

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 20-F**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR (G) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended: December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report \_\_\_\_\_.

**Commission file number: 1-13.396**  
TRANSPORTADORA DE GAS DEL SUR S.A.  
(Exact name of Registrant as specified in its charter)

GAS TRANSPORTER OF THE SOUTH INC.  
(Translation of Registrant's name into English)

Republic of Argentina  
(Jurisdiction of incorporation or organization)

Don Bosco 3672  
5th Floor  
C1206ABF City of Buenos Aires  
Argentina  
(Address of principal executive offices)

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**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares ("ADS"), representing Class "B" Shares Class "B" Shares, par value Ps.1 each	New York Stock Exchange New York Stock Exchange*

\*Not for trading, but only in connection with the registration of American Depositary Shares related to the TGS ADR Program, pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**  
None

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**  
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:

Class "A" Shares, par value Ps.1 each	405,192,594
Class "B" Shares, par value Ps.1 each	<u>389,302,689</u>
	<u>794,495,283</u>

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes \_\_\_\_\_ No  X

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes \_\_\_\_\_ No  X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  X  No \_\_\_\_\_

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes \_\_\_\_\_ No  X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which bases of accounting the registrant has used to prepare the financial statements included in this filing:

_____	U.S. GAAP
<u> X </u>	International Financial Reporting Standards as issued by the International Accounting Standards Board
_____	Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 \_\_\_\_\_ Item 18 \_\_\_\_\_

If this is an Annual Report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes \_\_\_\_\_ No  X

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## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

In this annual report on Form 20-F (“**Annual Report**”), references to “pesos” or “Ps.” are to Argentine pesos, and references to “U.S. dollars,” “dollars” or “US\$” are to United States dollars. A “billion” is a thousand million. References to “km” are to kilometers. References to “m<sup>3</sup>” are to cubic meters. References to “cf” are to cubic feet, to “MMcf” are to millions of cubic feet, to “Bcf” are to billions of cubic feet, to “d” are to day and to “HP” are to horsepower.

### **Financial Statements**

The audited consolidated financial statements as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 included in this Annual Report (our “**Financial Statements**”) have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”), adopted by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (“**FACPCE**”) as its professional accounting standards and added by the *Comisión Nacional de Valores* (“**CNV**”) to its regulations.

Pursuant to Resolution No. 562/09 of the CNV, as amended by Resolution No. 576/10, all listed companies in Argentina, subject to certain exceptions (i.e. financial institutions and insurance entities) were required to present their audited consolidated financial statements for accounting periods beginning on or after January 1, 2012 in accordance with IFRS as issued by the IASB. However, on January 24, 2012, the CNV issued Resolution No. 600, which postponed the mandatory adoption of IFRS for natural gas and distribution companies for fiscal periods beginning on January 1, 2013. On December 20, 2012, the CNV issued Resolution No. 613, which provided that such companies with calendar year-ends must prepare their financial statements on the basis of IFRS beginning with the fiscal years ended December 31, 2013.

Therefore, we fully adopted IFRS for the first time for our financial year ended December 31, 2013. All IFRS standards effective at the date of the preparation of our Financial Statements were applied. The opening IFRS statement of financial position was prepared as of our Transition Date of January 1, 2012 (the “**Transition Date**”).

Our Financial Statements as of and for the year ended December 31, 2014 and 2013 have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina (“**PwC**”) member firm of PricewaterhouseCoopers International Limited, an independent registered public accounting firm, whose report dated April 29, 2015 is included herein.

### **Other Information**

Unless otherwise specified, all exchange rate information contained in this Annual Report has been derived from information published by *Banco de la Nación Argentina S.A.* (“**Banco Nación**”), without any independent verification by us. See “Item 3. Key Information. A. Selected Financial Data. Exchange Rate Information.”

Certain amounts shown in this Annual Report are subject to rounding. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregate of the other figures in such table.

References to “we,” “us” and “our” mean Transportadora de Gas del Sur S.A. (“**TGS**”) and its consolidated subsidiary, Telcosur S.A. (“**Telcosur**”).

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Some of the information in this Annual Report, including information incorporated by reference herein, may constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “will,” “will likely result,” “intend,”

“projection,” “should,” “believe,” “expect,” “anticipate,” “estimate,” “continue,” “plan” or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other forward-looking information. Forward-looking statements are subject to various risks and uncertainties. When considering forward-looking statements, you should keep in mind the factors described in “Item 3. Key Information—D. Risk Factors” and other cautionary statements appearing in “Item 5. Operating and Financial Review and Prospects.” These factors and statements, as well as other statements contained herein, describe circumstances that could cause actual results to differ materially from those expressed in or implied by any forward-looking statement.

Forward-looking statements include, but are not limited to, the following:

- statements regarding changes in general economic, business, political or other conditions in Argentina;
- estimates relating to future tariffs and volumes for our natural gas transportation services and future prices and volumes for our natural gas liquid products such as propane and butane (“**LPG**”) and natural gasoline (all together “**Liquids**”) and for products and services respectively produced and provided in our other non-regulated business;
- statements regarding expected future political developments in Argentina and expected future developments regarding our license to provide natural gas transportation services through the exclusive use of the southern natural gas transportation system in Argentina (the “**License**”), the renegotiation process of the License with the *Unidad de Renegociación y Análisis de Contratos de Servicios Públicos* (“**UNIREN**”), principally, adopting a new revised scheme of tariffs, regulatory actions by *Ente Nacional Regulador del Gas* (“**ENARGAS**”), the legal framework for the local provision of LPG with the Federal Energy Bureau (the “**Federal Energy Bureau**”) and any other governmental authorities that may affect us and our business;
- risk and uncertainties with respect to labor relations in Argentina;
- statements and estimates regarding future pipeline expansion and the cost of, or return to us from, any such expansion;
- estimates of our future level of capital expenditures, including those required by ENARGAS and other Argentine governmental authorities; and
- the risk factors discussed under “Item 3. -D. Risk Factors.”

The following important factors could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted by us in our forward-looking statements:

- the impact of the Public Emergency Law No. 25,561 (the “**Public Emergency Law**”) enacted by the Argentine government (the “**Government**”) in January 2002, as amended from time to time, which, among other effects, ended the U.S. dollar-peso parity and resulted in the amendment of the Convertibility Law No. 23,928 and Decree No. 529/01 (collectively, the “**Convertibility Law**”) and the imposition of exchange controls and restrictions on the transfer of U.S. dollars abroad Argentina, and related laws and regulations;
- risks and uncertainties related to changes in the peso-U.S. dollar exchange rate and the Argentine domestic inflation rate, which may materially adversely affect our revenues, expenses and reported financial results;
- risks and uncertainties associated with our non-regulated business, including those related to international and local prices of Liquids, taxes, cost and restrictions on the supply of natural gas and other restrictions imposed on Liquids exports, our ability to renegotiate our agreements with customers and possible increased Government regulation of Liquids industry;

- risks and uncertainties resulting from Government regulations that affect our business or financial condition or results of operations, such as the prohibition on tariff increases related to our natural gas transportation segment, restrictions on payments abroad and exchange controls;
- capital expenditures effectively required by ENARGAS or other governmental authorities for the expansion of our pipeline system or other purposes, including the risk that we may be forced to make investments or take other actions that are not profitable or are not as commercially attractive as other actions;
- risks and uncertainties associated with unscheduled and unexpected expenditures for the repair and maintenance of our fixed or capital assets;
- risks and uncertainties resulting from the prospect of additional Government regulation or other Government involvement in our business;
- developments in legal and administrative proceedings involving us and our affiliates;
- changes to or revocation of our License;
- risks and uncertainties impacting us as a whole, including changes in general economic conditions, changes in Argentine laws and regulations to which we are subject, including tax, environmental and employment laws and regulations, and the cost and effects of legal and administrative claims and proceedings against us; and
- risks and uncertainties regarding our ability to purchase U.S. dollars from the Argentine Central Bank (“BCRA”) in the exchange market, or *Mercado Único y Libre de Cambios* (“MULC”), and transfer them outside of Argentina to pay our financial debt and dividends or purchase goods or services.

Our actual results may differ materially from the results anticipated in these forward-looking statements because such statements, by their nature, involve estimates, assumptions and uncertainties. The forward-looking statements contained in this Annual Report speak only as of the date of this Annual Report and we do not undertake any obligation to update any forward-looking statement or other information to reflect events or circumstances occurring after the date of this Annual Report or to reflect the occurrence of unanticipated events.

## **PART I**

### **Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

### **Item 2. Offer Statistics and Expected Timetable**

Not applicable.

### **Item 3. Key Information**

#### **A. Selected Financial Data**

The following selected consolidated financial data is derived from our Financial Statements. This information should be read in conjunction with and is qualified in its entirety by reference to our Financial Statements, including the report of the independent registered public accounting firm thereon and the notes related thereto, and the discussion in “Presentation of Financial and Other Information” and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this Annual Report.

This Annual Report contains our Financial Statements prepared in accordance with IFRS and these have been approved by resolution of the Board of Directors (the “**Board of Directors**”) meeting held on February 3, 2015. The selected consolidated statement of comprehensive income data for the years ended December 31, 2014, 2013 and 2012 and the selected consolidated statements of financial position data as of December 31, 2014 and 2013, have been prepared in accordance with and comply with IFRS and have been derived from our Financial Statements, which were audited by PwC, whose report dated April 29, 2015 is included herein.

Until the year ended December 31, 2012, our consolidated financial statements were prepared in accordance with Argentine GAAP and in accordance with the rules of the CNV, which differs in certain respects from IFRS. For important information relating to our Financial Statements, including information relating to the preparation and presentation of the Financial Statements and the following selected financial data, see “Presentation of Financial and Other Information” above.

On February 7, 2014, we concluded the Exchange of 67% of our notes issued under the Medium Term Note Program in 2007. For further information see “Item 5. B. Liquidity and Capital Resources”. Also, on April 7, 2014, the ENARGAS issued Resolution No. I-2852 (the “Resolution No. I-2852”) containing the new rate schedules authorizing an increase to the rate applicable to the natural gas firm and interruptible transportation rates. For further information see “Item 4 – B. Business Overview – Gas Transportation – Regulatory Framework – The Public Emergency Law and UNIREN”.

	<b>For the years ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
(In thousands of pesos, except per share and per ADS amounts and common stock or as otherwise indicated)			
<b>Consolidated Statement of Comprehensive Income Data:</b>			
Revenues from sales <sup>(1)</sup>	4,303,971	2,864,986	2,574,968
Operating profit	932,514	706,632	701,767
Net financial results	(765,650)	(532,729)	(342,428)
Net income before income tax	169,754	173,387	359,544
Total comprehensive income for the year	104,988	107,506	232,747
Total comprehensive income for the year attributable to:			
Owners of the company	104,983	107,504	232,747
Non-controlling interest	5	2	-
<b>Per Share Data: <sup>(2)</sup></b>			
Net income per share	0.13	0.14	0.29
Net income per ADS	0.66	0.68	1.46

<sup>(1)</sup> Includes Ps. 744,089, Ps. 661,023 and Ps. 603,355 of gas transportation net revenues and Ps. 3,559,882, Ps. 2,203,963 and Ps. 1,971,613 of liquids production and commercialization, other services and telecommunications net revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

<sup>(2)</sup> Net income per share under Argentina GAAP has been calculated using the weighted average shares outstanding. Each ADS represents five shares.

	<b>As of December,</b>			<b>As of January</b>
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
(In thousands of pesos, except per share and per ADS amounts and common stock or as otherwise indicated)				
<b>Balance Sheet Data:</b>				
Total current assets	1,958,963	1,803,063	1,502,544	907,968
Property, plant and equipment, net	4,082,071	3,966,908	3,948,031	3,983,453
Total non-current assets	4,215,457	4,269,847	4,050,181	4,112,384
Total assets	6,174,420	6,072,910	5,552,725	5,020,352
Total current liabilities	1,251,754	1,347,734	829,777	576,348
Total non-current liabilities	3,055,123	2,702,094	2,689,081	2,492,884
Total liabilities	4,306,877	4,049,828	3,518,858	3,069,332
Non-controlling interest	6	3	1	1
Shareholders' equity	1,867,543	2,023,082	2,033,867	1,951,120
<b>Other Data:</b>				
Common stock (nominal value)	794,495	794,495	794,495	794,495
Additions to property, plant and equipment <sup>(1)</sup>	373,390	265,685	200,944	157,567
Depreciation	254,311	242,917	233,670	220,388
Number of outstanding shares	794,495,283	794,495,283	794,495,283	794,495,283

<sup>(1)</sup> Represents additions to property, plant and equipment (including works in progress). For information by business segment, see Note 7 (Consolidated Business Segment Information) to our Financial Statements, included elsewhere herein.



## Dividends

A summary of the dividends declared during the last five years is set forth below:

	<u>Millions of Ps.</u> <sup>(1)</sup>	<u>Ps. per share</u> <sup>(1)</sup>	<u>Millions of US\$</u> <sup>(2)</sup>	<u>US\$ per share</u> <sup>(2)</sup>	<u>US\$ per ADS</u> <sup>(2)</sup>
2011 .....	976.0	1.228	238.7	0.300	1.502
2012 <sup>(3)</sup> .....	268.3	0.338	53.2	0.067	0.335
2013 .....	-	-	-	-	-
2014 <sup>(4)</sup> .....	260.5	0.328	30.5	0.038	0.192
2015 .....	-	-	-	-	-

<sup>(1)</sup> Stated in Ps. as of the payment date.

<sup>(2)</sup> Stated in U.S. dollars translated from pesos at the exchange rate in effect on the payment date, the dividends payment pending as of December 31, 2014 were translated from pesos at the selling exchange rate at such date.

<sup>(3)</sup> The Future Dividend Payment Reserve (the “**Future Dividend Payment Reserve**”) created by the General Annual Shareholders’ Meeting held on April 12, 2012 was fully released by Board of Directors’ meetings held on December 6, 2012 and March 18, 2013, which approved cash dividend payments which were made after compliance with applicable regulatory procedures during the first half of 2013.

<sup>(4)</sup> The Future Dividend Payment Reserve created by the General Annual Shareholders’ Meeting held on April 30, 2014 was fully consumed by the Board of Directors’ meeting held on November 26, 2014, which approved cash dividend payments. As of the date of issuance of this Annual Report, the dividend payment related to the ADS is still pending due to the BCRA authorization to access the MULC.

Dividends may be lawfully declared and paid only out of our retained earnings reflected in our Financial Statements and must be approved at a General Annual Shareholders’ Meeting, as described below.

According to Argentine Commercial Companies Law No. 19,550 (the “**Commercial Companies Law**”), the Board of Directors must submit yearly our financial statements for the preceding fiscal year, together with reports thereon by our Statutory committee (the “**Statutory Committee**”), for the consideration and approval of the shareholders at the General Annual Shareholders’ Meeting which must be annually held to approve our financial statements and determine the allocation of our net income for such year. In case of listed companies, such as TGS, this meeting must take place before the end of April. Pursuant to the Commercial Companies Law, companies are required to allocate a legal reserve (the “**Legal Reserve**”) equal to at least 5% of each year’s net income, as long as there is no unappropriated retained deficit. If there is such a retained deficit, 5% should be calculated on any excess of the net income over the unappropriated retained deficit. This allocation is only legally required until the aggregate amount of such reserve equals 20% of the sum of (i) “Common stock nominal value” plus (ii) “Cumulative inflation adjustment to common stock,” as shown on our Consolidated Statement of Changes in Shareholders’ Equity (the “**Adjusted Common Stock Nominal Value**”). If the Legal Reserve amount is reduced by any circumstances, we must restore it before making any dividend payment. The Legal Reserve is not available for any dividend distribution.

