,071 | 306,533 | 355,025 | 210,027 | 244,507  | **518,862** | **602,603** |
| Property, plant and equipment depreciation | 2,947,756 | 3,936,927 | 1,781 | 40,586 | 86,250 | 81,173 | **3,035,787** | **4,058,686** |
| Doubtful accounts | - | - | 151,518 | 16,738 | - | - | **151,518** | **16,738** |
| Lawsuits | - | - | - | - | 4,744 | (7,796) | **4,744** | **(7,796)** |
| Slow-moving and obsolete materials and spare parts | 25,511 | (77,131) | - | - | - | - | **25,511** | **(77,131)** |
| Other | 7,877 | 17,154 | 36 | 76 | 7,310 | 9,198 | **15,223** | **26,428** |
| **Balances as of June 30, 2020** |  **4,722,710** | **-** |  **481,674** | **-** |  **711,947** | **-** |  **5,916,331** | **-** |
| **Balances as of June 30, 2019** | **-** | **5,990,430** | **-** | **436,485** | **-** | **739,372** | **-** |  **7,166,287**  |

13 – EXPENSES BY NATURE (Cont.)

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **For the three-month period as of 06.30** | **Total three-month period as of 06.30.2020** | **Total three-month period as of 06.30.2019** |
| **Cost of service** | **Selling expenses** | **Administrative expenses** |
| **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Directors’ fees | - | - | - | - | 6,726 | 8,481 | **6,726** | **8,481** |
| Supervisory Committee’s fees  | - | - | - | - | 1,886 | 2,220 | **1,886** | **2,220** |
| Fees for professional services | 23,282 | 15,378 | 63 | 427 | 18,302 | 19,947 | **41,647** | **35,752** |
| Salaries, wages and other personnel benefits | 291,092 | 320,933 | 6,993 | 8,577 | 110,051 | 133,539 | **408,136** | **463,049** |
| Social security contributions | 58,246 | 58,088 | 1,454 | 1,763 | 27,949 | 25,162 | **87,649** | **85,013** |
| Materials and spare parts | 77,141 | 172,931 | - | 96 | 12,670 | 1,620 | **89,811** | **174,647** |
| Third party services and supplies | 36,555 | 37,781 | 133 | 148 | 1,621 | 1,834 | **38,309** | **39,763** |
| Maintenance and repair of property, plant and equipment | 207,244 | 405,362 | 2,648 | 1,304 | 9,278 | 7,944 | **219,170** | **414,610** |
| Travel expenses | 16,662 | 45,099 | 145 | 1,173 | 742 | 6,264 | **17,549** | **52,536** |
| Freight and transportation | 2,734 | 6,911 | - | - | (48) | 11 | **2,686** | **6,922** |
| Post and telecommunication expenses | 2,670 | 3,227 | 161 | 198 | 1,952 | 2,385 | **4,783** | **5,810** |
| Insurance | 44,167 | 23,378 | 5 | 3 | 2,349 | 3,472 | **46,521** | **26,853** |
| Office supplies | 1,519 | 5,642 | 74 | 39 | 8,460 | 8,220 | **10,053** | **13,901** |
| Rentals | 10,030 | 8,851 | 141 | 102 | 3,042 | 2,031 | **13,213** | **10,984** |
| Easements | 7,724 | 11,719 | - | - | - | - | **7,724** | **11,719** |
| Taxes, rates and contributions | 297 | 1,551 | 146,753 | 189,471 | 112,578 | 133,350 | **259,628** | **324,372** |
| Property, plant and equipment depreciation | 1,479,319 | 1,978,213 | 839 | 20,421 | 49,900 | 40,841 | **1,530,058** | **2,039,475** |
| Doubtful accounts | - | - | 5,258 | (1,822) | - | - | **5,258** | **(1,822)** |
| Lawsuits | - | - | - | - | 1,101 | (12,236) | **1,101** | **(12,236)** |
| Slow-moving and obsolete materials and spare parts | 211 | (70,886) | - | - | - | - |  **211** | **(70,886)** |
| Other | 2,418 | 8,965 | 22 | 62 | 4,300 | 6,416 | **6,740** | **15,443** |
| **Balances for the three-month period as of June 30, 2020** | **2,261,311** | **-** | **164,689** | **-** | **372,859** | **-** | **2,798,859** | **-** |
| **Balances for the three-month period as of June 30, 2019** | **-** | **3,033,143** | **-** | **221,962** | **-** | **391,501** | **-** | **3,646,606** |

14 – OTHER NET INCOME AND EXPENSES

|  |  |  |  |
| --- | --- | --- | --- |
|  | Six-month period as of |  | Three-month period as of |
|  | 06.30.2020 |  | 06.30.2019 |  | 06.30.2020 |  | 06.30.2019 |
| Commercial compensation | - |  | 378 |  | - |  | (2) |
| Disposal of property, plant and equipment, net | (3,884) |  | (18,639) |  | (9,865) |  | (12,509) |
| Compensation for damages adjustment | - |  | (104,171) |  | - |  | (104,171) |
| Other sales, loss recovery, donations and other, net | 124,813 |  | 33,536 |  | 136,508 |  | 21,026 |
| Total other net income and expenses | 120,929 |  | (88,896) |  | 126,643 |  | (95,656) |

15 – NET FINANCIAL INCOME

|  |  |  |  |
| --- | --- | --- | --- |
|  | Six-month period as of |  | Three-month period as of |
|  | 06.30.2020 |  | 06.30.2019 |  | 06.30.2020 |  | 06.30.2019 |
| Other net financial income |  |  |  |  |  |  |  |
| Foreign exchange gains (loss) | 695,355 |  | 16,407 |  | 523,973 |  | (63,092) |
| Income from changes in fair values  | 210,269 |  | 55,595 |  | 328,890 |  | 25,789 |
| Loss from derivative financial instruments | (64,482) |  | (51,963) |  | - |  | (51,963) |
| Other | - |  | (89) |  | - |  | (5,032) |
| Total other net financial income (loss) | 841,142 |  | 19,950 |  | 852,863 |  | (94,298) |
|  |  |  |  |  |  |  |  |
| Financial income |  |  |  |  |  |  |  |
| Interest | 39,459 |  | 131,065 |  | 20,096 |  | 57,710 |
| Total financial income | 39,459 |  | 131,065 |  | 20,096 |  | 57,710 |
|  |  |  |  |  |  |  |  |
| Financial expenses |  |  |  |  |  |  |  |
| Interest | (460,023) |  | (521,909) |  | (290,909) |  | (241,491) |
| Interest compounded on property, plant and equipment (1) | 47,813 |  | 74,657 |  | 9,037 |  | - |
| Banking and financial fees, expenses and taxes | (48,095) |  | (12,229) |  | (46,343) |  | (8,619) |
| Total financial expenses | (460,305) |  | (459,481) |  | (328,215) |  | (250,110) |
|  |  |  |  |  |  |  |  |
| (Loss) Gain on monetary position | (411,567) |  | 161,068 |  | (273,857) |  | 56,513 |
|  |  |  |  |  |  |  |  |
| Total net financial income (loss) | 8,729 |  | (147,398) |  | 270,887 |  | (230,185) |