Pursuant to our Articles of Association (“**By-laws**”), after the allocation to the Legal Reserve has been made, an amount will be allocated to pay dividends on preferred stock, if any, and an amount equal to 0.25% of the net income for the year will be allocated to pay the participation in earnings of employee profit-sharing certificates. The balance of the retained earnings for the year may be distributed as dividends on common stock or retained as a voluntary reserve, as determined at the General Annual Shareholders’ Meeting. The dividend must be paid within 30 days of the shareholders’ decision. For information on dividend taxation, see “Item 10. Additional Information—E. Taxation—Argentine Taxes.”

The General Annual Shareholders’ Meeting held on April 30, 2014 approved the creation of a voluntary reserve for a future dividend payment of Ps. 260.5 million, for payment of dividends at any time before the General Annual Shareholders’ Meeting held on April 23, 2015 (the “**2015 Shareholders’ Meeting**”) and a voluntary reserve for future capital expenditures of Ps. 175.0 million (the “**Future Capital Expenditures Reserve**”), both of which could be used when our Board of Directors deems appropriate. The 2015 Shareholders’ Meeting will determine the disposition of any outstanding amount of the voluntary reserves mentioned above which remained unused as of the date of the meeting. Under the Commercial Companies Law, the purpose of any voluntary reserve cannot be changed without the prior approval of the shareholders. On November 26, 2014, the Board of Directors approved a dividend payment in cash of Ps. 260.5 million.

The 2015 Shareholders’ Meeting did not approve any dividend payment. Instead, our shareholders approved the creation of a new voluntary reserve for future dividends of Ps. 99.7 million and a new Future

Capital Expenditures Reserve of Ps. 175.0 million. In addition, our shareholders approved an allocation to the Legal Reserve of Ps. 5.3 million, thereby increasing the amount in the Legal Reserve to Ps. 247.6 million, which represents 18.4% of the Adjusted Common Stock Nominal Value.

Our existing debt instruments impose additional restrictions on our ability to pay dividends on our shares. We may pay dividends on our shares as long as (i) no default exists under our debt obligations and (ii) immediately after giving effect to such dividend payment, (a) the consolidated coverage ratio (i.e., the ratio of our consolidated adjusted EBITDA to our consolidated interest expense (each as defined in the indentures for the 2007 and 2014 Notes (as defined herein)) would be greater than or equal to 2.0:1; and (b) the consolidated debt ratio (ratio of our consolidated total indebtedness to our consolidated adjusted EBITDA (as each of the terms is defined in the indenture for the 2007 and 2014 Notes)) would be less than or equal to 3.75:1. See “Item 10. Additional Information—C. Material Contracts—New Debt Obligations.”

During a given fiscal year, interim dividends may be declared by the Board of Directors, in which case the members of the Board of Directors and the members of our Statutory Committee (“**Syndics**”) are jointly and severally liable for such distribution, if such declaration is not in accordance with the Commercial Companies Law, as amended, and the By-laws.

### Exchange Rate Information

Fluctuations in the exchange rate between pesos and U.S. dollars would affect the U.S. dollar equivalent of the peso price of our Class “B” Shares, par value Ps.1 each (the “**Class B Shares**”), on the Buenos Aires Stock Exchange (“**BASE**”) and, as a result, would likely affect the market price of our ADS on the New York Stock Exchange (“**NYSE**”) as well. In addition, such fluctuations will affect the U.S. dollar equivalent of peso amounts reported in this Annual Report. Currency fluctuations would also affect the U.S. dollar amounts received by holders of ADSs on conversion by the Bank of New York Mellon (the “**Depositary**”), pursuant to our deposit agreement signed between the Depositary and us, of cash dividends paid in pesos on the underlying Class B Shares.

The following table sets forth, for the periods indicated, high, low, average and period-end exchange rates between the peso and the U.S. dollar, as reported by Banco Nación. The Federal Reserve Bank of New York does not publish a noon buying rate for the peso. The average rate is calculated by using the average of Banco Nación reported exchange rates on each day during the relevant monthly period and on the last day of each month during the relevant annual period.

	Pesos per U.S. dollar			
	High	Low	Average	Period end
<b>Most recent six months:</b>				
November 2014 .....	8.5260	8.5070	8.5137	8.5240
December 2014.....	8.5570	8.5320	8.5492	8.5510
January 2015 .....	8.6440	8.5550	8.6035	8.6440
February 2015.....	8.7260	8.6560	8.6871	8.7260
March 2015 .....	8.8220	8.7330	8.7799	8.8220
April 2015 (through April 28, 2015) .....	8.8970	8.8270	8.8630	8.8970
<b>Year ended December 31,</b>				
2010.....	3.9880	3.7940	3.9129	3.9760
2011.....	4.3040	3.9720	4.1270	4.3040
2012.....	4.9180	4.3040	4.5532	4.9180
2013.....	6.5210	4.9250	5.4859	6.5210
2014.....	8.5570	6.5450	8.1195	8.5510

For your convenience and except as we specify otherwise, this Annual Report contains translations of certain peso-denominated amounts to U.S. dollars at the reported exchange rate on December 31 of each year or as otherwise indicated. These translations should not be construed as representations that the amounts actually represent such U.S. dollar amounts or could be or have been converted into U.S. dollars at the rates indicated or at any other rates. On April 28, 2015, the reported exchange rate was Ps. 8.897 = US\$1.00.

Our results of operations and financial condition are highly susceptible to changes in the peso-U.S. dollar exchange rate because a significant portion of our annual revenues (Ps. 1,397.4 million for the year ended December 31, 2014 representing 32.5% of our total consolidated revenues from sales) are peso-denominated, our primary assets are based in Argentina, and our functional currency is the peso, while substantially all of our liabilities and most of our capital expenditures are U.S. dollar-denominated.

#### **B. Capitalization and Indebtedness**

Not applicable.

#### **C. Reasons for the Offer and Use of Proceeds**

Not applicable.

#### **D. Risk Factors**

*You should carefully consider the following risks and uncertainties, and any other information appearing elsewhere in this Annual Report. The risks and uncertainties described below are intended to highlight risks and uncertainties that are specific to us. Additional risks and uncertainties, including those generally affecting Argentina and the industry in which we operate, risks and uncertainties that we currently consider immaterial or risks and uncertainties generally applicable to similar companies in Argentina may also impair our business, results of operations, the value of our securities, and our ability to meet our financial obligations.*

*The information in this Risk Factors section includes forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous factors, including those described in "Cautionary Statement Regarding Forward-Looking Statements" above.*

#### **Risks Relating to Argentina**

##### **Overview**

We are a stock corporation with limited liability, or *sociedad anónima*, incorporated and organized under the laws of Argentina, and substantially all of our operations and all of our operating assets are located in Argentina. For the year ended December 31, 2014, 32.5% of our consolidated revenues were peso-denominated. Conversely, substantially all of our indebtedness, most of our capital expenditures and the cost of the natural gas purchased to be processed in the Cerri Complex are U.S. dollar-denominated. Accordingly, our financial condition and results of operations depend to a significant extent on economic, regulatory and political conditions prevailing in Argentina, the exchange rate between the peso and the U.S. dollar and the reference international prices of Liquids.

***Economic volatility in Argentina in recent decades has adversely affected and may continue to adversely affect our financial condition and results of operations.***

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high and variable levels of inflation and currency devaluation. As a consequence, our business and operations have been, and could in the future be, affected from time to time to varying degrees by economic and political developments and other material events affecting the Argentine economy, such as: inflation; price controls; fluctuations in foreign currency exchange rates and interest rates; currency devaluation; governmental policies regarding spending and investment, and other regulatory initiatives increasing government involvement with economic activity; international conflicts; civil unrest; and local insecurity concerns.

During 2001 and 2002, Argentina went through a period of severe political, economic and social crisis. Among other consequences, the crisis resulted in Argentina defaulting on its foreign debt obligations, introducing emergency measures and numerous changes in economic policies that affected utilities and many other sectors of the economy, and suffering a significant real devaluation of the peso, which in turn caused numerous Argentine private sector debtors with foreign currency exposure (including us) to default

on their outstanding debt. Since that crisis, Argentina has substantially increased its real Gross Domestic Product (“GDP”). During 2008 and 2009, however, the Argentine economy suffered a slowdown attributable to local and external factors, including an extended drought affecting agricultural activities and the effects of the global economic crisis. According to data published by the *Instituto Nacional de Estadísticas y Censos* (the “INDEC”), which is statutorily the only institution in Argentina with the power to produce official nationwide statistics, growth in real GDP resumed in 2011, with the Argentine GDP increasing 8.4% in 2011, 0.8% in 2012 and 2.9% in 2013. For the year 2014, Argentina experienced a slowdown in its GDP showing an increase of 0.5%.

Argentina has confronted inflationary pressures, evidenced by significantly higher fuel, salaries and food prices, among other indicators. According to inflation data published by the INDEC, from 2010 to 2014, the Argentine consumer price index (“CPI”) increased 10.5%, 9.2%, 10.5%, 10.6% and 23.9%, respectively; and the wholesale price index (“WPI”) increased 14.8%, 12.7%, 13.1%, 14.8% and 28.3%, respectively. During 2014, inflation has accelerated mainly due to the devaluation of the peso.

In recent years, INDEC has experienced a process of methodological reforms in the calculation of its statistics, such as CPI, WPI and GDP. In addition, the International Monetary Fund (“IMF”) requested that INDEC clarify its inflation rates several times. Finally, on February 13, 2014 the INDEC released a new inflation index (the “IPC<sub>NU</sub>”) that measures prices on goods across the country and replaces the previous index that only measured inflation in the urban sprawl of the City of Buenos Aires. In December 2014, the IMF issued a statement recognizing the advances achieved to improve the quality of Argentina’s CPI and GDP data. In its statement, the IMF Executive Board stated that it would pursue additional discussions with Argentine authorities, seeking to continue the dialogue regarding CPI and GDP data and to improve its relations with the country.

During 2014, the Government has launched a fair price program in order to control inflation. This fair price program determines prices for certain products provides for sectorial agreements. In addition, in September 2014, the Government introduced an amendment to Law No. 20,680 (the “Supply Law”). The Supply Law now allows the Government to intervene in the pricing and output levels of large companies, enabling the government to set profit margins, impose pecuniary sanctions and confiscate merchandise from private companies judged to have hiked prices without justification.

Inflation in Argentina has contributed to a material increase in our costs of operation, in particular labor costs, and negatively affected our results of operations and financial condition. There can be no assurance that inflation rates will not escalate in the future, or of what effects the measures adopted or that may be adopted in the future by the Government to control inflation may have. See “—Government intervention in the Argentine economy could adversely affect our results of operations or financial condition.”

We cannot provide any assurance that inflation will not adversely affect our financial condition or results of operations, including our ability to service our debts or pay dividends.

***Fluctuations in the value of the peso may also adversely affect the Argentine economy, our financial condition and results of operations.***

Since January 2002, the peso has fluctuated significantly in value and generally depreciated against the U.S. dollar, with adverse consequences of our business. A substantial increase in the value of the peso against the U.S. dollar could also present risks for the Argentine economy since it may lead to a deterioration of the country’s current account balance and the balance of payments. In 2014, the Argentine Government increased the official peso/dollar exchange rate by 31.1%. We are unable to predict the future value of the peso against the U.S. dollar and how any fluctuations may affect the costs that we incur in conducting our operations. See “Item 10. Additional Information – D. Exchange Controls.” Further, depreciation of the peso against the U.S. dollar would likely result in a material adverse effect on our business as a result of our exposure to financial debt in U.S. dollars. As of March 31, 2015, the total amount of principal and accrued but unpaid interest under our consolidated U.S. dollar-denominated indebtedness was US\$296.9 million.

In addition, the Government has also adopted numerous measures to control directly or indirectly foreign trade and foreign exchange markets. Since the enhancement of exchange controls began in late

2011, and upon the introduction of measures that have limited access to foreign currency by private companies and individuals, in addition to requiring an authorization of tax authorities to access the foreign currency exchange market, the implied exchange rate, as reflected in the quotations for Argentine securities that trade in foreign markets compared to the corresponding quotations in the local market, has increased significantly. These regulations may prevent or limit us from offsetting the risk derived from our exposure to the U.S. dollar and, if so, we cannot predict the impact of these changes on our financial condition and results of operations.

We cannot provide any assurance that fluctuations in the value of the peso and/or other future economic, social and political developments in Argentina, over which we have no control, will not adversely affect our financial condition or results of operations, including our ability to pay our debts at maturity or dividends.

***Government intervention in the Argentine economy could adversely affect our results of operations or financial condition.***

In addition to the political and economic factors described above, our business and operations have been, and could in the future be affected by actions taken by the Government through the implementation of new or amended laws and regulations, such as: nationalizations, expropriations or forced divestiture of assets; restrictions on production, imports and exports; exchange and/or transfer restrictions, including those relating to dividend payments; direct and indirect price controls; tax increases, changes in the interpretation or application of tax laws and other retroactive tax claims or challenges; cancellation of contractual rights; and delays or denials of governmental approvals.

During recent years, the Government has increased its direct intervention in the Argentine economy, including through the implementation of expropriation and nationalization measures, price controls and exchange controls.

In 2008, the Government absorbed and replaced the former private pension system with a public “pay as you go” pension system. As a result, all resources administered by the private pension funds, including significant equity interests in a wide range of listed companies, were transferred to a separate fund (“*Fondo de Garantía de Sustentabilidad*” or the “**FGS**”) to be administered by the *Administración Nacional de la Seguridad Social* (the “**ANSES**”). The dissolution of the private pension funds and the transfer of their financial assets to the FGS have had important repercussions on the financing of private sector companies. Purchases of debt and equity instruments which previously could be placed with pension fund administrators are now entirely subject to the discretion of the ANSES. In addition, since acquiring equity interests in privately owned companies through the process of replacing the pension system, the ANSES has been entitled to designate government representatives to the boards of directors of those entities. Pursuant to Decree No. 1,278/12, on July 25, 2012, these representatives are to report directly to the *Ministerio de Economía y Finanzas* (“**MEF**”) and are subject to a mandatory information-sharing regime, under which, among other obligations, they must immediately inform the MEF of the agenda for each board of directors meeting and provide related documentation.

In May 2012, the Argentine Congress passed Law No. 26,741, which declared hydrocarbons self-sufficiency, production, industrialization, transport and marketing to be activities of public interest and primary goals of Argentina, and empowered the Government to take the necessary measures to achieve such goals and expropriated 51% of the shares of YPF S.A. (“**YPF**”), formerly Repsol YPF S.A. (“**Repsol YPF**”). On February 25, 2014, the Repsol YPF board approved a compensation package offered by the Government of the equivalent of US\$ 5 billion in Argentine bonds for the expropriation.

Our business and operations in Argentina may also be adversely affected by measures adopted by the Government to address inflation. For example, increases in the costs of services and labor could negatively affect our results of operations if we are not permitted to pass those costs along to customers in the tariffs which we charge due to the imposition of price controls. See “—*Risks Relating to Our Business— Since the implementation of the Public Emergency Law in 2002 and until March 31, 2014, we had received only one increase in our regulated gas tariffs, which was granted on April 1, 2014, which has adversely affected our gas transportation segment and net revenues thereof.*”

In addition, on October 26, 2011 the Argentine Executive Branch issued Decree No. 1,722/11, providing that all foreign currency revenues obtained from exports made by mining and oil and natural gas companies must be repatriated and sold within the local foreign exchange market, which is the general regime applicable to revenues generated by Argentine exports. Prior to the issuance of this decree, we were allowed to retain overseas up to 70% of the proceeds of most of our exports of Liquids. See “Item 10. Additional Information— D. Exchange Controls.”

Argentina is an emerging market economy, which economy is highly sensitive to local political developments which have had an adverse impact on the level of investment in Argentina and the access of Argentine companies to the international capital markets. Future developments may adversely affect Argentina’s economy and, in turn, our business, results of operations and financial condition.

***The Argentine economy can be adversely affected by economic developments in other markets and by more general “contagion” effects, which could have a material adverse effect on Argentina’s economic growth.***

Argentina’s economy is vulnerable to external shocks that could be caused by adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina’s major trading partners could have a material adverse impact on Argentina’s balance of trade and adversely affect Argentina’s economic growth. For example, recent economic slowdowns, especially in Argentina’s major trading partners, led to declines in Argentine exports in the last two years. Specifically, fluctuations in the price of the commodities sold by Argentina and a significant revaluation of the peso against the U.S. dollar could harm Argentina’s competitiveness and affect its exports.

In addition, financial and securities markets in Argentina are influenced by economic and market conditions in other markets worldwide.

As a consequence of China’s economic slowdown, the appreciation of the U.S. dollar and the oversupply of commodities, such as oil and gas, beginning in the last quarter of 2014, global commodity prices have declined sharply. Decreases in exports have a material adverse effect on Argentina’s public finances due to a loss of tax on exports, causing an imbalance in the country’s exchange market.

Although economic conditions vary from country to country, investors’ perceptions of events occurring in other countries have in the past substantially affected, and may continue to substantially affect, capital flows into and investments in securities from issuers in other countries, including Argentina. International investors’ reactions to events occurring in one market sometimes demonstrate a “contagion” effect in which an entire region or class of investment is disfavored by international investors. Argentina could be adversely affected by negative economic or financial developments in other countries, which in turn may have an adverse effect on our financial condition and results of operations.

The impact of global economies on Argentina has led to a reduction in exports and foreign direct investments, to a decline in national tax revenues and to the inability to access international capital markets. There can be no assurance that the Argentine financial system and securities markets will not be adversely affected by events in developed countries’ economies or events in other emerging markets. A slowdown in economic activity in Argentina would adversely affect our business, financial condition and results of operations.

***Argentina’s past default and ongoing litigation with holdout bondholders may limit our ability to access international markets.***

The ability of Argentine companies to access international financial markets is currently very limited and the conditions and cost of such financing are onerous if any such financing is available.

Argentina’s past default and ongoing litigation with bondholders who held out from past exchange offers may limit our ability to access international markets. Following the default on its external debt in 2001, the government of Argentina sought to restructure its outstanding debt by offering holders of the defaulted bonds two opportunities to exchange them for newly issued debt securities, in 2005 and again in 2010. Holders of approximately 93% of Argentina’s defaulted debt participated in the exchanges.

Nonetheless, a number of bondholders who held out from the exchange offers have initiated legal actions against the Government.

Since late 2012, rulings favorable to bondholders who held out from exchange offers have deepened doubts about Argentina's ability to service its debt under the terms of foreign judgments, and have exacerbated investors' uncertainties as well as increased sovereign risk. On August 23, 2013, the United States Second Circuit Court of Appeals upheld a trial court ruling in favor of the bondholders, and on June 16, 2014 the Supreme Court refused to address the Argentine case.

The decision of the United States Supreme Court to dismiss the appeals filed by the Argentine government confirmed the decisions of the Court of Appeals for the Second Circuit prohibits the Argentine government from making payment on its restructured debt unless it also pays all amounts owing to holdout bondholders (estimated at a total of approximately US\$ 15 billion). While the Government has indicated on several occasions its intention to pay the full amount to the creditors who accepted the terms of 2003-2010 restructuring, and has made attempts to do so, the injunctions issued by the U.S. court has thus far prevented holders of most of the restructured debt from receiving payments that have become due since June 20, 2014.

On September 11, 2014, the Argentina Congress passed Law No. 26,984 which exchanged the paying agent for the debt securities issued in the 2003-2010 restructurings and established Buenos Aires as the domicile of payment for the bonds issued under each restructuring attempting to create a new voluntary exchange of restructured debt. Because of these actions, on September 29, 2014, Argentina was found to be in contempt of court by the U.S. district court. On April 2015, Argentina appealed to the Court of Appeals for the Second Circuit, but that appeal was dismissed for lack of appellate jurisdiction on April 7, 2015.

In December 2014 the Government offered to buy back dollar-denominated securities issued in 2005 which expire in 2015 (Boden 2015) at a discount to par and to sell dollar-denominated securities to be issued with an expiration date in May 2024 (Bonar 2024s). This offering resulted in a transaction, which yielded approximately U.S 200 million in Boden 2015, bought and approximately U.S. 300 million in Bonar sold. As of the date of this Annual Report, negotiations between the holdouts and the Government have not shown significant progress.

These lawsuits could result in the freezing of assets or other precautionary measures on assets of Argentina. Furthermore, Argentina's inability to restructure its sovereign debt could reduce its access to international financial markets. These circumstances may have a materially adverse effect on the economy of Argentina and affect our ability to access international financing or repay our debts.

Argentina's past default in 2002 and its ongoing litigation with holdout creditors may continue to prevent Argentine companies such as us from accessing the international capital markets readily or render the financial conditions of such access significantly more onerous than for companies in other countries in the region, and may therefore negatively affect our financial condition or cash flows.

The ability of most Argentine companies to access international financial markets is currently limited and the conditions and cost of such financing are onerous if any such financing is available.

In addition, the foreign shareholders of several Argentine companies (including ours), together with public utilities and certain bondholders that did not participate in the exchange offers described above, filed claims in excess of US\$15 billion with the International Centre for Settlement of Investment Disputes (the "ICSID"), alleging that the emergency measures adopted by the Government in 2002 do not meet the just and equal treatment requirements of several bilateral investment treaties to which Argentina is a party. While certain plaintiffs have prevailed against Argentina in their ICSID proceedings, including British Gas, whose US\$ 185 million award was upheld by the United States Supreme Court, Argentina has not yet honored such awards. Recently in April 2015, the ICSID issued an award in favor of GDF Suez for a total amount of US\$ 405 million. However, in October 2013, Argentina agreed to compensate five claimants that had obtained favorable decisions from the ICSID. These agreements were performed after the delivery of sovereign bonds.

The developments described above, the global economic crisis that started in the fourth quarter of 2008, and the resulting international stock market crash and the insolvency of major financial institutions toward the end of 2008, have generally limited the ability of Argentine companies to access international

financial markets as they had in the past or made such access significantly more costly for Argentine issuers. Between June 2009 and 2011, a greater number of Argentine companies gained access to the international capital markets, albeit on terms much less favorable than those faced by competitors based in other countries in the region. Since 2012, Argentine companies have had little access to such markets. See “— *Government intervention in the Argentine economy could adversely affect our results of operations or financial condition.*”

The perception of risk in Argentina may continue to prevent Argentine companies such as us from accessing the international capital markets readily or render the financial conditions of such access significantly more onerous than for companies in other countries in the region, and may therefore negatively impact our financial condition or cash flows.

***Recently approved Argentine judicial, commercial, and civil reforms, as well as challenges thereto, have generated uncertainty with respect to future administrative and judicial proceedings, including those involving the Government.***

Law No. 26,854, which regulates injunctions in cases in which the Government is a party or has intervened, was promulgated on April 30, 2013 as part of a judicial reform bill approved by the Argentine Congress. One of the relevant changes included in the judicial reform bill is a time limitation on injunctions imposed in proceedings brought against the Government. Legal challenges to the law have resulted in rulings which for the time being have declared the law unconstitutional. If the law is ultimately upheld our ability in the future to pursue claims against the Government could be adversely affected.

On October 1, 2014, the Argentine Congress passed Law No. 26,994, which approved the new Argentine Civil and Commercial Code, abrogated several laws and modified others, including the Companies Law and the Consumer Protection Law. The new Civil and Commercial Code, which will come into effect in August 1, 2015, introduces significant changes to the Argentine private law system.

Although this reform substantially reflects numerous judicial precedents and introduces certain changes it is not possible to predict the degree to which it might affect current or future contracts and/or administrative and/or judicial proceedings to which TGS is or will be a party.

## **Risks Relating to Our Business**

***Because we receive a significant portion of our net revenues from public service contracts, which tariffs are no longer stated in dollars or subject to indexing, our net revenues and liquidity have been harmed as a result of inflation and the devaluation of the peso.***

All of our net revenues from our gas transportation segment (which represented 17.3% and 23.1% of total net revenues during 2014 and 2013, respectively) are attributable to public service contracts, which are subject to Government regulation. We entered into these public service contracts primarily with natural gas distribution companies in connection with the privatization of Gas del Estado S.E. (“GdE”) in 1992 pursuant Law 24,076 and Executive Branch Decrees No. 1,189/92 and 1,738/92. Prior to the passage of the Public Emergency Law, our tariffs were stated in U.S. dollars and subject to indexing, based on semi-annual changes in the U.S. Producer Price Index (“PPI”), with adjustments every five years, based on the efficiency of, and investments in, our gas transportation operations. The Public Emergency Law, however, eliminated tariff indexation. In accordance with the Public Emergency Law, in January 2002, public service tariffs were converted into pesos and fixed at an exchange rate of Ps. 1.00 = US\$1.00 even as the peso was allowed to devalue against the U.S. dollar.

Since 2002, Argentina has experienced significant inflation, which has adversely affected our business and results of operations. Continued inflation, without any corresponding increase in our tariffs, has adversely affected and would continue to adversely affect our natural gas transportation revenues, net revenues and financial condition.

In addition, since 2002, the peso has fluctuated in value, which has adversely affected our results and financial position. In particular, substantially all of our debt is denominated in U.S. dollars and



significant devaluations of the peso may adversely affect our ability to make required interest or amortization payments, when due.

***Since the implementation of the Public Emergency Law in 2002 and until March 31, 2014, we have received only one increase in our regulated gas tariffs, which was granted on April 1, 2014, which has adversely affected our gas transportation segment and net revenues thereof.***

The Public Emergency Law also granted the Executive Branch the power to renegotiate contracts entered into with private utility companies. In July 2003, UNIREN was created under the joint jurisdiction of the MEF and the *Ministerio de Producción y de Planificación Federal, Inversión Pública y Servicios* (the “MPFIPyS”) in order to renegotiate public service contracts, including the tariffs charged in those contracts. Little progress has been made to date in our renegotiation process with UNIREN for remuneration under the License (the “Renegotiation Process”). Since 2003, multiple proposals from UNIREN, with varying levels of tariff increase, have been discussed with our management. On October 9, 2008, we signed an agreement with UNIREN regarding the renegotiation of our License that contemplated a transitional tariff increase of 20%, which would be retroactively applicable to September 1, 2008 (the “2008 Transitional Agreement”). According to the 2008 Transitional Agreement, the funds generated by this tariff increase would be temporarily deposited in a trust fund until we needed them to carry out an investment plan for improvements in our pipeline system. Although the tariff increase has not been granted until April 2014, we timely executed the investment plan called for under the 2008 Transitional Agreement using our own funds.

On December 3, 2009, the Executive Branch ratified the 2008 Transitional Agreement through the Decree No. 1,918/09. By means of this decree, we will be able to bill the tariff increase to our clients as soon as ENARGAS publishes the new tariff schedule and sets the methodology to bill the retroactive effect. However, ENARGAS has not carried out these duties to date.

Because of this delay, in August 2010, we requested from ENARGAS authorization to issue the tariff schedule, including the 20% transitory tariff increase and the retroactive collection methodology, and application of an interest rate in line with the established method of payment. ENARGAS responded that they had submitted the records and the tariff project to the Coordination and Management Control Under-Secretariat (“SCyCG”), which is under the scope of MPFIPyS, based on Resolution No. 2000/2005 of MPFIPyS.

On September 30, 2010, we filed an *acción de amparo* (a legal action to guarantee constitutional rights) against ENARGAS and SCyCG in order to obtain the implementation of the new tariff increase schedule. On November 8, 2010, we were served notice of a judgment that upheld the *acción de amparo* filed by us. Said judgment ordered SCyCG to return to ENARGAS, within a two-day period, the documents remitted by ENARGAS in connection with the tariff schedule applicable to us under Decree No. 1,918/09; and ordered ENARGAS, within two days following reception of said documents, to set the tariff schedule and the retroactive collection methodology. On November 12, 2010, ENARGAS and SCyCG filed an appeal against this judgment.

Moreover, on November 16, 2010, we received a proposal from UNIREN, which provides that in order to move forward with the renegotiation of the License within the scope and in the terms of the Public Emergency Law, all claims, appeals, or administrative or judicial action taken against the Government in connection with or arising from the Renegotiation Process must be suspended. In response, on November 18, 2010, we requested the suspension of the *acción de amparo* mentioned above for a twenty-working-day period, which is automatically renewable at the end of such period unless our Board, before or at the expiration of each period, decides not to renew it, in order to move forward with the renegotiation of the License. On December 28, 2010, we requested ENARGAS and MPFIPyS to join our request to suspend the *acción de amparo*, and as of the date of this Annual Report, we have not received any favorable response on this matter. See also “—Our present and former shareholders are party to ongoing legal proceedings against the Government arising from the effects of the Public Emergency Law. As a result of the renegotiation of our License, our present and former shareholders may deem it convenient to abandon such claims.”

On April 5, 2011, the Second Chamber of the Court of Appeals in administrative federal matters in the City of Buenos Aires set a 60 business day term for SCyCG to act according to the provisions of Resolution No. 2000/2005 and return to ENARGAS the documents remitted by ENARGAS in connection

with the tariff increase schedule and for ENARGAS to decide, within a 60 business day term following receipt of said documents and verification of compliance with the provisions set forth in the 2008 Transitional Agreement, on the tariff adjustment and the transitional tariff schedule stipulated therein. ENARGAS filed an extraordinary appeal before the Court of Appeals, which was dismissed by the Court of Appeals on May 27, 2011. On June 14, 2011, ENARGAS filed a complaint appeal before the Supreme Court of Justice requesting that the dismissal of the extraordinary appeal by the Court of Appeals be vacated. On August 25, 2011, SCyCG returned to ENARGAS the administrative documents giving notice under Resolution No. 2000/2005. On November 28, 2013, the Supreme Court of Justice of the Argentine Republic dismissed the appeal filed by the ENARGAS requesting that the dismissal of the extraordinary appeal be vacated. This decision made by the Supreme Court of Justice is a final ruling on the subject.

On September 19, 2014, the judge of the First Instance rejected our request that ENARGAS publish the tariff schedule, alleging that after the issuance of resolution I-2852, ENARGAS has complied with the publication of the tariff schedule authorized in Decree No. 1,918/09. Therefore, on September 25, 2014 we filed an appeal before the national Chamber for Federal Administrative Law Disputes of the City of Buenos Aires. This appeal was dismissed on December 18, 2014, confirming the decision of the judge of the First Instance. In April 2015, we filed a direct appeal to the Supreme Court of Justice as the Chamber for Federal Administrative Law Disputes of the City of Buenos Aires rejected the extraordinary appeal filed by us against its decision.

Under the framework of the 2008 Transitional Agreement between the UNIREN and us, which was ratified by Presidential Decree No. 1,918/09, the ENARGAS issued Resolution No. I-2852 on April 7, 2014, (the “**Resolution No. I-2852**”) containing the new rate schedules authorizing an increase to the rate applicable to the natural gas firm and interruptible transportation rates. Although the 2008 Transitional Agreement establishes that the tariff increase is effective retroactively as from September 1, 2008, the new rate schedules establish only a progressive 8% increase as from April 1, 2014, an accumulated 14% increase as from June 1, 2014 and an accumulated 20% increase as from August 1, 2014. This transitional tariff increase represents the first increase received since 1999.