1. The monthly effective compound interest rate used is 1.79%.

16 – NET EARNINGS PER SHARE

Earnings per common share have been calculated by dividing earnings for the six and three-month periods ended June 30, 2020 and 2019, respectively, by the weighted average of outstanding common shares, which as at said dates totaled 439,373,939 shares. As of June 30, 2020 and 2019 there are neither notes nor other debt securities convertible into shares, for which reason no diluted earnings per share have been disclosed. Basic earnings per share are calculated by dividing profits attributable to the Company’s equity holders by the weighted average number of common shares outstanding during the fiscal year. The Company has no preferred shares or debt convertible into shares, so the basic earnings per share are equal to the diluted earnings per share.

17 – RELATED PARTIES

Transactions with related parties are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 06.30.2020 |  | 06.30.2019 |
| **Controlling company** |   |  |   |
| Other net income and expenses |  |  |   |
| Gasinvest S.A. | 464 |  | 436 |
| Total other net income and expenses | 464 |  | 436 |
|  |  |  |  |
| **Affiliated companies** |  |  |  |
| Revenues |  |  |  |
| Comgas Andina S.A. | 4,588 |  | 4,298 |
| Companhia Operadora do Rio Grande do Sul | 702 |  | 1,116 |
| Total revenues | 5,290 |  | 5,414 |
|  |  |  |  |
|  |  |  |  |
| Recovery of expenses |  |  |  |
| Comgas Andina S.A. | 1,305 |  | 675 |
| Total recovery of expenses | 1,305 |  | 675 |
|  |  |  |  |
|  |  |  |  |
| **Other related parties** |  |  |  |
| Revenues |  |  |  |
| Litoral Gas S.A. | 1,259,269 |  | 1,590,495 |
| Ternium Argentina S.A. | 174,979 |  | 229,874 |
| Compañía General de Combustibles S.A. | 14,908 |  | 954 |
| Siderca S.A. | 113,123 |  | 152,295 |
| Transportadora de Gas del Mercosur S.A. | 25,379 |  | 33,460 |
| Tecpetrol S.A. | 42,118 |  | 13,022 |
| Gasoducto Gasandes Argentina S.A. | 13,191 |  | - |
| Total revenues | 1,642,967 |  | 2,020,100 |

17 – RELATED PARTIES (Cont.)

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

**Other related parties (Cont.)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 06.30.2020 |  | 06.30.2019 |
| Recovery of expenses |  |  |  |
| Gasinvest S.A. | 1,037 |  | 1,363 |
| Transportadora de Gas del Mercosur S.A. | 4,892 |  | 5,239 |
| Total recovery of expenses | 5,929 |  | 6,602 |
| Acquisition of materials and property, plant and equipment  |  |  |  |
| Siat S.A. | - |  | 18,013 |
| Total acquisition of materials and property, plant and equipment  | - |  | 18,013 |
|  |  |  |  |
| **Key Management Personnel** |  |  |  |
| Board of Directors’ fees | 13,877 |  | 16,523 |
| Supervisory Committee’s fees | 3,891 |  | 4,387 |

17 – RELATED PARTIES (Cont.)

Balances with related parties are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Trade accounts receivable** | 06.30.2020 |  | 12.31.2019 |
| Other related parties |   |  |  |
| Transportadora de Gas del Mercosur S.A. | 10,227 |  | 7,984 |
| Litoral Gas S.A. | 373,150 |  | 429,078 |
| Ternium Argentina S.A. | 34,442 |  | 30,087 |
| Siderca S.A. | 21,821 |  | 19,288 |
| Tecpetrol S.A. | 8,876 |  | 22,093 |
| Compañía General de Combustibles S.A. | - |  | 7,903 |
| Gasoducto Gasandes Argentina S.A. | 1,114 |  | 814 |
| Total trade accounts receivable - other related parties | 449,630 |  | 517,247 |
|  |  |  |  |
| Accounts receivable – affiliated companies |  |  |  |
| Comgas Andina S.A. | 782  |  | 754 |
| Companhia Operadora do Rio Grande do Sul | 1,402  |  | 656 |
| Total accounts receivable –affiliated companies | 2,184  |  | 1,410 |
|  |  |  |  |
| **Other accounts receivable** |  |  |  |
| Assistance fee – controlling company |  |  |  |
| Gasinvest S.A. | 295  |  | 287 |
| Total assistance fee – controlling company | 295  |  | 287 |
|  |  |  |  |
| Other accounts receivable – affiliated companies |  |  |  |
| Comgas Andina S.A. | 130  |  | 725 |
| Companhia Operadora do Rio Grande do Sul | 1,303 |  | 1,690 |
| Total other accounts receivable – affiliated companies | 1,433 |  | 2,415 |
|  |  |  |  |
| Other accounts receivable – related parties |  |  |  |
| Gasoducto Gasandes Argentina S.A. | 29 |  | - |
| Litoral Gas S.A. | 118  |  | - |
| Southern Cone Energy Holding Company Inc. (Panamá) | 49,571  |  | - |
| Total other accounts receivable – related parties | 49,718 |  | - |
| Other accounts receivable - Key Management Personnel |  |  |  |
| Board of Directors and Supervisory Committee’s fees paid in advance | 18,678 |  | 34,599 |
| Total other accounts receivable - Key Management Personnel | 18,678 |  | 34,599 |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |

17 – RELATED PARTIES (Cont.)