On June 3, 2014, we filed a motion for reconsideration before ENARGAS, asking it to provide a methodology for recovery of the tariff increase that should have been effective as from September 1, 2008 to March 31, 2014, as required by the 2008 Transitional Agreement. Because the deadline for determination of the motion by ENARGAS has passed, we considered our request to have been denied by ENARGAS, and asked that the regulatory agency transfer the proceedings to the Federal Energy Bureau of Argentina (the “**Federal Energy Bureau**”) to focus on the analysis of the motion for appeal lodged jointly with the motion for reconsideration mentioned above. In addition, in order to address the potential refusal by ENARGAS of our request, we filed a preliminary administrative appeal to the Government under the terms of section 30 of the National Administrative Procedures Act claiming damages for the failure to implement the retroactive increase provisions of the 2008 Transitional Agreement.

We cannot offer any assurance as to when ENARGAS or the Federal Energy Bureau will set the methodology to bill the tariff increases retroactively from September 1, 2008, or whether retroactive tariff increases will be granted under the terms of any final or addition proposals with ENARGAS or UNIREN.

Although there was also a limited tariff increase for natural gas distribution companies beginning April 1, 2014, the lack of greater tariff adjustments has also adversely affected some natural gas distribution companies, which are our main clients in the gas transportation business segment. Failure of the distribution companies to reach an agreement with the Government on their own tariff adjustment could have a materially adverse effect on our ability to collect natural gas transportation revenues. See “*Certain clients of our natural gas transportation segment have cancelled their obligations to us and could extend the terms of cancellation of their obligations in the future. Cancellations or deferrals of payments by our customers, or our inability to renew natural gas firm transportation contracts maturing in the short-term, may adversely affect our natural gas transportation segment revenues*”. Some of these companies have been able to sign agreements with UNIREN that contemplate, among other things, an initial tariff increase and a tariff adjustment scheme for the future. However, the process for future tariff increases for these companies has been significantly delayed.

***Our results of operations may be adversely affected because our License is subject to renegotiation pursuant to the Public Emergency Law.***

The Public Emergency Law authorized the Government to renegotiate public service contracts, tariffs and licenses with public utility companies using the following criteria:

- the impact of the rates on the competitiveness of the economy and on national income distribution;
- the quality of the services and the investment programs contractually provided for in the public service contract;
- the interests of users, as well as service access conditions;
- the operational safety of the systems concerned; and
- the profitability of the respective company.

The deadline for the renegotiation of the public works and utilities contracts has been extended until December 31, 2015. As part of this Renegotiation Process, the terms of our License may be changed materially. See “—*Our regulated business is dependent on our ability to maintain our License, which is subject to revocation under some circumstances.*”

Since the enactment of the Public Emergency Law, there has not been significant progress with respect to the renegotiation of our public service contract with UNIREN. According to the 2008 Transitional Agreement, we should reach an agreement with UNIREN on the terms and conditions of the overall renegotiation before December 31, 2015 pursuant to the Public Emergency Law, as amended. If we do not reach this agreement, then UNIREN would inform the Executive Branch and provide it with recommendations for the procedural steps to follow.

In this regard, in October 2008, we also received an integral license renegotiation agreement proposal from UNIREN (which includes the initial 20% tariff increase). In October 2011, we received a new proposal from UNIREN (the “**Renegotiation Agreement**”) which included similar terms and conditions to the ones included in the last proposal, the 2008 Transitional Agreement. Our Board of Directors approved the Renegotiation Agreement, which was initiated by us, allowing UNIREN to initiate the administrative procedure for finalizing the Renegotiation Agreement; however, as of the date of this Annual Report, the Renegotiation Agreement, other than the initial 20% tariff increase, is still not effective. The Renegotiation Agreement is expected to be finalized and signed by UNIREN after the approval of the relevant regulatory agencies, including, among others: the Federal Energy Bureau, MPFIPyS, MEF, the Federal Congress, and the Executive Branch.

In spite of the above-mentioned 2008 Transitional Agreement, partially implemented on April 7, 2014, and the Renegotiation Agreement that have been proposed and agreed to by us, we cannot at this time provide any assurances with regard to the terms or the timing of any renegotiation of our License, including any resulting increase in tariffs. Even if our License is renegotiated on more favorable terms, those terms nonetheless may be insufficient to avoid a material adverse effect on our results of operations and financial condition. See “Item 4. Our Information—B. Business Overview—Gas Transportation—Regulatory Framework—Adjustment of Rates” below for more information.

An inability to reach an agreement on the renegotiation of our License or any failure of the Government to comply with the terms of the renegotiated License, when agreed, could materially adversely affect the profitability of our gas transportation business segment.

***Our present and former shareholders are party to ongoing legal proceedings against the Government arising from the effects of the Public Emergency Law. As a result of the renegotiation of our License, our present and former shareholders may elect to suspend such claims, but we cannot assure you that the withdraw will occur.***

The Renegotiation Agreement proposal of UNIREN for the renegotiation of our License requires us, and our present and former shareholders, to suspend and, after the fulfillment of certain conditions, abandon any claim or lawsuit they or we may have against the Government resulting from the effects of the Public Emergency Law.

In 2003, Enron Corp. (“**Enron**”), a former indirect shareholder of *Compañía de Inversiones de Energía S.A.* (“**CIESA**”), which is our controlling shareholder, and Ponderosa Assets L.P. (“**Ponderosa**”) and together with Enron, the “**Claimants**”) filed a claim with the ICSID against the Government under the Bilateral Investment Treaty between the United States and Argentina (the “**ICSID Claim**”). The ICSID Claim argues that the pesification of tariffs and other unilateral changes to our regulatory structure affected by the Public Emergency Law and related laws and decrees violate the requirement of fair and equitable treatment under the treaty. On May 22, 2007, ICSID decided in favor of Enron and ordered the Government to pay US\$ 106.2 million to the Claimants. In July 2010, an ICSID committee annulled the award rendered in 2007 and ordered the Claimants to reimburse the Government the total amount of the annulment award costs. This annulment does not prevent the plaintiff from filing a new claim before the ICSID. On October 18, 2010, Enron Creditors Recovery Corp. (Enron’s new corporate name) and Ponderosa filed a new claim against the Government before the ICSID. In June 2011, a tribunal to hear the case was constituted. The continued pursuit of the ICSID Claim, among other things, can adversely affect the timing and/or terms of any renegotiated tariff structure applicable to our natural gas transportation activities. By agreement of the disputing parties, the ICSID Claim has been suspended until July 12, 2015.

In January 2011, Pampa Energía S.A. (“**Pampa**”) acquired, among other assets: (i) PEPCA S.A., (formerly EPCA S.A.) (“**PEPCA**”) along with Enron’s and Ponderosa’s economic rights to monitor, suspend and withdraw the ICSID Claim and (ii) from Ashmore Energy International Limited (“**AEI**”), the CIESA Notes and the two derivative transactions originally executed between CIESA and J. Aron & Company on August 3, 2000 and between CIESA and Morgan Guaranty Trust Company of New York on August 4, 2000.

On March 11, 2011, Pampa entered into a call option agreement with the Claimants in order to acquire the rights to monitor, suspend and withdraw the ICSID Claim. On October 6, 2011, we issued a loan for US\$26 million (Ps.268.1 million, including accrued interest, at the exchange rate as of December 31, 2014) to Pampa, to purchase the rights to monitor, suspend and withdraw the ICSID Claim. According to its terms, after successive extensions, the loan agreement (the “**Loan Agreement**”) was extended to October 6, 2015. For more information regarding this Loan Agreement, see “Item 10. Additional Information—C. Material Contracts—Loan Agreement with Pampa.” By agreement of the disputing parties, the ICSID Claim has been suspended until July 12, 2015.

The Renegotiation Agreement would require us, and our present and former shareholders, including Enron and its affiliates, as well as Ponderosa, to abandon all claims or lawsuits they or we may have against the Government resulting from the effects of the Public Emergency Law prior to compliance by the Executive Branch of the Renegotiation Agreement. Additionally, the Renegotiation Agreement would require us to hold the Government harmless from any claim or lawsuit filed by any of our present or former shareholders or any compensation in favor of such shareholders and to reimburse the Government for any amount paid by it to our shareholders in connection with any such claim or lawsuit. If our current and former shareholders or shareholders of CIESA do not consider it convenient to abandon such claims and lawsuits, our ability to conclude the renegotiation of our License and secure tariff increases, our revenues from gas transportation may be adversely affected.

Other similarly situated public utility companies have complied with the UNIREN requirement to abandon legal claims against the Government as part of their Renegotiation Process. Some of these companies have been able to sign agreements with UNIREN that contemplate, among other things, an initial tariff increase and a tariff adjustment scheme for the future. However, even for these companies, the process for future tariff increases has been significantly delayed. Even if our present and former shareholders

abandon such claims, there is no certainty regarding when the License renegotiation process will be completed.

***We conduct our business in a unionized environment.***

The sectors in which we operate are largely unionized. Although we consider our current relations with our workforce to be acceptable, we have experienced organized work disruptions and stoppages in the past and we cannot assure you that we will not experience them in the future. Additionally, labor demands, regarding salary increases and labor conditions, are commonplace in Argentina's energy sector and unionized workers have blocked access to plants and routes in the recent past. In addition, our collective bargaining agreements generally expire after a one-year term. At the end of 2014, we experienced conflicts with unionized employees in Bahía Blanca regarding salary increase demands. The negotiations were concluded successfully at the beginning of 2015. We are currently negotiating the collective bargaining agreements for the current year.

We maintain insurance coverage for business interruptions, including business interruptions caused by labor actions. We cannot assure you that we will be able to negotiate new collective bargaining agreements on the same terms as those currently in effect, or that we will not be subject to strikes or work stoppages before or during the negotiation process. Natural Gas Industry and national strikes, picketing or other types of conflict with the unionized personnel may adversely affect our results of operations and financial condition.

***Our regulated business is dependent on our ability to maintain our License, which is subject to revocation under some circumstances.***

We conduct our natural gas transportation business pursuant to the License, which authorizes us to provide gas transportation services through the exclusive use of the southern gas transportation system in Argentina. The Executive Branch may revoke our License in certain circumstances based on the recommendation of ENARGAS, the governmental body charged with the regulation of the transportation, distribution, marketing and storage of natural gas. Revocation of our license would require an administrative proceeding, which would be subject to judicial review. Reasons for which our License may be revoked include:

- repeated failure to comply with the obligations of our License and failure to remedy a significant breach of an obligation in accordance with specified procedures;
- total or partial interruption of service for reasons attributable to us that affects transportation capacity during the periods stipulated in our License;
- sale, assignment or transfer of our essential assets or the placing of encumbrances thereon without ENARGAS' prior authorization, unless such encumbrances serve to finance extensions and improvements to the gas pipeline system;
- our bankruptcy, dissolution or liquidation;
- ceasing and abandoning the provision of the licensed service, attempting to assign or unilaterally transfer our License in full or in part without the prior authorization of ENARGAS, or giving up our License, other than in the cases permitted therein; and
- delegation of the functions granted in such contract without the prior authorization of ENARGAS, or the termination of such agreement without regulatory approval of a new contract.

If our License were revoked, we would be required to cease providing gas transportation services. The impact of a loss of our License on our business, financial condition and results of operations would be material and adverse.

***Our creditors may not be able to enforce their claims against us in Argentina.***

We are a stock corporation with limited liability (“*sociedad anónima*”) organized under the laws of Argentina. Substantially all of our assets are located in Argentina.

Under Argentine law, foreign judgments may be enforced by Argentine courts, provided that the requirements of Articles 517 through 519 of the Federal Code of Civil and Commercial Procedure are met. Foreign judgments cannot violate principles of public policy (*orden público*) of Argentine law, as determined by Argentine courts. It is possible that an Argentine court would deem the enforcement of foreign judgments ordering us to make a payment in a foreign currency outside of Argentina to be contrary to Argentine public policy if at that time there are legal restrictions prohibiting Argentine debtors from transferring foreign currency outside of Argentina. Although currently there are no legal restrictions prohibiting Argentine debtors from transferring foreign currency outside of Argentina to satisfy principal or interest payments on outstanding debt that has been previously reported to the BCRA, we cannot assure you that the Government or an Argentine court will not impose such restrictions in the future.

In addition, under Argentine law, attachment prior to execution and attachment in aid of execution will not be ordered by an Argentine court with respect to property located in Argentina and determined by such courts to be utilized for the provision of essential public services. A significant portion of our assets may be considered by Argentine courts to be dedicated to the provision of an essential public service. If an Argentine court were to make such determination with respect to any of our assets, unless the Government ordered the release of such assets, such assets would not be subject to attachment, execution or other legal process as long as such determination stands and the ability of any of our creditors to realize a judgment against such assets may be adversely affected.

***In order to mitigate the energy crisis, the Government continued adopting new strategies, measures and programs with respect to the natural gas transportation industry, including the expansion of our pipeline and the interruption of natural gas firm transportation service (including the diversion of natural gas supply from the Cerri Complex), which could materially adversely affect our business, results of operations and financial condition.***

Since 2002, the natural gas industry has experienced a sharp increase in natural gas demand as a consequence of: (i) the recovery of certain industries in the Argentine economy between 2002 and 2008, (ii) the 2002 devaluation of the peso and pesification of transportation and distribution tariffs and the elimination of both tariff and wellhead gas price adjustments, making this fuel relatively inexpensive for consumers as compared to other types of fuel the prices of which are affected by inflation and (iii) the growth of GDP between 2003 and 2014. The supply of natural gas has not been sufficient to meet this increased demand, and the Government has adopted different strategies, measures and programs to mitigate the resulting energy crisis. These strategies, measures and programs have severely and negatively impacted the profitability of companies providing services relating to the production, transportation and distribution of natural gas.

Specifically, natural gas distribution companies have been prohibited from passing through price increases to consumers since 2002. Producers of natural gas, therefore, have had difficulty implementing wellhead gas price adjustments that would increase the costs of distribution companies, which has caused such producers to suffer a sharp decline in their rate of return on investment activities. As a result, natural gas production has not been high enough to meet the increasing demand. Likewise, the elimination (until very recently) of tariff adjustments for natural gas transportation companies has caused transportation companies to suffer a decrease in their profitability.

Pipeline expansions

In light of these events, the Government has decided to implement a number of strategies, measures and programs aimed at mitigating the energy crisis and supporting the recovery of the Argentine economy generally. With respect to the natural gas industry, these strategies, measures and programs include, among others, the expansion of our pipeline, through the creation of financial trust funds used as vehicles to facilitate financing of those investments (“**Gas Trusts**”). In order to finance such expansions, Law No. 26,095 was passed to provide for the creation of additional tariff surcharges (“*cargos específicos*”),

which are special contributions to a Gas Trust made by all clients with firm transportation contracts, excluding residential customers.

In 2005, the first Gas Trust was constituted with the purpose of financing the expansion of the General San Martín pipeline transportation capacity by approximately 102MMcf/d, which was completed in August 2005. In addition, in April 2006, MPFIPyS, the Federal Energy Bureau and gas transporters, among others, signed a letter of intent to carry out a second, significantly larger expansion of the natural gas pipeline system (the “**Second Expansion**”). When complete, this Second Expansion will increase the aggregate transportation capacity of our system by 378 MMcf/d. It involves the installation of over 708 miles of pipeline loops and 196,800 HP of additional power and the construction of a new pipeline in the Magellan Strait (completed in March 2010), which permits the transportation of more natural gas from the Austral basin. As of December 31, 2014, 307 MMcf/d of the Second Expansion project has been completed and become operational. The remaining 71 MMcf/d is expected to be completed in different stages.

Ownership of the works of the Second Expansion is also vested in a Gas Trust and the investment is being financed by other natural gas trust funds, whose trustors are the natural gas producers and the shippers who subscribed for the additional capacity. The works will be repaid with a new tariff charge that will ultimately be paid by clients with firm transportation contracts, excluding residential users.

Although the expansion projects described above have not adversely affected our results of operations or financial condition, we cannot assure you that future expansion projects will not have such adverse effects.

#### Government-mandated interruption of contracted firm transportation services

In 2004, the Executive Branch issued Presidential Decree No. 181/04 directing the Federal Energy Bureau to establish a system of priority pursuant to which power stations and natural gas distribution companies (for their residential clients) could receive natural gas in priority to other users, even those with firm transportation and firm natural gas supply contracts. Pursuant to ENARGAS Resolution No. 1,451/2011, due to the lack of sufficient natural gas provision, natural gas transportation service (including those with firm transportation contracts) may be interrupted and / or relocated in order to service power stations and natural gas distribution companies and that ENARGAS will set the priority of transportation in such cases.

Since February 2008, natural gas delivery has been managed by a committee (formed by government officials from the Domestic Commerce Bureau (the “**Domestic Commerce Bureau**”), MPFIPyS and ENARGAS), who makes adjustments to the daily natural gas deliveries considering the availability of natural gas and the demand of residential consumers and power plants (the latter provided by Compañía Administradora del Mercado Mayorista Eléctrico S.A., which administers the electricity market). If there is not sufficient natural gas availability, this committee decides how to allocate the available volumes among the different types of consumers by interrupting the natural gas exports and the supply to certain big industries (mainly petrochemicals companies, including our Liquids processing facility, the Cerri Complex), without considering if they have firm or interruptible contracts of natural gas supply and/or transportation.

During the winter of 2007, when demand for natural gas was unusually high, natural gas production did not meet demand. At no time did transportation capacity constitute a bottleneck for the supply of available natural gas to the market. However, the transportation system was affected because the Government expressly instructed us to redirect natural gas deliveries to supply power plants, residential users and vehicles according to instructions from the governmental committee referred to above during the emergency, without considering whether other users had firm or interruptible natural gas supply and/or transportation contracts.

In 2008, 2009 and 2010, natural gas demand from the residential segment was lower than in 2007 as a direct consequence of warmer weather in these years. During these same periods, higher demand from the industrial and electric power plants sectors was observed and since 2011, natural gas demand has increased for all users (residential and industrial). This increased demand has resulted in a supply shortage. Although the natural gas supply shortage did not create a bottleneck in the transportation capacity for

meeting the total demand from the system, the Government continued to impose restrictions between 2011 and 2014 on the consumption of natural gas by certain customers that hold firm transportation contracts with us, in an effort to redirect and target the supply to the demand regarded as top priority, mainly residential users, compressed natural gas stations and industries connected to the distribution network.

Although neither our results of operations nor our financial condition have been materially adversely affected by transportation service interruptions since 2007 as described above, we cannot assure you that similar interruptions will not in the future materially adversely affect our results of operations or financial condition. As of the date of this Annual Report, one of our clients (Profertil S.A.) brought a legal action against us, in respect of service interruptions in 2007. In that action, ENARGAS ruled in our favor alleging that there was a shortage of natural gas provision. However, we cannot assure you that future interruptions of supply to our firm natural gas transportation clients will not lead to further legal action, which could have a significant adverse economic and financial effect on us.

***Natural gas arriving from the Neuquina basin has declined in volume since 2009. Our Liquids production depends on the natural gas that arrives at the Cerri Complex through three main pipelines from the Neuquina and Austral natural gas basins. The flow and caloric power of this natural gas are subject to risks that could materially adversely affect our Liquids and midstream business segment.***

Argentina relies heavily on natural gas. However, its natural gas reserves are declining. There is some risk that natural gas production will continue to decrease in the future and that new exploration will not compensate for such decline, which would adversely affect our Liquids business segment by reducing the amount of natural gas flowing to the Cerri Complex and, therefore, the amount of Liquids we produce. In addition, the reduction in the production of natural gas could affect the flow of natural gas provided for our midstream clients for its compression and treatment.

44.9% of the natural gas transported by our system in 2014 originated in the Neuquina basin with the remainder coming primarily from the Austral basin. Since 2009, the quality and the volume of natural gas injected from the Neuquina basin has been lower (as a consequence of the reduction of natural gas production in this basin) and not appropriate for processing in the Cerri Complex, negatively impacting our level of output from this facility. As a consequence of this lower output of natural gas from the Neuquina basin, we have had to buy natural gas at higher prices causing an increase in the cost of Liquids production and commercialization activities for our own account that reduces our profit from these activities.

In 2009, non-conventional natural gas was discovered in the Neuquina basin by YPF, which at that time was a subsidiary of Repsol S.A. This natural gas reserve is at the beginning stages of its exploration and exploitation, which will require several years and involve high extraction costs. Since the expropriation of YPF in 2012, the Government has played an important role signing agreements with foreign and local oil companies in order to develop an investment plan, which allows for the increase of the reserves of this basin. As a consequence of the measures taken by the Government to ensure production levels, during 2014, natural gas production in 2014 has shown the lowest reduction of the past 10 years (approximately 0.5% compared with 2013 production).

We cannot assure you, however, that this new natural gas reserve at the Neuquina basin, or any other measures taken by the Government to increase natural gas production and supplies, will be successful in increasing Argentine natural gas reserves, or the extent to which our midstream or Liquids production and commercialization businesses could be adversely affected by a sustained decrease in the production of natural gas.

***Increased competition in the Liquids business could adversely affect our net revenues.***

Since 2002, our Liquids business has represented an increasingly substantial proportion of our business, measured in terms of revenues. In 2014, 75.4% of our net revenues were from our Liquids production and commercialization segment.

In 2000, a natural gas processing plant was built upstream of the Cerri Complex by Compañía MEGA S.A. (“MEGA”), a *sociedad anónima* owned by YPF, Petrobras International Braspetro B.V. and Dow Investment Argentina S.A. Any resulting lower volumes of natural gas arriving at the Cerri Complex for Liquids processing as a result of the activities of this natural gas processing plant, or any other project



that eventually may be developed upstream of the Cerri Complex, could adversely affect our revenues from Liquids production and commercialization services and therefore, our net revenues.

***Measures taken by the Government may have an adverse effect on the supply of natural gas to, and the costs to produce Liquids from, the Cerri Complex, which may adversely affect revenues or costs in our Liquids production and commercialization segment, our business, and results of operations.***

As described above, actions taken by the Government during the winter periods of recent years resulted in natural gas being redirected away from certain users, including the Cerri Complex, towards priority users, including residential customers. See “—In order to mitigate the energy crisis, the Government has initiated new strategies, measures and programs with respect to the natural gas transportation industry, including the expansion of our pipeline and the interruption of natural gas firm transportation service, which could materially adversely affect our business, results of operations and financial condition” above. During the winter of 2007, processing at the Cerri Complex was interrupted for an equivalent of 27 days. As a result, Liquids production in 2007 was the lowest recorded since 2002. From 2008 to 2010, the Cerri Complex suffered fewer interruptions, mainly due to the use of regasified natural gas from a liquefied natural gas regasification tanker. During the winter of 2014, processing at the Cerri Complex was interrupted as a result of continued governmental actions to ensure natural gas supply to the domestic market. Any diversion of the supply of natural gas from the Cerri Complex may require us to purchase natural gas from third parties to supply our Liquids business, which may result in increased costs. If we are unable to purchase natural gas from other sources, the volume of our Liquids productions may decrease.

Additionally, in 2013 the ENARGAS issued Note No. 04624/2013, which regulated peak natural gas prices for industrial users and increased the price at which we purchase natural gas to be processed in the Cerri Complex. For further information see, “Item 4 – Our information – Business overview – Liquids production and commercialization.” Any additional increase in the costs of our Liquids production and commercialization segment, or decrease in the volume of Liquids processed may adversely affect our revenues, business and results of operations.

Although our Liquids production and commercialization activities are not subject to regulation by ENARGAS, the Government has taken certain regulatory actions in recent years that have affected our Liquids business. For example, in April 2005, the Government enacted Law No. 26,020 which set the framework by which the Federal Energy Bureau establishes regulations over LPG suppliers to guarantee supply and price stability of LPG products in the domestic market. Through Decree No. 2,067/08, the Executive Branch created a charge to be paid by (i) the users of regulated services of transportation and / or distribution, (ii) natural gas consumers receiving natural gas directly from producers without making use of transportation systems or natural gas distribution, (iii) the natural gas processing companies in order to finance the import of natural gas (the “**natural gas processing charge**”). The payment of the natural gas processing charge was selectively subsidized from 2008 according to the destination of the natural gas benefiting low income residential users. In November 2011, however, ENARGAS issued Resolution No. 1,982/11 and 1,991/11 (the “**Gas Charge Resolutions**”) which modified the list of the subsidy beneficiaries, and thus, involved a cost increase for many of our clients and for us (specifically for the consumption of natural gas for our own account). The natural gas processing charge increased from Ps. 0.049 to Ps. 0.405 per cubic meter of natural gas effective from December 1, 2011, representing a significant increase in our variable costs of natural gas processing.

In response, in order to avoid an adverse effect on our Liquids business as a result of the implementation of the Gas Charge Resolutions, we initiated legal proceedings against the Decree No. 2,067/08 and the Gas Charge Resolutions, including the Government, ENARGAS and MPFIPyS as defendants. On July 10, 2012, we obtained from the Lower Court in administrative federal matters based in the Autonomous City of Buenos Aires, a preliminary injunction that provides that we are exempt from the billing and the payment of the natural gas processing charge increase under the Gas Charge Resolutions, pending the final resolution of the proceedings. This decision was confirmed on April 7, 2014 by the relevant Court of Appeals, but only for a period of six months. We appealed this decision before the Supreme Court of Justice to challenge the limited duration of the Court of Appeals order. Most recently, we requested and obtained a new preliminary injunction, which will expire on September 2015. However, we cannot assure you that this dispute will be resolved in our favor, or that amounts payable under the natural

gas processing charge will not be required to be paid in the future, or on a retroactive basis, if we are unsuccessful in our claim.

Our management believes that this dispute will be successful, despite the fact that the Supreme Court of Justice recently ruled in favor of the legality of the charge applicable to residential consumers. Our management takes this position because the Supreme Court has not issued a final decision on the legality of the charge for liquids hydrocarbon producers such as us. Therefore, we have not recorded the increased charge for natural gas consumption from July 10, 2012 (the date of obtaining the injunction) to the date of this Annual Report. The increased natural gas processing charge that was recorded in our financial results for the year ended December 31, 2012, resulted in an increase of Ps. 135.1 million in our cost of sales for 2012. If the injunction had not been obtained, the impact of the Gas Charge Resolutions, assuming that we were able to recover the charge in the sale price of our Liquids, would have had a significantly negative impact on our future results of operations. We estimate that the impact of the Gas Charge Resolutions for the year ended December 31, 2014, assuming that we were able to recover the charge in the sale price of the product, would have resulted in an additional net expense of Ps. 182.8 million and a net loss for the year ended December 31, 2014. In addition, the cumulative impact on retained earnings since we obtained the injunction would have been a reduction of Ps. 372.3 million.

In March 2012, the Government announced that it had decided to suspend these subsidy changes for residential consumers; however, no effective date for the suspension has been announced yet. We cannot assure you that the Government will suspend the subsidy changes, or will not reinstate its plan for subsidy reductions.

We cannot provide any assurance that our Liquids production and commercialization business will not be subject to any further actions from the Government, which may have a material adverse impact on our business and results of operations.

***Fluctuations in market prices and the enactment of new taxes or regulations limiting the sales price of LPG and natural gasoline may affect our Liquids business.***

We extract LPG and natural gasoline from natural gas delivered to the Cerri Complex and sell LPG and natural gasoline on behalf of customers and for our own account. As a result of the deterioration of our natural gas transportation segment, operations relating to our Liquids production and commercialization have represented more than 50% of our total net revenues since 2003. Since 2009, the international market for Liquids has been favorable, driven by strong international prices for LPG and natural gasoline. However, as a consequence of the reduction in oil prices, which began in the second half of 2014, our average liquids sales prices were lower than the ones recorded in 2013. High volatility and a downward trend in oil and liquids prices continued during the first quarter 2015.

In recent years, the Government issued a series of measures, which significantly affected our Liquids production and commercialization segment. Since 2002, LPG and natural gasoline exports have been subject to a withholding tax on exports. After several modifications, in March 2008, the Government introduced a “sliding-scale” regime for LPG and natural gasoline, where the withholding rate (in percentage) would increase to the same extent as the international reference prices.

Furthermore, in the domestic market, since September 2008, the Federal Energy Bureau and LPG producers, among others, signed an agreement on the price stabilization of the butane bottles whereby the industry players committed to a substantial reduction in the price of butane bottles (the “**Stabilization Agreement**”). Because the Stabilization Agreement requires us to produce and market LPG volumes required by the Federal Energy Bureau at prices significantly below the market, we are unable to cover LPG production costs, leading to a negative operating margin. On March 30, 2015, the Executive Branch enacted Decree No. 470/2015, which was regulated by Resolution No. 39/2015 issued by the Federal Energy Bureau. The decree and the resolution mentioned above modify the framework applied for the sale of LPG bottles.

In December 2014 and February 2015, the MEF modified the rates applicable for the export of natural gasoline and propane and butane. After the enactment of these modifications, the minimum tax rate is 1%. This is the rate in effect given the low price environment.

For further information see: “Item 4. Our information. B. Business Overview. Liquids Production and Commercialization.”

In addition, any increase in the price of natural gas in the domestic market relative to the reference international prices of LPG and natural gasoline, could cause natural gas producers to sell natural gas rather than process it at the Cerri Complex, resulting in a reduction in the volumes of Liquids processed for customers or for our own account and a corresponding reduction in our revenues from the Liquids production and commercialization segment.

The above-mentioned factors have contributed to decrease the operating margins which we achieve in this segment. Accordingly, any additional decline in international prices of LPG or natural gasoline, new regulations issued regarding the cost and availability of the natural gas used in the production of Liquids or the impossibility of reducing the impact of the current withholding export taxes scheme, may continue to materially adversely affect our results of operations and financial condition.

***Our ethane sales depend on the capacity of PBB Polisur S.A. (“PBB”), as the sole purchaser of our ethane production.***

We sell all our ethane to PBB under a 10-year agreement expiring on December 31, 2015. The price for ethane was fixed until December 2007. Since then, at the beginning of each year the price has been subject to an annual adjustment based on various factors, including the PPI (which variation cannot be higher than 1% per year), the natural gas price, and the quality of the ethane shipped by us and the transportation tariffs and charges. Prices under this contract have increased in U.S. dollars 22.4%, 9.0%, 5.0%, 6.6%, 9.0%, 11.9% and 4.3% in 2008, 2009, 2010, 2011, 2012, 2013 and 2014, respectively, as compared to the prior year’s price. If we are not able to reach an agreement with PBB on the ethane price within a six-month period, as set forth in our agreement with PBB, such agreement may be terminated. Any ethane obtained at the Cerri Complex that cannot be sold to PBB is reinjected into the pipeline. Ethane sales represented 29.7% and 27.6% of our Liquids production and commercialization business segment revenues in 2014 and 2013, respectively.