Balances with related parties are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 06.30.2020 |  | 12.31.2019 |
| **Trade accounts payable** |  |  |  |
| Trade accounts payable with related parties |  |  |  |
| Gasoducto Gasandes Argentina S.A. | (33) |  | - |
| Total trade accounts payable with related parties | (33) |  | - |
|  |  |  |  |
| **Other debts** |  |  |  |
| Other debts - Key Management Personnel |  |  |  |
| Provision for Directors and Supervisory Committee’s fees | (18,696) |  | (34,646) |
| Total other debts Key Management Personnel | (18,696) |  | (34,646) |

18 – SUBSEQUENT EVENTS

As of the date of issuance of these interim condensed financial statements, the US dollar exchange rate published by Banco de la Nación Argentina amounts to 72.77 pesos per US dollar. See Note 3.1 to these interim condensed financial statements, where the impact on the Company’s equity is described.

On last July 29, the Company’s Board approved the issue of peso denominated, variable rate notes, due 18 months following the date of issue and settlement, for a nominal value of up to $ 800 million, which may be increased up to $ 1.5 billion, under the global program for the issuance of notes for an amount of up to US$ 600 million currently in force. Likewise, the Board subdelegated the powers vested on it at the Shareholders’ Meeting, as a result of which the terms and conditions of said notes shall be established under a subdelegate deed. On August 10th, 2020, the Company issued non-convertible notes for a par value of $ 1,500 million, to be amortized as follows: 33.33% within 12 months, 33.33% within 15 months and 33.34% within 18 months from the date of issue, and interest shall accrue on a quarterly basis at private Badlar plus 1%.

No events or circumstances have occurred subsequent to June 30, 2020 which impact or 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.

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

As required by the National Securities Commission (“CNV”), an overview of Transportadora de Gas del Norte S.A.’s (“TGN” or the “Company”) revenues, financial position, certain economic-financial indicators and business prospects, that must be read in conjunction with the Company’s Interim Condensed Financial Statements for the six-month period ended June 30, 2020 is set forth below, accompanying additional information to the Notes required under Title IV, Chapter III, Section 12 of CNV’s regulations and relevant facts timely informed to the CNV.

I) ANALYSIS OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

*Comprehensive income for the period:*

*(in million pesos)*

|  |  |
| --- | --- |
|  | ***Six-month period ended 06.30.*** |
|  | ***2020*** | ***2019*** | ***Variation*** |
| ***Revenues***  |  |  |  |
|  *Gas transportation service* | *8,318.7* | *9,928.3* | *(1,609.6)* |
|  *Gas pipeline operation & maintenance and other services* | *434.4* | *315.3* | *119.1* |
| ***Total revenues*** | ***8,753.1*** | ***10,243.6*** | ***(1,490.5)*** |
|  |  |  |  |
| ***Cost of service*** |  |  |  |
|  *Operation and maintenance costs* | *(1,775.0)* | *(2,053.5)* | *278.5* |
|  *Property, plant and equipment depreciation* | *(2,947.7)* | *(3,936.9)* | *989.2* |
| ***Subtotal*** | ***(4,722.7)*** | ***(5,990.4)*** | ***1,267.7*** |
| ***Gross profit*** | ***4,030.4*** | ***4,253.2*** | ***(222.8)*** |
| *Administrative and selling expenses* | *(1,193.7)* | *(1,175.9)* | *(17.8)* |
| ***Income before other net income and expenses*** | ***2,836.7*** | ***3,077.3*** | ***(240.6)*** |
|  *Other net income and expenses* | *120.9* | *(88.9)* | *209.8* |
| ***Income before financial income*** | ***2,957.6*** | ***2,988.4*** | ***(30.8)*** |
| *Net financial income* | *8.7* | *(147.4)* | *156.1* |
| *Income from investments in affiliated companies* | *14.3* | *10.1* | *4.2* |
| ***Income before income tax*** | ***2,980.6*** | ***2,851.1*** | ***129.5*** |
|  *Income tax* | *(841.4)* | *(1,104.2)* | *262.8* |
| ***Income for the period*** | ***2,139.2*** | ***1,746.9*** | ***392.3*** |
|  *Currency conversion of affiliated companies’ financial statements* | *2.5* | *(4.7)* | *7.2* |
|  *Property, plant and equipment revaluation allowance* | *(1,194.4)* | *-* | *(1,194.4)* |
| ***Other comprehensive income for the period*** | ***(1,191.9)*** | ***(4.7)*** | ***(1,187.2)*** |
| ***Comprehensive income for the period*** | ***947.3*** | ***1,742.2*** | ***(794.9)*** |
| ***EBITDA (1)*** | ***5,872.6*** | ***7,136.0*** | ***(1,263.4)*** |

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

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

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

 *(in million pesos)*

|  |  |  |
| --- | --- | --- |
|  | ***06.30.2020*** | ***12.31.2019*** |
| *Total assets* | ***69,154*** | ***71,153*** |
| *Total liabilities* | ***19,436*** | ***22,383*** |
| *Shareholders’ equity* | ***49,718*** | ***48,770*** |

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*

The decrease in inflation adjusted revenues amounting to $ 1,490.5 million between the six-month periods ended June 30, 2020 and 2019 is due to:

1. $ 752 million increase in revenues, as a result of an increase in export transportation and higher domestic “interruptible” transportation volumes;
2. $ 2,361.6 million decrease in revenues, as a result of the suspension of rate adjustments in an accelerated inflationary context. See Notes 1.2 and 1.3.3 to the Company’s interim condensed financial statements for the six-month period ended June 30, 2020; and
3. $ 119.1 million increase, net of inflation, in “*Gas pipeline operation and maintenance and other services*”.