During 2014, ethane sale volumes were lower in the summer because our only ethane client, PBB, gave priority to the product provided from another supplier, for commercial reasons. In addition, in recent years, PBB has suffered several adverse operational conditions that affected its capacity to purchase our ethane production. However, the ethane agreement signed between PBB and us, includes, among other conditions take or pay (“TOP”) and delivery or pay (“DOP”) commitments for minimum annual quantities of 370,373 short tons per year. Under these conditions, if either of the parties does not comply with the TOP or DOP conditions, that party will be required to compensate the other party for breach of the minimum annual quantities commitment.

We cannot assure you that these adverse conditions affecting PBB will not occur again in the future. Any future unwillingness or inability of PBB to purchase our ethane production may materially affect our results of operations and financial condition.

***Certain customers of our natural gas transportation segment have defaulted on their obligations to us and could extend the terms of cancellation of their obligations in the future. Defaults on or deferrals of payments by our customers, or our inability to renew natural gas firm transportation contracts maturing in the short-term, may adversely affect our natural gas transportation segment revenues.***

In October 2012, MetroGAS S.A. (“MetroGAS”), a major Argentine natural gas distribution company and one of our most significant customers, unilaterally modified the terms of its payment obligations with suppliers and transporters of natural gas, including us, due to its deteriorating financial condition, thus making partial payments and extending the terms of its payment obligations. Finally, on December 30, 2013, MetroGAS repaid in full the total amount of its outstanding debt. The lack of progress for natural gas distribution companies in renegotiating their licenses with the Government according to the terms of Public Emergency Law may cause other customers not to fulfill their payment obligations under the natural gas firm transportation contracts entered with us. Extensions in the collection term and payment obligations could be agreed in such contracts. However, we cannot assure you that our natural gas distribution company customers in Argentina, will not default in the future, and therefore negatively impact our financial position.

Considering the diminishing supply of natural gas from the Neuquina basin, we cannot assure you that the natural gas transportation contracts that expire in the short term will be renewed. In addition, after the issuance of Resolution No. 95/2013, which empowers the Federal Energy Bureau to set a defined price for the purchase of energy by the Federal Energy Bureau from power plants, and to manage the supply of natural gas to power plants, it is possible that our power plant customers will not renew their natural gas firm transportation contracts with us, because the power plant could be unable to recognize the cost of purchasing gas from us as a cost to providing energy under the new regulations. For these reasons, we cannot assure you that our natural gas firm transportation contracts will be renewed in whole or in part in the existing routes or by the current customers. If we are unable to renew the majority of our natural gas firm transportation contracts as they mature, our revenues, business and results of operation could be adversely affected.

***The affirmative and restrictive covenants in our currently outstanding indebtedness could adversely restrict our financial and operating flexibility and subject us to other risks.***

The terms of our currently outstanding indebtedness provide for numerous affirmative and restrictive covenants that limit our ability to, among other things, create liens, incur additional debt, pay dividends, acquire shares of stock and make payments on subordinated debt, enter into transactions with affiliates, sell assets, or consolidate, merge or sell substantially all of our assets.

These restrictions may limit our ability to operate our businesses and may prohibit or limit our ability to enhance our operations or take advantage of potential business opportunities as they arise. The breach of any of these covenants by us or the failure by us to meet any of these conditions could result in a default under any or all of such indebtedness. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions and the renegotiation of public works and licenses process. In addition, if we are unable to generate sufficient cash flow from operations, we may be required to refinance outstanding debt or to obtain additional financing. We cannot assure you that a refinancing would be possible or that any additional financing would be available or obtained on acceptable terms.

***Our insurance policies may not fully cover damage or we may not be able to obtain insurance against certain risks.***

As of December 31, 2014, our physical assets are insured for up to US\$ 2,215 million subject to certain deductibles. We maintain insurance policies intended to mitigate our losses due to customary risks. These policies cover our assets against loss for physical damage, loss of revenue and also third party liability. However, we cannot assure you that the scope of damages suffered in the event of a natural disaster or catastrophic event would not exceed the policy limits of our insurance coverage. We maintain all-risk physical damage coverage for losses resulting from, but not limited to, earthquakes, fire, explosions, floods, windstorms, strikes, riots, mechanical breakdowns and business interruption. Our level of insurance may not be sufficient to fully cover all losses that may arise in the course of our business or insurance covering our various risks may not continue to be available in the future. In addition, we may not be able to obtain insurance on comparable terms in the future. We may be materially and adversely affected if we incur losses that are not fully covered by our insurance policies or if we are required to disburse significant amounts from our own funds to cover such losses.

***Changes in the interpretation by the courts of labor laws that tend to favor employees could adversely affect our results of operations.***

In addition to our employees, we rely on a number of third party service providers to outsource certain services. We follow very strict policies to control the compliance by such third party service providers with their labor and social security obligations. However, due to changes in the interpretation by the courts of labor laws that tend to favor employees in Argentina, companies' labor and social security obligations towards their own employees and employees of third party service providers have significantly increased. As a result of the foregoing, potential severance payment liabilities have significantly increased and, in the event any third party service provider fails to duly comply with its labor and social security obligations towards its employees, we may be faced with litigation by employees of such third party service provider to hold us liable for the payment of any labor and social security obligations defaulted by any such

third party services provider. Therefore, our labor costs may increase as our indemnification responsibilities and costs expand, adversely affecting the result of our operations.

***We may be exposed to risks related to litigation and administrative proceedings that could materially and adversely affect our business and financial performance in the event of an unfavorable ruling.***

Our business may expose us to litigation relating to labor, environmental, health and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes, criminal prosecution, among other matters. In the context of these proceedings we may not only be required to pay fines or money damages but also be subject to complementary sanctions or injunctions affecting our ability to continue our operations. While we may contest these matters vigorously and make insurance claims when appropriate, litigation and other proceedings are inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation or proceedings. Although we may establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process.

### **Risks Relating to Our Shares and ADRs**

***Shareholders outside Argentina may face additional investment risk from currency exchange rate fluctuations in connection with their holding of our shares or American Depositary Receipts (“ADRs”). Exchange controls imposed by the Argentine Government may limit our ability to make payments to the Depositary in U.S. dollars, and thereby limit ADR holders’ ability to receive cash dividends in U.S. dollars.***

We are an Argentine company and any future payments of dividends on our shares will be denominated in pesos. The peso has historically fluctuated significantly against many major world currencies, including the U.S. dollar. A depreciation of the peso would likely adversely affect the U.S. dollar or other currency equivalent of any dividends paid on our shares and could result in a decline in the value of our shares and ADSs as measured in U.S. dollars.

Since 2011, Argentine companies are required to obtain prior approval from BCRA and Argentine tax authorities in order to engage in certain foreign exchange transactions. Thus, our shareholders’ ability to receive cash dividends in U.S. dollars may be limited by the ability of the Depositary for our ADR program to convert cash dividends paid in Pesos into U.S. dollars. Under the terms of our deposit agreement for the ADRs, to the extent that the Depositary can in its judgment, and in accordance with local exchange regulations, convert Pesos (or any other foreign currency) into U.S. dollars on a reasonable basis and transfer the resulting U.S. dollars abroad, the Depositary will as promptly as practicable convert or cause to be converted all cash dividends received by it in Pesos on the deposited securities into U.S. dollars. If in the judgment of the Depositary this conversion is not possible on a reasonable basis (or is not permitted by applicable Argentine laws, regulations and approval requirements), the Depositary may distribute the pesos received or in its discretion hold such currency uninvested without liability for interest thereon for the respective accounts of the owners entitled to receive the same. As a result, if the exchange rate fluctuates significantly during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the dividend distribution.

***Principal shareholders exercise significant control over matters affecting us, and may have interests that differ from those of our other shareholders.***

As of the date of issuance of this Annual Report, our controlling shareholder, CIESA owns 51% of our total common shares, represented by Class A common shares. CIESA is a party to a Shareholders’ Agreement, together with Petrobras Argentina S.A. (“**Petrobras Argentina**”), Petrobras Hispano Argentina S.A. (together, the “**Petrobras Argentina Group**”), the CIESA Trust (whose trustee is The Royal Bank of Scotland N.V. Sucursal Argentina) (the “**Trust**”), and Pampa. This Shareholders’ Agreement, governs certain matters relating to shareholder participation in CIESA and in us. As a result of its significant shareholding and contractual obligations, CIESA is in a position to direct our management, to control the election of a majority of the Board of Directors, to determine our dividend and other policies and to generally determine the outcome of any matter put to a vote of our shareholders.

We cannot assure you that the interests of our principal shareholders will not diverge from interests of our other investors. See “Item 7. Major Shareholders and related party transactions.”

***Sales of a substantial number of shares could decrease the market prices of our shares and the ADSs***

CIESA holds the 51% of our Class A shares. Pursuant to the *Pliego de Bases y Condiciones para la Privatización de Gas del Estado S.E.* (the “**Pliego**”) and the terms of the 2007 and 2014 Notes, CIESA may not reduce its shareholding below 51% of our share capital without the competent authorities’ approval. The market prices of our common shares and ADS could decline as a result of sales by our existing shareholders, such as the ANSES, or of any other significant shareholder of common shares or ADSs in the market, or the perception that these sales could occur.

***Under Argentine law, shareholder rights may be fewer or less well defined than in other jurisdictions***

Our corporate affairs are governed by our By-laws, the Commercial Companies Law and Law No. 26,831 (the “**Capital Market Law**”), which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States or in other jurisdictions outside Argentina. In addition, rules governing the Argentine securities markets are different and may be subject to different enforcement in Argentina than in other jurisdictions.

***Holders of ADSs may be unable to exercise voting rights with respect to the Class B shares underlying the ADSs at our shareholders’ meetings***

The Depositary will be treated by us for all purposes as the shareholder with respect to the shares underlying your ADSs. As a holder of ADRs representing the ADSs being held by the depositary in your name, you will not have direct shareholder rights and may exercise voting rights with respect to the Class B Shares represented by the ADRs only in accordance with the deposit agreement relating to the ADSs. There are no provisions under Argentine law or under our By-laws that limit the exercise by ADS holders of their voting rights through the Depositary with respect to the underlying Class B Shares. However, there are practical limitations on the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with these holders. ADS holders may be unable to exercise voting rights with respect to the Class B Shares underlying the ADSs as a result of these practical limitations.

## **Item 4. Our Information**

### **A. Our History and Development**

#### **General**

#### Operations

We commenced commercial operations on December 29, 1992, as the largest company created in connection with the privatization of GdE, the Argentine state-owned natural gas company, whose integrated operations included natural gas transportation and distribution. GdE was divided into ten companies; two transportation companies and eight distribution companies.

Our legal name is Transportadora de Gas del Sur S.A., but we also conduct business under the name TGS. We are a *sociedad anónima*, incorporated with limited liability under Argentine law on December 1, 1992. Our registered offices are located at Don Bosco 3672, 5th Floor, Buenos Aires (C1206ABF), Argentina, our telephone number is (54 11) 4865-9050 and our web address is [www.tgs.com.ar](http://www.tgs.com.ar). Our contact agent in New York is Grayling, its telephone number is (646) 284-9416.

We are currently the largest transporter of natural gas in Argentina, delivering, as of December 31, 2014, 60.4% of the total gas transported in Argentina, through 5,675 miles of pipeline, of which we own 4,745 miles. We operate the remaining 930 miles, which are owned by the Gas Trusts, for a fee. Substantially all of our transportation capacity, approximately 2.3 Bcf/d as of December 31, 2014, is subscribed for under firm long-term natural gas transportation contracts. Natural gas transportation



### Controlling shareholders

Our controlling shareholder is CIESA, which holds 51.0% of our common stock. ANSES owns 23.1% of our common stock. Other local and foreign investors hold the remaining shares of our common stock. CIESA is under co-control of: (i) the Petrobras Argentina Group, which holds 50% of CIESA's common stock and (ii) the Trust, whose trustee is the Royal Bank of Scotland N.V. Sucursal Argentina, which has a trust shareholding of 40.0%. The remaining 10.0% is held by PEPCA (a subsidiary of Pampa).

Due to the Argentine macroeconomic situation, starting with the enactment of the Public Emergency Law, CIESA did not pay at maturity, in April 2002, either the principal or the last interest installment of their notes issued in 1997 for a nominal value of US\$ 200 million, or amounts due under the cap and collar interest rate agreements.

In April 2004, Petrobras Argentina Group and Enron, at that time CIESA's only shareholders, entered into a master settlement agreement (the "**Master Settlement Agreement**") to provide the necessary flexibility to move forward in restructuring CIESA's financial debt. Thus, on September 1, 2005, CIESA, Petrobras Argentina Group, PEPCA, the Trust and its creditors executed a restructuring agreement of CIESA's financial debt (the "**Restructuring Agreement**"), which was subject to approval by the ENARGAS and the *Comisión Nacional de Defensa de la Competencia* ("CNDC"). The Restructuring Agreement was the subject of a number of legal claims before the Courts of New York starting in January 2009.

On May 10, 2011 CIESA entered into a Memorandum of Understanding with Petrobras Argentina Group, Pampa, Pampa Inversiones S.A. ("**PISA**") and Inversiones Argentina I Ltd. ("IAI" and together with Pampa and PISA, the "**Pampa Group**"), which also became the holder of the notes and on May 18, 2011, the parties to the CIESA Restructuring Agreement by which Pampa Group entered the agreement.

On October 5, 2011, by note No. 11,362, ENARGAS stated that it had no objections to the Restructuring Agreement and that such agreement may be enforced once CNDC approval is obtained. As of the date of issuance of this Annual Report, the CIESA Restructuring Agreement remains subject to approval by the CNDC.

On July 13, 2012, CIESA, Pampa Group and Petrobras Argentina Group entered into a settlement agreement (the "**2012 Settlement Agreement**") whereby all parties involved waived all claims, title and interest under the lawsuit before the New York State Courts and terminated the existing lawsuits before such courts. As a result of the 2012 Settlement Agreement, CIESA paid off all of its financial debt by means of (i) the transfer to Pampa Group of 4.3% of TGS' shares; (ii) the payment of US\$129.9 million; (iii) the release of the remaining financial debt, and (iv) execution of a fifth amendment to the Restructuring Agreement. It was agreed that upon obtaining the governmental approval, Pampa Group would receive, as beneficiary of the Trust, shares representing 40% of CIESA's capital stock which are held in the Trust.

### Capital expenditures

From January 1, 2012 through December 31, 2014, our aggregate capital expenditures amounted to approximately Ps. 840.1 million. Such capital expenditures include Ps. 60.3 million related to our natural gas transportation system expansions, which were carried out under prepayment schemes, Ps. 470.7 million related to improvements to our gas transportation system, Ps. 157.5 million related to liquids production and commercialization activities and Ps. 151.6 million related to other services activities. Information relating to the size and financing of future investments is included in "Item 5. Operating and Financial Review and Prospects."

During 2012, YPF subscribed to 4.2 MMcf/d additional transportation capacity. The pipeline expansion works related to this incremental service involve an investment of approximately US\$3.0 million (Ps. 14.7 million using the exchange rate as of December 31, 2012). The works are financed through the advance payment for service from YPF.

In addition, in 2013 we reached an agreement with PBB to build a new storage tank in our loading and storage facility located in Puerto Galván, Province of Buenos Aires. The new tank will have a net total capacity of approximately 5,500 short tons. The related works will require an investment of approximately



US\$ 11.0 million (Ps. 71.7 million using the exchange rate as of December 31, 2013). The works were financed through the advance payment for service from PBB.

## B. Business Overview

### NATURAL GAS TRANSPORTATION

As a transporter of natural gas, we receive natural gas owned by a shipper, usually a natural gas distributor, at one or more intake points on our pipeline system for transportation and delivery to the shipper at specified delivery points along the pipeline system. Under applicable law and our License, we are not permitted to buy or sell natural gas except for our own consumption and to operate the pipeline system. See “—Regulatory Framework” below for more information.

Our pipeline system connects major natural gas fields in southern and western Argentina with distributors and other users of gas in those areas and the greater Buenos Aires area. Transportadora de Gas del Norte S.A. (“TGN”), the only other natural gas transportation operating company that supplies the Argentine market, holds a similar license with respect to the northern pipeline system, which also provides natural gas transportation services to the greater Buenos Aires area.

Natural gas transportation services accounted for 17.3% and 23.1% of our total net revenues in the years ended December 31, 2014 and 2013, respectively. In 2014, 81.7% of our average daily natural gas deliveries were made under long-term firm transportation contracts. (See “—Customers and Marketing” below.) Natural gas firm transportation contracts are those under which capacity is reserved and paid for regardless of actual usage by the customer. Almost all of our natural gas firm contracted capacity is currently subscribed for at the maximum tariffs allowed by ENARGAS. During 2014, the amount of net revenues derived from natural gas firm transportation contracts was approximately Ps. 581.6 million, representing 78.2% of the total net revenues for the natural gas transportation segment. Substantially all of our remaining natural gas deliveries were made under natural gas interruptible transportation contracts entered into predominantly with four natural gas distribution companies and industrial customers. Interruptible contracts provide for the transportation of natural gas subject to available pipeline capacity. The Argentine government has at times directed us to interrupt supply to certain customers and make deliveries to others without regard to whether they have natural gas firm or interruptible contracts (see “Regulatory Framework—Industry Structure” below for more information).

### Customers and Marketing

Our principal service area is the greater Buenos Aires region in central-eastern Argentina. We also serve the more rural provinces of western and southern Argentina. As of December 31, 2014, our service area contains 5.8 million end-users, including 3.9 million customers in greater Buenos Aires. Direct service to residential, commercial, industrial and electric power generation end-users is mostly provided by four gas distribution companies in the area, all of which are connected to our pipeline system: MetroGAS, Gas Natural Ban, S.A. (“BAN”), Camuzzi Gas Pampeana S.A. (“Camuzzi Pampeana”) and Camuzzi Gas del Sur S.A. (“Camuzzi Sur”). These natural gas distribution companies serve in the aggregate 65.0% of the natural gas distribution market in Argentina. The other five Argentine distribution companies are located in and serve northern Argentina and are not connected directly to our pipeline system.

The table below contains certain information for 2014, as it relates to the distribution companies that are connected to our pipeline system:

<u>Company</u>	<u>Annual Deliveries (Bcf)</u>	<u>% of Market Served</u>	<u>No. of End-Users (in millions)</u>	<u>% of deliveries received from us</u>
MetroGAS <sup>(1)</sup>	228.5	21.0%	2.3	88%
Camuzzi Pampeana <sup>(1)</sup>	172.9	15.9%	1.3	98%
Camuzzi Sur	165.6	15.2%	0.6	100%
BAN <sup>(1)</sup>	139.1	12.8%	1.6	66%
		<u>65.0%</u>	<u>5.8</u>	

<sup>(1)</sup>Also connected to the TGN system.

Source: ENARGAS

The firm average contracted capacity for our four largest distribution customers, Petrobras Argentina Group and for all other customers, as a group, as at December 31, 2014 and 2013, together with the corresponding net revenues derived from natural gas firm transportation services during such years and the net revenues derived from interruptible services during such years are set forth below:

	As of December 31,					
	2014		2013		2012	
<i>Firm:</i>	Average firm contracted capacity (MMcf/d)	Net revenues (millions of pesos)	Average firm contracted capacity (MMcf/d)	Net revenues (millions of pesos)	Average firm contracted capacity (MMcf/d)	Net revenues (millions of pesos)
MetroGAS	766	194.9	780	183.7	780	184.3
Camuzzi Pampeana	470	108.7	470	99.6	470	98.1
BAN	346	78.9	346	70.6	346	70.5
Camuzzi Sur	381	26.3	381	23.9	381	24.4
Petrobras Argentina Group	127	30.2	131	31.7	106	32.4
Others	752	156.1	780	118.9	833	91.8
<b>Total firm</b>	<b>2,842</b>	<b>595.1</b>	<b>2,888</b>	<b>528.4</b>	<b>2,916</b>	<b>501.5</b>
<i>Interruptible and others:</i>		149.0		132.6		101.9
<b>Total</b>	<b>2,842</b>	<b>744.1</b>	<b>2,888</b>	<b>661</b>	<b>2,916</b>	<b>603.4</b>

During 2014, we renewed our long-term firm transportation contracts having a total capacity of 1,176.0 MMcf/d for an average term of 6.5 years for the route from Neuquina basin.

Notwithstanding the successful results of the bidding process during 2014, the principal risk with respect to our long-term firm transportation contracts will be the renewal of the contracts for the route from Neuquén, considering the diminishing supply of natural gas from this basin. In addition, after the issuance of resolution No. 95/2013, our power plant customers may decide not to renew their firm transportation contract with us. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business.” In 2015, we will start negotiations with clients for the renewal of the agreements that expire in the first half of the year for an 88.3 MMcf/d firm transportation capacity.

## Pipeline Operations

**Pipeline Deliveries.** The following table sets forth our average daily natural gas firm and interruptible transportation deliveries for 2014, 2013 and 2012:

<i>Firm:</i>	For the year ended December 31,		
	2014	2013	2012
	Average daily deliveries (MMcf/d)	Average daily deliveries (MMcf/d)	Average daily deliveries (MMcf/d)
MetroGAS	590	611	629
Camuzzi Pampeana	374	371	346
Camuzzi Sur	254	254	254
BAN	237	254	247
Others	431	470	590
<b>Subtotal firm</b>	<b>1,886</b>	<b>1,960</b>	<b>2,066</b>
<b>Subtotal interruptible</b>	<b>424</b>	<b>367</b>	<b>247</b>
<b>Total</b>	<b>2,310</b>	<b>2,327</b>	<b>2,313</b>
Average annual load factor <sup>(1)</sup>	81%	80%	79%
Average winter heating season load factor <sup>(1)</sup>	75%	73%	77%

<sup>(1)</sup> Average daily deliveries for the period divided by average daily firm contracted capacity for the period, expressed as a percentage

In 2014 and 2013, we committed substantial efforts and resources to ensure the reliable and efficient operation of our pipelines. Our pipeline system adequately met natural gas transportation demand in 2014, presenting zero service interruptions and complying with the high required operational standards.

We were able to achieve this level of service due in part to several maintenance, prevention and inspection measures. These measures include an in-line inspection program during 2014 and 2015 that will

cover 1,887 miles of pipeline using several technologies to identify, assess and control threats to the integrity of pipelines such as external corrosion and material and geometrical defects.

We also programmed recoating works in 14 km of pipeline, to be completed during 2014 and 2015, as well. The program started in December 2014, in the vicinities of San Antonio, Río Negro.

In 2013, we actively cooperated with Energía Argentina S.A. (“**ENARSA**”) for the connection of one of its natural gas re-gasifying tankers (further discussed below) to our pipeline system, which allowed an increase in the volume of the natural gas supply during winter demand peaks.

**Pipeline Expansions.** In light of the lack of expansion of the natural gas transportation system in 2002 and 2003 (as a consequence of the “pesification” of tariffs and the fact that the renegotiation of the License was still pending) and a growing natural gas demand in all segments of the Argentine economy, the Argentine government established in April 2004, through Decree No. 180/04 and Resolution No. 185/04 issued by MPFIPyS, the framework for the creation of various Gas Trusts aimed at financing the expansion of the natural gas transportation system in a different manner from that established in the License.

In 2005, the first Gas Trust was constituted to carry out the First Expansion. The First Expansion, completed in August 2005, was achieved through the construction of approximately 316 miles of pipeline and a compression capacity increase of 30,000 HP through the construction of a new compressor plant and the revamping of some existing units. The Gas Trust invested approximately US\$311 million, which was repaid by applying 20% of the revenues generated by the additional firm contracted capacity plus a surcharge, which is ultimately paid by industries, power plants and compressed natural gas (“**CNG**”) suppliers for whom gas transportation supply is made under firm contracts. To cover part of the project cost, we invested approximately US\$40 million in the First Expansion (including Value Added Tax (“**VAT**”) in the amount of US\$7 million), which we will recover through our right to collect 80% of the revenues obtained from the additional transportation capacity based on our current tariff rate (but not to the extent of certain increased rate that may apply in the future). These amounts represent annual revenues of approximately Ps. 25 million.

In addition, in April 2006, the MPFIPyS, the Federal Energy Bureau and natural gas transporters, among others, signed a letter of intent to carry out the Second Expansion (the “**Second Expansion**”) which is significantly larger than the First Expansion. The Second Expansion will increase the aggregate transportation capacity of our system by 378 MMcf/d. It involves the installation of over 708 miles of pipeline loops and 196,800 HP of additional power and the construction of a new pipeline in the Magellan Strait (the “**New Magellan Strait Pipeline**”), which permits the transportation of additional natural gas from the Austral basin. As of December 31, 2014, 307 MMcf/d of the Second Expansion project has been completed and is operational. The remaining 71 MMcf/d is expected to be completed in different stages.

The New Magellan Strait Pipeline was completed in March 2010, and is 24 miles long and has a natural gas transportation capacity of 600 MMcf/d. The completion of this new pipeline required the technical support of Petrobras Argentina Group (under the scope of the Technical Assistance Service Agreement, as defined in “Item 4. Our Information—B. Business Overview—Gas Transportation—Pipeline Operations—Technical Assistance Service Agreement” below), which brought to the project its know-how and experience in off-shore activities. The dredging in the seabed and the later laying of the pipeline was carried out by the Dutch consortium of Royal Boskalis Westminster NV and the Allseas Group S.A.

Ownership of the works of the Second Expansion is vested in a second Gas Trust and the investment is financed by other gas trust funds whose trustors are the natural gas producers and the shippers that have or will subscribe to the additional capacity. The works will be repaid with a new tariff charge that will ultimately be paid by the business and industrial users with firm transportation contracts, and not by the residential users. In addition, as the assets related to the Second Expansion are operational, we are in charge of their operation, maintenance (together with the assets related to the First Expansion) through an operation and maintenance agreement (“**O&M Agreement**”) and the rendering of natural gas firm transportation services. In order to compensate us for the operation and maintenance services provided with respect to the incremental transportation capacity associated with the expansions carried out by the Gas Trusts and us since 2006, we are paid a monthly Access and Use Charge (“**CAU**”), which currently is lower than the transportation tariff. The CAU has resulted in increased fees and revenues in our natural gas transportation segment as the expansion works have become operational.

In May 2011, we received *Valores Representativos de Deuda* (“**debt securities**”) from the Gas Trust, issued February 2010, which cancelled the account receivable of Ps. 48.1 million related to services rendered for the 247 MMcf/d expansion works of the Second Expansion. These debt securities were issued in an aggregate principal amount of Ps. 48.1 million, and amortize principal in 85 consecutive and equal monthly installments, and bear interest at the *Coficiente de Estabilización de Referencia* (“**CER**”), or Reference Stabilization Ratio as published by the BCRA, plus a fixed spread of 8% from their date of issue.

In October 2011, we, the Federal Energy Bureau and the trustee of the second Gas Trust agreed on the terms and conditions under which we will manage the operation of the assets associated with the Second Expansion. As compensation for these additional services we will receive a total of Ps. 37 million for the 131 MMcf/d expansion works to complete the Second Expansion, in addition to the debt securities received in May 2011. The amendment agreement provided for an advance payment equal to the 20% of the total remuneration, which was paid, 10% in cash and 90% in the form of additional debt securities from the Gas Trust. The principal of said debt securities amounted to Ps. 31.8 million (including accrued interest) as of December 31, 2014, which are amortized in 96 monthly, consecutive and equal installments and bear interest at CER plus a fixed spread of 8% from their date of issue.

In March 2015, we, the Federal Energy Bureau and the trustee of the second Gas Trust agreed on the terms and conditions under which we will render the management of the works for the assets associated with the construction of two new pipelines. As of the date of issuance of this Annual Report, the final schedule for the construction of these two pipelines has not yet been set.

***Natural Gas Transportation System Improvements.*** In 2014, 2013 and 2012, we made capital expenditures for natural gas transportation system improvements in the aggregate amount of approximately Ps. 118.4 million to continue the enhancement of the natural gas transportation system’s safety and reliability. We operate our pipelines and the pipeline constructed pursuant to the Gas Trust in accordance with Argentine natural gas transmission safety regulations, which are substantially similar to U.S. federal regulations. We believe that, based on the pipeline inspection reports we have received to date and the pipeline repairs and/or replacements being made to the General San Martín and Neuba I and II pipelines, the current operation of the pipeline system poses no significant safety risks. However, in order to identify changes in the safety regulations that our system pipeline has to comply with, we conduct inspections for the purpose of detecting increases in the population density in the areas through which our pipeline system extends. Changes in population densities would imply that we may need to increase safety measures in certain sections of the system.

The “greater” Buenos Aires is the surrounding area of the City of Buenos Aires, including the City of Buenos Aires. The last part of our natural gas transportation system (the “**Buenos Aires ring**”) is located in the greater Buenos Aires, where we transfer natural gas to deliver natural gas to major natural gas distribution companies. At the Buenos Aires ring, on the section ranging from General Rodríguez to General Pacheco, we are conducting a thorough quantitative risk assessments and implementing measures designed to minimize the risk in this segment, which runs through the most densely populated part of Argentina.

Since the commencement of our operations in late 1992, we have implemented measures to ensure that the service would not be interrupted in any relevant consumption center; and in the previous five years we have not had significant ruptures in our natural gas transportation system’s pipeline.

Within the Stress Corrosion Cracking (“**SCC**”) assessment and mitigation plan, we applied the susceptibility model to the discharge of the compressor plants of the Southern General San Martín Pipeline, conducting 15 verification wells, in which no evidence of cracking was detected. We also completed fluency tests along 35 kilometers of the Olavarría – Barker pipeline and we started the re-testing of 38 km in the pipeline section Gaviotas – General Cerri.

Additionally, based on the analysis and planning carried out by the pipeline integrity team, we conducted a campaign for the survey and repair of 50 external corrosion failures.

In the field of cathodic protection, we continue strengthening the system with the installation of 10 new units and 13-grounded reinforcements. In addition, 37 units have been updated and linked to the Supervisory Control and Data Acquisition system as a part of the remotely operated measurement of

cathodic protection units. We also outlined a 110 kilometers direct integrity inspection plan, the advance status of which is of 50% as of December 31, 2014.

Finally, we are conducting a survey known as “Free-Span” in the underwater sections located in the Strait of Magellan and on the northern borders, to detect on the pipeline where the seabed sediments have been eroded by sea currents along the pipeline.

**Technical Assistance Service Agreement.** As part of its bid to purchase a 70% interest in us from the Argentine government, CIESA was required to have an investor-company with experience in natural gas transmission that would serve as our technical operator. In late 1992, we entered into a Technical Assistance Agreement with PEPCA (the “**Technical Assistance Agreement**”), an indirect, majority-owned subsidiary of Enron. The term of the Technical Assistance Agreement was for eight years from December 28, 1992, renewable automatically upon expiration for an additional eight-year term and was assigned to Petrobras Argentina Group as part of the Master Settlement Agreement. Since July 2004, Petrobras Argentina Group has been our technical operator and is in charge of providing assistance related to, among others, the operation and maintenance of the natural gas transportation system and related facilities and equipment in order to ensure that the performance of the system is in conformity with international natural gas transportation industry standards and in compliance with certain Argentine environmental standards. With the prior approval of ENARGAS and our Board of Directors, in October 2014, we and Petrobras Argentina Group agreed to a technical assistance service agreement (the “**Technical Assistance Service Agreement**”) for a three-year term, expiring on December 28, 2017, which substantially contains the same terms as the Technical Assistance Agreement, as amended. Any amendment, renewal or even termination of the Technical Assistance Service Agreement has to be authorized by the ENARGAS. The currency for the technical assistance fee paid to Petrobras Argentina Group was changed from U.S. dollars to Argentina pesos. Our Audit Committee has analyzed the Technical Assistance Service Agreement and concluded that it is on market terms.