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

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

*Cost of service (in million Pesos)*

|  |  |
| --- | --- |
|  | ***Six-month period ended 06.30.*** |
| ***Account*** | ***2020*** | ***2019*** | ***Variation*** |
| *Fees for professional services* | *42.0* | *35.9* | *6.1* |
| *Salaries, wages and other personnel benefits and social security contributions* | *674.3* | *672.4* | *1.9* |
| *Materials and spare parts* | *194.0* | *324.5* | *(130.5)* |
| *Maintenance and repair of property, plant and equipment and third-party services and supplies* | *635.6* | *868.0* | *(232.4)* |
| *Post, telecommunications, transportation, freight and travel expenses* | *63.9* | *105.2* | *(41.3)* |
| *Insurance* | *86.2* | *55.3* | *30.9* |
| *Rentals and office supplies* | *25.1* | *24.6* | *0.5* |
| *Easements* | *18.1* | *24.5* | *(6.4)* |
| *Taxes, rates and contributions* | *2.3* | *3.1* | *(0.8)* |
| *Property, plant and equipment depreciation* | *2,947.7* | *3,936.9* | *(989.2)* |
| *Slow-moving and obsolete materials and spare parts* | *25.5* | *(77.1)* | *102.6* |
| *Other* | *8.0* | *17.1* | *(9.1)* |
| ***Total*** | ***4,722.7*** | ***5,990.4*** | ***(1,267.7)*** |
| ***% of Cost of service on revenues*** | ***54.0%*** | ***58.5%*** |  |

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

1. $ 6.7 million decrease in *Materials and spare parts* (which adjusted for inflation amounts to $ 130.5 million). Said variation is mainly due to higher costs in consumables ($ 4 million), spare parts ($ 8.8 million) and compression integrity related projects ($ 10.1 million), offset with safety integrity projects ($ 8.3 million) and higher costs during 2019 in cathodic protection ($ 9.2 million), changes in pipeline layout ($ 9.7 million) and communication projects ($ 4.8 million);
2. $ 37.4 million increase in *Maintenance and repair of property, plant and equipment and third-party services and supplies* (which adjusted for inflation amounts to a $ 232.4 million decrease). Said variation is mainly due to higher costs associated with cleaning and dismantling of facilities ($ 16.8 million), anti-corrosion protection ($ 34.3 million), pipeline inspections ($ 43.3 million), river crossings ($ 25.5 million), integrity at meter and regulating stations ($ 8.7 million), transportation projects ($ 10.5 million), offset with cathodic protection ($ 17.7 million), pipe repairs ($ 29 million), special crossing projects ($ 25.7 million), backfill and safety strip projects ($ 9.6 million), integrity of ancillary facilities ($ 14.5 million), compression integrity at compressor plants ($ 12 million) and communication projects ($ 7.2 million);
3. $ 224.7 million decrease in *Property, plant and equipment depreciation* (which adjusted for inflation amounts to $ 989.2 million). Said variation is due to the lower “*Property, plant and equipment*” depreciation during the current period, as a result of the impairment recorded as of December 31, 2019; and
4. $ 18.8 million increase in *Slow-moving and obsolete materials and spare parts* (which adjusted for inflation amounts to $ 102.6 million). Said variation is mainly due to the higher allowance in respect of said account during this period.

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

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

*Administrative and selling expenses*

 *(in million pesos)*

|  |  |
| --- | --- |
|  | ***Six-month period ended 06.30.*** |
| ***Accounts*** | ***2020*** | ***2019*** | ***Variation*** |
| *Salaries, wages and other personnel benefits and social security contributions* | *289.2* | *286.6* | *2.6* |
| *Property, plant and equipment depreciation* | *88.0* | *121.8* | *(33.8)* |
| *Fees for professional services* | *42.2* | *61.9* | *(19.7)* |
| *Taxes, rates and contributions* | *516.6* | *599.5* | *(82.9)* |
| *Post, telecommunications, transportation, freight and travel expenses* | *11.6* | *16.7* | *(5.1)* |
| *Maintenance and repair of property, plant and equipment and third-party services and supplies* | *23.0* | *24.4* | *(1.4)* |
| *Rentals and office supplies* | *19.5* | *17.9* | *1.6* |
| *Doubtful accounts* | *151.5* | *16.7* | *134.8* |
| *Lawsuits* | *4.7* | *(7.8)* | *12.5* |
| *Supervisory Committee’s fees* | *3.9* | *4.4* | *(0.5)* |
| *Board of Directors’ fees* | *13.9* | *16.5* | *(2.6)* |
| *Materials and spare parts* | *17.5* | *2.1* | *15.4* |
| *Insurance* | *4.6* | *5.7* | *(1.1)* |
| *Other* | *7.5* | *9.5* | *(2.0)* |
| ***Total*** | ***1,193.7*** | ***1,175.9*** | ***17.8*** |
| ***% of Administrative and Selling expenses on revenues*** | ***13.6%*** | ***11.5%*** |  |

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

1. $ 102 million increase in *Taxes, rates and contributions* (which adjusted for inflation amounts to a $ 82.9 million decrease). Said variation is mainly due to higher costs associated with tax on bank transactions ($ 29.2 million), verification and control fee ($ 12 million) and turnover tax ($ 58 million);
2. $ 26.1 million increase in *Property, plant and equipment depreciation* (which adjusted for inflation amounts to a $ 33.8 million decrease), due to the “*Property, plant and equipment*” additions during the current period; and
3. $ 133.5 million increase in *Doubtful accounts* (which adjusted for inflation amounts to $ 134.8 million). Said variation is due to higher allowances set up during the current period to cover balances owed by delinquent debtors.

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

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

*Net financial income*

 *(in million pesos)*

|  |  |
| --- | --- |
|  | ***Six-month period ended 06.30.*** |
| ***Accounts*** | ***2020*** | ***2019*** | ***Variation*** |
| ***Other net financial income:*** |  |  |  |
| *Exchange rate gain* | *695.4* | *16.4* | *679.0* |
| *Loss (income) due to changes in fair values* | *210.3* | *55.6* | *154.7* |
| *Loss from derivative financial instruments* | *(64.5)* | *(52.0)* | *(12.5)* |
| *Other* | *-* | *(0.1)* | *0.1* |
| ***Total other net financial (loss) income*** | ***841.2*** | ***19.9*** | ***821.3*** |
|  |  |  |  |
| ***Financial income:*** |  |  |  |
| *Interest* | *39.5* | *131.1* | *(91.6)* |
| ***Total financial income*** | ***39.5*** | ***131.1*** | ***(91.6)*** |
|  |  |  |  |
| ***Financial costs:*** |  |  |  |
| *Interest* | *(460.0)* | *(521.9)* | *61.9* |
| *Interest compounded on Property, plant and equipment* | *47.8* | *74.7* | *(26.9)* |
| *Banking, financial and other fees, expenses and taxes* | *(48.2)* | *(12.3)* | *(35.9)* |
| ***Total financial costs*** | ***(460.4)*** | ***(459.5)*** | ***(0.9)*** |
|  |  |  |  |
| ***Loss (gain) on monetary position*** | ***(411.6)*** | ***161.1*** | ***(572.7)*** |
|  |  |  |  |
| ***Total net financial (loss) income*** | ***8.7*** | ***(147.4)*** | ***156.1*** |

Net financial income for the six-month period ended June 30, 2020 showed a higher gain of $ 638.6 million (which adjusted for inflation amounts to $ 156.1 million), as compared to the six-month period ended June 30, 2019. Accounts with the most relevant variations between both periods were:

1. a higher gain of $ 672.9 million (which adjusted for inflation amounts to $ 679 million), on account of net exchange rate differences on US dollar denominated assets and liabilities;
2. a lower gain of $ 152.3 million (which adjusted for inflation amounts to $ 29.7 million), associated with interest accrued during the period;
3. a higher gain of $ 179.9 million (which adjusted for inflation amounts to $ 154.7 million), due to changes in fair values accrued during the period;
4. a lower gain of $ 1.9 million (which adjusted for inflation amounts to $ 26.9 million), in compound interest in connection with works, the duration of which exceeds one year. The effective monthly compound rate used was 1.79%;
5. a lower gain of $ 21.7 million (which adjusted for inflation amounts to $ 12.5 million), as a result of transactions with derivative instruments;
6. a higher loss of $ 39.2 million (which adjusted for inflation amounts to $ 35.9 million), mainly due the increase on the tax on personal assets for $ 31.6 million; and
7. a lower gain of $ 572.7 million in monetary position due to the greater number of monetary assets exposed to inflation held in the current period as compared to the same period in 2019.

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

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

*Income tax*

Income tax for the six-month period ended June 30, 2020 reported a lower charge of 262.8 million as compared to the same period in previous year. Said variation is the result of a lower current tax charge of $ 471.9 million due to a lower taxable income in the period ended June 30, 2020, partially offset with a lower deferred income tax gain of $ 209.1 million.

*Other income and expenses*

During the six-month periods ended June 30 2020 and 2019, the Company has recognized gains for $ 120.9 million and losses for $ 88.9 million, respectively. The higher income of $ 209.8 million is mainly due to:

1. $ 104.7 million expense recorded in the previous period as a result of adjusting the liability with AES Argentina Generación S.A. based on the “access and use charge”, under the compromise and settlement agreement entered into in 2012;
2. $ 151.9 million on account of collection of losses in this period; and
3. $ 23.4 million on account of donations made under the Covid-19 pandemic in this period*.*

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

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

*Summary of statement of cash flows*

 *(in million pesos)*

|  |  |
| --- | --- |
|  | ***Six-month period ended 06.30.*** |
|  | ***2020*** | ***2019*** |
|  |  |  |
| *Cash generated by operating activities* | *3,192.7* | *3,084.2* |
| *Income tax* | *841.4* | *1,104.2* |
| *Interest accrued on liabilities* | *460.0* | *521.9* |
| ***Net cash flow generated by operating activities*** | ***4,494.1*** | ***4,710.3*** |
|  |  |  |
| *Acquisition of property, plant and equipment* | *(1,078.2)* | *(1,376.5)* |
| *Subscriptions, net of recovery of investments at amortized cost and investments at fair value (non-cash equivalents)* | *1,069.5* | *1,479.2* |
| *Principal and interest received from investments at amortized cost and investments at fair value* | *7.2* | *15.1* |
| ***Net cash flow (used in) generated by investing activities*** | ***(1.5)*** | ***117.8*** |
|  |  |  |
| *Taking of local loans in pesos* | *5,644.1* | *-* |
| *Payment of principal and interest on Syndicated Loan* | *(3,971.4)* | *(4,122.4)* |
| *Payment of principal and interest on local loans in pesos* | *(3,147.3)* | *-* |
| *Payment of dividends in cash* | *-* | *(3,594.9)* |
| *Lease payment* | *(5.7)* | *(5.7)* |
| ***Net cash flow (used in) financing activities*** | ***(1,480.3)*** | ***(7,723.0)*** |
|  |  |  |
| ***Net increase (decrease) in cash and cash equivalents*** | ***3,012.3*** | ***(2,894.9)*** |
|  |  |  |
| ***Cash and cash equivalents at the beginning of fiscal year*** | ***2,412.5*** | ***4,092.6*** |
|  |  |  |
| ***Financial income generated by cash*** | ***(1,234.9)*** | ***(24.9)*** |
|  |  |  |
| ***Cash and cash equivalents at the end of period*** | ***4,189.9*** | ***1,172.8*** |

*Breakdown of cash and cash equivalents*

 *(in million pesos)*

|  |  |
| --- | --- |
| ***Accounts*** | ***Six-month period ended 06.30.*** |
| ***2020*** | ***2019*** |
|  |  |  |
| *Cash and banks*  | *1,251.9* | *45.8* |
| *Term deposits in US$* | *-* | *329.6* |
| *Mutual funds in $* | *1,242.8* | *193.3* |
| *Mutual funds in U$$* | *1,695.2* | *604.1* |
| ***Cash and cash equivalents at the end of period*** | ***4,189.9*** | ***1,172.8*** |

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

II) COMPARATIVE BALANCE SHEETS AS OF JUNE 30, 2020 and 2019

 (*in million pesos*)

|  |  |
| --- | --- |
| *Items* | ***As of 06.30.*** |
| ***2020*** | ***2019*** |
| *Non-current assets* | *59,289* | *65,717* |
| *Current assets* | *9,865* | *8,146* |
| ***Total*** | ***69,154*** | ***73,863*** |
| *Shareholders’ equity* | *49,718* | *48,958* |
| *Non-current liabilities* | *10,234* | *14,517* |
| *Current liabilities* | *9,202* | *10,388* |
| *Subtotal liabilities* | *19,436* | *24,905* |
| ***Total*** | ***69,154*** | ***73,863*** |

III) COMPARATIVE COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 and 2019

*(in million pesos)*

|  |  |
| --- | --- |
| ***Items*** | ***As of 06.30.*** |
| ***2020*** | ***2019*** |
| *Income before other net income and expenses* | ***2,836.7*** | ***3,077.3*** |
| *Other net income and expenses* | *120.9* | *(88.9)* |
| *Income before financial income* | ***2,957.6*** | ***2,988.4*** |
| *Net financial income* | *8.7* | *(147.4)* |
| *Income from investments in affiliated companies* | *14.3* | *10.1* |
| ***Income before income tax*** | ***2,980.6*** | ***2,851.1*** |
| *Income tax* | *(841.4)* | *(1,104.2)* |
| ***Income for the period*** | ***2,139.2*** | ***1,746.9*** |
| *Other comprehensive income for the period* | *(1,191.9)* | *(4.7)* |
| ***Comprehensive income for the period*** | ***947.3*** | ***1,742.2*** |

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

IV) COMPARATIVE STATISTICAL DATA FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 and, 2019

*Dispatched volumes in million m3:*

 *By type of transportation*

|  |  |
| --- | --- |
|  | ***As of 06.30.*** |
|  | ***2020*** | ***2019*** |
| *Firm* | *6,244* | *6,966* |
| *Interruptible & exchange and displacement* | *5,502* | *5,198* |
| ***Total*** | ***11,746*** | ***12,164*** |

*By source*

|  |  |
| --- | --- |
|  | ***As of 06.30.*** |
|  | ***2020*** | ***2019*** |
| *Northern Pipeline* | *4,267* | *4,403* |
| *Central West Pipeline* | *5,211* | *6,639* |
| *Final sections* | *2,268* | *1,122* |
| ***Total*** | ***11,746*** | ***12,164*** |

 *By destination*

|  |  |
| --- | --- |
|  | ***As of 06.30.*** |
|  | ***2020*** | ***2019*** |
| *Domestic market* | *11,003* | *11,511* |
| *Export market* | *743* | *653* |
| ***Total*** | ***11,746*** | ***12,164*** |

V) COMPARATIVE RATIOS AS OF JUNE 30, 2020 and 2019

|  |  |
| --- | --- |
|  | ***As of 06.30.*** |
|  | ***2020*** | ***2019*** |
| *Liquidity (1)* | *1.0719* | *0.7842* |
| *Solvency (2)* | *2.5579* | *1.9658* |
| *Equity Immobility (3)* | *0.8573* | *0.8897* |

* + - 1. Current assets / current liabilities
			2. Equity / total liabilities
			3. Non-current assets / total assets

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

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

This section about the Company’s business, operating, financial and regulatory prospects should be read, analyzed and interpreted in conjunction with the notes to the interim condensed financial statements as of June 30, 2020, and the additional information required under Title IV, Chapter III, Section 12 of the National Securities Commission regulations as of June 30, 2020, in order to have a full picture of corporate matters.

Rate increases implemented since 2016 have allowed the Company to cover its operating and maintenance expenses, execute certain works, meet its financial liabilities when due, and distribute dividends in April 2018 and April 2019, as a result of profits derived during fiscal years ended December 31, 2017 and December 31, 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 the National Gas Regulatory Entity (“ENARGAS”) introduced non-automatic semiannual 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.

As part of the semiannual adjustment applicable as from October 1, 2018, ENARGAS resolved to apply the simple average of the Domestic Wholesale Price Index – General Level (“IPIM”) published by the National Institute of Statistics and Census, the Construction Cost Index (February 2018 - August 2018), and the Labor Cost Index (December 2017 - June 2018), which resulted in an increase (19.7%) lower than would have otherwise resulted by applying the IPIM (30.7%). As of the date hereof, the Company has been unable to confirm whether the ENARGAS has reasonably analyzed and concluded that the polynomial formula applied for said semiannual adjustment actually maintains the economic-financial sustainability and quality of the service rendered by TGN, as required under item 7.1 of the License Comprehensive Agreement. Assuming that the regulator intended to soften the rate impact on consumers through a price control, the Company requested ENARGAS to discuss the terms of an equivalent compensation (including a review of the scope of the mandatory investment plan (“MIP”)), as established in item 9.8 of the Basic Rules of the License.

In March 2019 ENARGAS published the transportation rate tables applied by the Company during “April 2019 – September 2019” period. This time, ENARGAS resumed the IPIM adjustment, applying the variation recorded by this index between August 31, 2018 and February 28, 2019, which resulted in an average 26% increase. ENARGAS also established a new rate zone called “Greater Buenos Aires – Greater Buenos Aires”, and further, that the “Neuquén – Neuquén” zone rate be applied to said newly created zone until the next five-year rate review.

In April 2019, the national government announced that after the coming into effect of the rate tables applicable as from April 1, 2019, the natural gas utility rates would remain unchanged until the end of said year.

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

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

In September 2019, the Energy Secretariat passed Resolution 521/2019 (amended by Resolution 751/2019) deferring the semiannual rate adjustment that should have been applied effective October 1, 2019, until February 1, 2020, and further established that licensees would be compensated with the MIP review to the extent of the lower revenues derived from said measure. Consequently, between October and December 2019 the Company submitted proposals to ENARGAS for adjusting the MIP for an amount of $ 459.2 million (at December 2016 currency).

However, upon enactment of the Social Solidarity and Productive Reactivation under the Public Emergency Framework Law No. 27,541, the new administration that took power in December 2019 announced its intention to suspend rate adjustments for natural gas and electricity transportation and distribution utility services under federal jurisdiction for 180 days, to start renegotiating the CRR in place since 2017, or embark on a rate review of an exceptional nature. On June 18, 2020, the National Executive Branch (“PEN”) enacted Decree 543/20 extending once again the rate freeze established under the Solidarity Law for another 180 running days.

Note that the outbreak and spread of the so-called Coronavirus (or “Covid-19”) toward the end of 2019, have had several consequences on business and economic transactions globally. Given the magnitude of the virus spread, in March 2020 various governments around the world implemented drastic measures to stop the virus spreading including, among other things, closure of borders, prohibition on travels to and from certain parts of the world for a period of time, and finally, a mandatory lockdown on population, together with the suspension of non-essential commercial activities. On March 11, the World Health Organization (“WHO”) declared Covid-19 a ‘pandemic’ globally. Specifically, in Argentina, the National Government issued the Necessity and Urgency Decree No. 260/20 whereby the public emergency in health matters as a result of the WHO pandemic declaration due to Covid-19 was extended for a one-year period. Consequently, a number of preventive measures were adopted aimed at reducing the population traffic, such as a mandatory social isolation (“ASPO”), mainly in Buenos Aires metropolitan area and a mandatory social distancing in other urban conglomerates of Argentina with only those persons engaged in the provision and/or production of essential goods and services being, in general, allowed to move on the streets. Said isolation and/or distancing, as the case may be, has been successively extended due to the pandemic. The ultimate extent of the Covid-19 outbreak and its impact on the global and domestic economy are uncertain, and governments are still likely to adopt tougher measures which are unpredictable at this point in time.

OVERVIEW FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

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

Finally, also worth noting is the fact that the Company operates within an economic context where main variables have recently experienced a strong volatility. Against such a backdrop, the new administration that took office in December 2019 tightened exchange restrictions, started public debt renegotiations, increased the tax burden, established price agreements, empowered PEN to mandatorily decree minimum salary increases for private sector employees and eliminated the inflation adjustment for retirement and pension benefits. Tax revenues dropped by 20% in the second quarter of the current year in real terms, so given the limited local debt market, the national government decided to support the National Treasury by requesting additional monetary assistance from the Central Bank of Argentina (“BCRA”). During the year, the BCRA has accumulated $ 1.35 billion between interim advances and profit distributions. On the other hand, the economic activity dropped 5.4% p.a. during the first quarter of 2020 with strong adjustments seen in private consumption and investments, even if the ASPO only had a partial impact in March. As of this date, the Monthly Estimate of Economic Activity Index reflects a drop of 26.4% annually. Private estimates anticipate for 2020 a drop in the Gross Domestic Product (“GDP”) of 12.8%, an annual inflation of 40%, a fiscal deficit of 7.5% of the GDP, and a USD quotation at $ 89.

The Company’s Management permanently monitors how previously mentioned events evolve in order to determine possible actions to be adopted and identify eventual impacts on the Company’s equity and financial position.

City of Buenos Aires, August 10, 2020

|  |  |
| --- | --- |
|  |  |
|  |  |
|  |  |
|  |  |
|  | Emilio Daneri Conte-Grand |
|  | President |
|  |  |
|  |  |

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

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

 Act No. 24,076 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 the National Gas Regulatory Entity (“ENARGAS”) establish the legal framework pursuant to which Transportadora de Gas del Norte S.A. (“TGN” or 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, 2020 describes the Company's legal and regulatory matters.

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

See Notes 1.2; 1.3.3; 1.4 and 10 to the Company’s interim condensed financial statements for the six-month period ended June 30, 2020.

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

|  |  |
| --- | --- |
|  | **06.30.2020** |
|  | **Receivables (1)** | **Loans (2)** | **Other Payables (3)** |
| Past due |  |  |  |
| From 07.01.2009 to 06.30.2010 | 5,028,544 | - | 10 |
| From 07.01.2010 to 06.30.2011 | 2,478,787 | - | 143 |
| From 07.01.2011 to 06.30.2012 | 1,490,106 | - | 4 |
| From 07.01.2012 to 06.30.2013 | 1,505,648 | - | 2 |
| From 07.01.2013 to 06.30.2014 | 1,506,408 | - | - |
| From 07.01.2014 to 06.30.2015 | 1,304,296 | - | 12 |
| From 07.01.2015 to 06.30.2016 | 25,059 | - | 19 |
| From 07.01.2016 to 06.30.2017 | 36,726 | - | 1 |
| From 07.01.2017 to 06.30.2018 | 15,777 | - | 416 |
| From 07.01.2018 to 06.30.2019 | 285,089 | - | 1,634 |
| From 07.01.2019 to 09.30.2019 | 45,222 | - | 781 |
| From 10.01.2019 to 12.31.2019 | 269,127 | - | 8,502 |
| From 01.01.2020 to 03.31.2020 | 157,619 | - | 22,650 |
| From 04.01.2020 to 06.30.2020 | 999,999 | - | 127,554 |

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

(2) Recorded at present value.

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

|  |  |
| --- | --- |
|  | **06.30.2020** |
|  | **Receivables (1)** | **Loans (2)** | **Other payables (3)** |
|  |  |  |  |
| Without due date | 363,599 | - | 1,908,025 |
|  |  |  |  |
| To become due |  |  |  |
| 09.30.2020 | 1,605,071 | 1,717,776 | 352,263 |
| 12.31.2020 | - | 3,894,779 | 9,544 |
| 03.31.2021 | - | 272,727 | 9,544 |
| 06.30.2021 | - | 772,729 | 9,544 |
| 06.30.2022 | - | 454,545 | 38,177 |
| 06.30.2023 | - | - | 38,177 |
| 06.30.2024 | - | - | 38,177 |
| 06.30.2025 | - | - | 38,177 |
| 06.30.2026 | - | - | 38,177 |
| 06.30.2027 | - | - | 38,177 |
| 06.30.2028 | - | - | 19,088 |
| **Total as of 06.30.2020** | **17,117,077** | **7,112,556** | **2,698,798** |

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

|  |  |
| --- | --- |
|  | **06.30.2020** |
|  | **Receivables (1)** | **Loans (2)** | **Other payables (3)** |
| In local currency | 3,586,062 | 3,217,777 | 2,491,945 |
| In foreign currency | 13,531,015 | 3,894,779 | 206,853 |
| In kind | - | - | - |
| **Total as of 06.30.2020** | **17,117,077** | **7,112,556** | **2,698,798** |
|  |  |  |  |
| Balances subject to adjustment clause | - | - | - |
| Balances not subject to adjustment clause | 17,117,077 | 7,112,556 | 2,698,798 |
| **Total as of 06.30.2020** | **17,117,077** | **7,112,556** | **2,698,798** |
|  |  |  |  |
| Interest bearing balances | 1,618 | 7,075,301 | 65,546 |
| Non-interest-bearing balances | 17,115,459 | 37,255 | 2,633,252 |
| **Total as of 06.30.2020** | **17,117,077** | **7,112,556** | **2,698,798** |

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

(2) Recorded at present value.

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

 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, 2020.

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

|  |  |  |
| --- | --- | --- |
|  | **Comgas Andina S.A.** | **Companhia Operadora do Rio Grande do Sul** |
|  | **Receivables** | **Other payables** | **Receivables** | **Other payables** |
|  |  |  |  |  |
| Without due date | - | - | 1,246 | - |
| Past due: |  |  |  |  |
| From 04.01.2020 to 06.30.2020 | - | - | 1,271 | - |
| To become due: |  |  |  |  |
| From 07.01.2020 to 09.30.2020 | 912 | - | 188  | - |
|  |  |  |  |  |
| **Total as of 06.30.2020** | **912** | **-** | **2,705** | **-** |
|  |  |  |  |  |
| In local currency | - | - | - | - |
| In foreign currency | 912 | - | 2,705 | - |
| In kind | - | - | - | - |
| **Total as of 06.30.2020** | **912** | **-** | **2,705** | **-** |
|  |  |  |  |  |
| Balances subject to adjustment clause | - | - | - | - |
| Balances not subject to adjustment clause | 912 | - | 2,705 | - |
| **Total as of 06.30.2020** | **912** | **-** | **2,705** | **-** |
|  |  |  |  |  |
| Interest bearing balances | - | - | - | - |
| Non-interest-bearing balances | 912 | - | 2,705 | - |
| **Total as of 06.30.2020** | **912** | **-** | **2,705** | **-** |

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 $ 577.5 million and are totally covered by an allowance.

**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”. (See Note 7 to the Company’s interim condensed financial statements as of June 30, 2020.)

**9. Technically appraised Fixed Assets:**

See Note 2.2 to the Company’s Interim Condensed Financial Statements as of June 30, 2020.

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

None.

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

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

None.

**v. Recoverable Values:**

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

-Materials and spare parts & Property, plant and equipment: the recoverable value of said assets was determined based on their economic use - Note 2.8 to the Company’s Financial Statements as of December 31, 2019 and Note 2.2 to the Interim Condensed Financial Statements as of June 30, 2020.

**vi. Insurance:**

1. **Insurance covering the Company’s tangible assets are as follows:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Property****Insured** | **Risks****covered** | **Insured amount****in thousands** | **Book value in thousand $**  |
|  Personal and real property allocated to the provision of service | Operational all risk and loss of profit.Third party LiabilityTerrorism. | US$ 90,000US$ 220,000US$ 35,000 | 47,883,050 |
|  Machinery. | Machinery breakdown. | US$ 12,000 | 2,016,959 |
|  Vehicles:* Management fleet.
* Operational fleet (cars and y pickups).

- Trucks and trailers. | Limited liability.Total loss for car accident.Total or partial loss due to fire, robbery or theft.Limited liability.Limited liability  | $ 10,000$ 30,153$ 30,153$ 10,000$ 22,000 | 4,639134,045 |
|  Personal property at Head Office and IT equipment. | Fire.Theft. | US$ 9,500US$ 10 | 277,738 |
|  Works in progress. | All risk, construction and assembly | US$ 61,703 | 3,786,039 |

**vii. Positive and negative contingencies:**

1. **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 $ 8,525,570.

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

None.

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

1. **Status of capitalization process:**

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

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

None.

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

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

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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” or “TGN”), comprised of the interim condensed balance sheets at June 30, 2020, the interim condensed statement of comprehensive income for the six and three months period ended on June 30, 2020 and the interim condensed statement of changes in shareholders’ equity and the interim condensed statement of cash flows for the six months period then ended, and the selected explanatory notes.

The amounts and other information related to the fiscal year 2019 and their interim periods are an integral part of the financial statements mentioned above and, 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.

**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:

1. except for not being transcribed to the Inventory and Balance Sheet book, the interim condensed financial statements of Transportadora de Gas del Norte S.A. comply, in what is within our competence, with the dispositions of General Companies Law and the relevant resolutions of the National Securities Commission;
2. 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; except for: i) they are pending to be transcribed to the “Inventory and Balance Sheet” book, and ii) the journal entries from January to June are pending to be transcribed to the Journal book
3. 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;
4. at March 31, 2020, the liabilities 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 $49.557.737, none of which was claimable at that date.

Autonomous City of Buenos Aires, August 10, 2020

|  |
| --- |
| PRICE WATERHOUSE & CO.S.R.L.(Partner) |
| Dr. Ezequiel Luis Mirazón |
|   |

*Free translation from the original in Spanish for publication in Argentina*

**REPORT FROM THE SUPERVISORY COMMITTEE**

To the Shareholders of

Transportadora de Gas del Norte S.A.

**Documents reviewed**

In accordance with the provisions of Section 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, 2020, Interim Condensed Statement of Comprehensive Income for the six-month period ended June 30, 2020, 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 2019 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 internal 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 above mentioned documents 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 prepared by independent auditor Ezequiel Luis Mirazón (CPA), Partner of Price Waterhouse & Co. S.R.L., dated August 10, 2020, 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 conducted any management review and therefore we have not assessed business criteria and decisions concerning the provision of 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 us with a reasonable basis for our opinion, and in accordance with applicable regulations we inform that the Interim Condensed Financial Statements as of June 30, 2020, 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 accounting systems, which records are then entered on books kept, in all formal respects, in accordance with applicable legislation, and comply with the provisions of the Argentine General Company Law and National Securities Commission resolutions, except for their transcription in the Inventory and Balance Sheet book, which as of the date hereof has not yet been updated. The entries for January to June 2020 have neither been reflected in the Journal.

b) As regards the above mentioned Interim Condensed Financial Statements, and the Additional Information to the Notes thereto required under Title IV, Chapter III, Section 12 of the National Securities Commission 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.

d) We have verified compliance with the legal requirements established in National Securities Commission General Resolution No. 830/2020 regarding the remote conduct of the Board meeting at which the Interim Condensed Financial Statements as of June 30, 2020 have been approved.

e) Note that certain Board, Supervisory Committee and Shareholders’ meetings, have been “remotely” held in compliance with Emergency Decree (D.N.U.) No. 297/2020 and amendments thereto, as well as with C.N.V. General Resolution No. 830/2020, and the minutes where discussions held at those meetings are reflected have not been yet transcribed or signed in the pertinent books.

City of Buenos Aires, August 10, 2020.

 By the Supervisory Committee

 Dr. Juan José Valdez Follino

 Regular Statutory Auditor