The Technical Assistance Service Agreement sets out the services to be provided by Petrobras Argentina Group to us, at the request of our Chief Executive Officer, in return for payment of a technical assistance fee paid on a monthly basis equal to the greater of (i) a fixed annual sum of Ps. 3 million or (ii) 7% of the amount obtained after subtracting Ps. 3 million from net income before interests and income taxes of the year. For the year ended December 31, 2014, we paid Petrobras Argentina Group Ps. 70 million for services rendered pursuant to the Technical Assistance Service Agreement. The services to be provided by Petrobras Argentina Group to us under the Technical Assistance Service Agreement include assisting us in the following matters to the extent that they arise in the ordinary course of business: (i) replacement, repair and renovation of facilities and equipment to ensure that the performance of the system is in accordance with international gas transportation industry standards; (ii) preparation of performance evaluations, operating cost analyses, construction assessments and advice related to budget control; (iii) advice regarding safety, reliability and efficiency of system operation and gas industry services; (iv) advice regarding compliance with applicable laws and regulations relating to safety and health, pollution and environmental protection of the system; (v) routine and preventive maintenance of the system; (vi) staff training; (vii) design and implementation of the procedures necessary to accomplish the aforesaid services; and (viii) design and implementation of a management information and inspection system for all major aspects of natural gas transportation and liquids production.

## **The Argentine Natural Gas Industry**

**Historical Background.** Prior to the privatization of GdE, the Argentine natural gas industry was effectively controlled by the Government. In addition, prior to its privatization, YPF (at that time a wholly-owned Government company) held exclusive rights over the development and production of all new hydrocarbon reserves in Argentina.

In 1992, Natural Gas Law (the “**Natural Gas Law**”) was passed providing for the privatization of GdE. The Natural Gas Law and the related decrees provided for, among other things, the transfer of substantially all of the assets of GdE to two natural gas transportation companies and eight distribution companies. The transportation assets were divided into two systems on a broadly geographical basis, the northern and southern trunk pipeline systems, designed to give both systems access to natural gas sources and to main centers of demand, including the greater Buenos Aires area. As a result of the division, our natural gas transportation system is connected to the two natural gas distribution systems serving the greater

Buenos Aires area, one serving Buenos Aires Province (excluding the greater Buenos Aires area and the northeast of this province) and one serving southern Argentina. TGN is connected to five distribution systems serving northern Argentina. TGN is also connected to the natural gas distribution systems serving the greater Buenos Aires area and, to a limited extent, the natural gas distribution system serving Buenos Aires Province (excluding the greater Buenos Aires area). In the two instances where we are directly connected to a natural gas distribution system with TGN, we are the principal supplier of natural gas transportation services.

The Natural Gas Law and the related decrees granted each privatized natural gas transportation company a license to operate the transferred assets, established a regulatory framework for the privatized industry based on open, non-discriminatory access, and created ENARGAS to regulate the transportation, distribution, marketing and storage of natural gas. The Natural Gas Law also provided for the regulation of wellhead gas prices in Argentina for an interim period. Prior to deregulation, the regulated price was set at US\$0.97 per million British thermal units (“MMBtu”) at the wellhead, which had been the regulated price since 1991. Pursuant to Presidential Decree No. 2,731/93, gas prices at the wellhead were deregulated as of January 1, 1994 and, from that date until the year 2002, the average price of gas increased.

In spite of the devaluation of the peso in 2002, increases in wellhead natural gas prices were limited until 2004. From May 2004 until August 2005, wellhead gas prices increased in a range from 105% to 180% (depending on the gas basins) for power plants, industries and large businesses. These adjustments were complemented by lower increases in the price of natural gas for CNG vehicles. In October 2008, wellhead natural gas prices paid mostly by high consuming residential users were increased in order to subsidize the reduction in LPG bottle price, as agreed between the Federal Energy Bureau and LPG producers. Currently, the natural gas wellhead prices remain regulated in most cases.

The Argentine natural gas industry in recent years has experienced rising demand, decreased supply, and lower investment in exploration, production, transportation and distribution of natural gas as a result of economic factors, including the economic recovery of many industries and GDP growth since 2003, resulting in increased demand, and government restrictions on increases in the wellhead price of natural gas and increases in the transportation and distribution tariffs, which has constrained supply.

In order to address these factors, the Government played a decisive role in the natural gas industry through a set of measures designed to address the combination of rising demand and lower investment in exploration, production, transportation and distribution of natural gas, including:

- creation of ENARSA in 2004 for the purposes of restoring levels of reserves, production and supply of natural gas and meeting the infrastructure needs of the natural gas transportation and electricity industries;
- construction of a new pipeline which connects the Bolivian natural gas basins with the northeastern region of Argentina;
- creation of the Gas Plus Program (the “**Gas Plus Program**”) in 2008, which aims to encourage producers to make further investments in natural gas infrastructure by allowing them to sell the resulting production of natural gas from new fields and fields that require more expensive extraction techniques at higher prices than the current authorized prices. In 2010, the Argentine government increased the price paid to natural gas producers who invest in new fields, shale and tight natural gas under the Gas Plus Program;
- hiring of two re-gasifying LNG tankers through ENARSA, in Bahía Blanca (2008) and Escobar (2011), to inject natural gas into the pipeline. The tanker located at Bahía Blanca is connected to our pipeline, and the tanker at Escobar is connected to TGN’s pipeline;
- approval of graded price increases of natural gas at the wellhead;
- establishment of a framework for the constitution of Gas Trusts to finance natural gas pipeline expansions;
- the passage of Law No. 26,741, which declares that hydrocarbons self-sufficiency, as well as their production, industrialization, transport and marketing, are activities of public interest and primary goals of Argentina, empowering the Argentine government to take the necessary measures to achieve such goals;
- through the enactment of Decree No. 929/2013 creating a regimen to promote investment in the exploitation of hydrocarbons;
- the expropriation of YPF, and the entry into agreements with important natural gas producers in

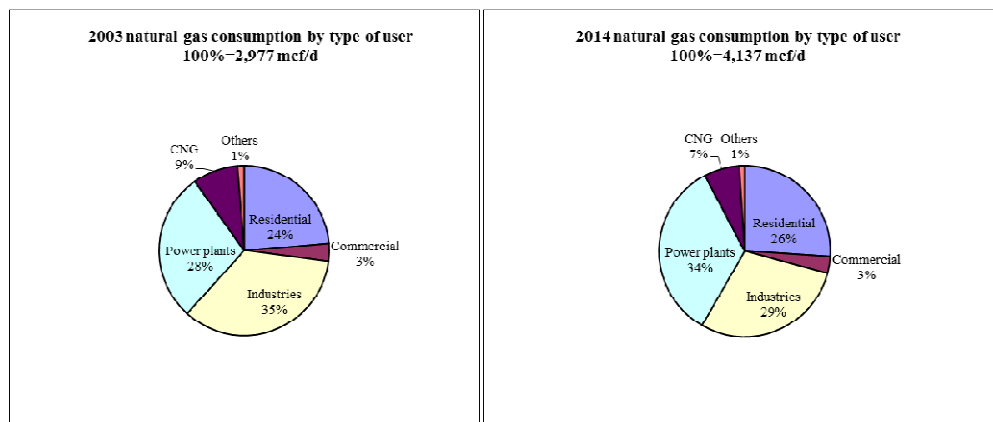
order to increase the investment in exploration of shale and tight natural gas in Neuquén Province, as described under “—Gas Supply” below;

- importation of natural gas from Bolivia, which has increased significantly over the past two years;
- completion of the expansion work at the Yacyretá Hydroelectric Plant and Atucha II Nuclear Power Plant, the construction of two thermal power plants financed by the Argentine government and the construction of power plants, which provide alternate energy sources to natural gas; and
- creation of tariff charges to be paid by all consumers other than residential consumers in order to finance natural gas and electricity expansions and the import of natural gas.

In January 2013, in order to encourage the production of natural gas, the Commission of Planning and Strategic Coordination of the National Hydrocarbon Investments Plan (the “**Commission**”) created by Decree No. 1277/12, issued Resolution No. 1/2013, which makes available preferential payment terms to all natural gas producers that submit new projects to increase existing natural gas availability, allowing a price on additional injection of US\$7.5 MMBtu. This new price implies an increase of over 40% compared to the price permitted to be charged by natural gas producers under the Gas Plus Program. The new price for the additional natural gas injected into the pipelines will be funded with funds from the Argentine National Treasury on a monthly basis. The proposed production increase must be approved by the Commission for Planning and Strategic Coordination of the National Hydrocarbon Investment Plan created by Executive Branch Decree No. 1,277/12.

On March 31, 2014, the Federal Energy Bureau issued Resolution No. 226/2014. This Resolution provides a new tariff scheme according to cubic meter consumption and the basin or region of the country. The scheme provides different prices for those commercial and residential users that reduce consumption by more than 20% from the amount consumed during the same period of the previous year and for those that reduce consumption by 5% to 20%. In the case of residential users who do not reduce their consumption the increases vary between approximately 480% and 880%. In addition, in response to climatic implications that arise in the south of Argentina, a differential price for clients of Camuzzi Gas del Sur was introduced during 2014.

**Natural Gas Demand.** Natural gas consumption in Argentina has played a significant role in the energy industry in recent years, reaching more than 50% of total national energy consumption, which is greater than the comparable percentage for worldwide energy consumption. The graphics below illustrate the increase and breakdown of natural gas consumption in Argentina in 2003 and 2014 by type of consumer:



Source: ENARGAS

Beginning in 2003, a sharp increase in natural gas demand occurred as a consequence of: (i) the recovery of certain industries in the Argentine economy since 2003, (ii) the 2002 devaluation of the peso and pesification of transportation and distribution tariffs and the elimination of both tariff and wellhead gas price adjustments, making this fuel relatively inexpensive for consumers as compared to other types of fuel the prices of which are affected by inflation and (iii) the growth of GDP between 2003 and 2013. As a result, natural gas became, by far, the cheapest fuel in Argentina and high rates of substitution of natural gas for other fuels in industry, power plants and vehicles have been observed. Likewise, the rising demand for gas has also been based on the recovery of many industrial segments of the Argentine economy, and the

lack of availability of natural gas to meet current demand represents a challenge for continued industrial growth at the rates achieved in recent years.

The following table sets forth local natural gas consumption by type of consumer since 2003:

Local gas consumption <sup>(1)</sup> - Million cubic feet per day												
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residential <sup>(2)</sup>	704.3	713.1	769.6	769.0	934.1	888.0	884.2	958.8	1,009.2	1,061.2	1,113.0	1,074.8
Commercial	98.8	108.3	108.9	106.6	120.1	116.8	123.3	120.7	121.4	129.9	130.0	128.3
Industries <sup>(3)</sup>	1,033.6	1,086.1	1,111.1	1,211.9	1,169.8	1,196.9	1,142.1	1,164.7	1,210.5	1,128.3	1,198.9	1,207.2
Power plants	846.7	1,000.7	1,034.3	1,105.9	1,178.6	1,256.0	1,203.2	1,114.5	1,253.1	1,388.4	1,400.2	1,407.1
CNG	255.4	294.6	306.4	294.4	276.5	264.0	254.7	257.8	267.1	269.5	266.9	276.0
Others <sup>(4)</sup>	37.7	35.7	39.0	35.9	40.8	39.0	39.3	41.5	41.2	43.0	43.1	42.7
<b>Total</b>	<b>2,976.5</b>	<b>3,238.6</b>	<b>3,369.3</b>	<b>3,523.7</b>	<b>3,719.9</b>	<b>3,760.7</b>	<b>3,646.9</b>	<b>3,658.0</b>	<b>3,902.5</b>	<b>4,020.3</b>	<b>4,152.1</b>	<b>4,136.1</b>

References:

- (1) Includes: distribution users, commercial by-pass, by-pass physical and off system users.
- (2) Includes subdistributors.
- (3) Includes shrinkage natural gas (“TRP”) from the Cerri Complex, which is included in Others.
- (4) Includes governmental bodies.

Source: ENARGAS, based on data from the Licensees and off system users.

The demand for natural gas in Argentina is highly seasonal, with natural gas consumption peaks in winter. The source of seasonal changes in demand is primarily residential consumers. In order to bridge the gap between supply and demand, especially with respect to peak-day winter demand, the Government has entered into several gas import agreements. The most important agreement was signed with Bolivian government in June 2006 and amended in May 2010 and July 2012. The agreement provides for the import of natural gas from Bolivia to Argentina to be managed by ENARSA. To deal with the drop in domestic natural gas production and in an effort to maintain supplies at similar levels to the previous years, the Government slightly increased imports from Bolivia from 552.7 MMcf/d in 2013 to 582.1 MMcf/d in 2014, with a maximum volume of around 694.3 MMcf/d in 2014. This action achieved a substantial saving in natural gas imports costs as the price of natural gas imported from Bolivia is approximately US\$11 per million BTU, significantly lower than the over US\$16.5 per million of BTU that must be paid for LNG imported from tankers.

Additionally, expansion works are currently being conducted on the Northern Pipeline managed by TGN under the Gas Trust Fund Program, which will allow for the transportation of an additional 70 MMcf/d from Bolivia. The Juana Azurduy Pipeline crosses the border between Argentina and Bolivia and is connected to a compressor plant in Campo Durán, Argentina. This new pipeline will supply natural gas to the provinces in Argentina that are not currently reached by natural gas pipeline systems.

In addition, in recent years, injections of natural gas from LNG tankers have played an important role in satisfying the growing natural gas demand during the coldest months of the year. Natural gas injection from the LNG re-gasification tankers located in Bahía Blanca and Escobar increased slightly in 2014, to 573 MMcf/d from an average of 585 MMcf/d in 2013. ENARGAS has assigned to us the responsibility of controlling the operation and maintenance of certain new facilities constructed to connect the regasification ship at Bahía Blanca to our existing transportation pipeline.

Decree No. 929/2013 created the Investment Promotion Regime for the Exploitation of Hydrocarbons, with the goal of promoting investments in the exploitation of hydrocarbons in Argentina. The scheme will benefit holders of exploration permits and exploitation concessions granted by both the Government and the provinces. The promotion schemes will also benefit holders of concessions or others who present an investment in exploration of hydrocarbons in an amount not less than one billion dollars of foreign currency.

If such an investment were made within a five year period, at the end of such period, the beneficiary will have the right to freely export 20% of the production of oil and gas produced in the project free of export tax. In addition, beneficiaries will have the free availability of 100% of the revenues from the export of such hydrocarbons.

On October 31, 2014, the Official Gazette of the Argentine Republic published the text of Law No. 27,007 (the “**Hydrocarbons Law**”) that amends Law No. 17,319. The Hydrocarbons Law introduces several modifications in the regulatory framework for the oil & gas industry in Argentina. It extends to all investment projects the Investment Promotion Regime for the Exploitation of Hydrocarbons, which previously had applied only to projects that represent a direct investment in currency of note less than 250 million dollars.



**Gas Supply.** For the most part, Argentina’s natural gas reserves were discovered as a result of exploration for oil reserves. There are 19 known sedimentary basins in the country, ten of which are located entirely onshore, six of which are combined onshore/offshore and three of which are entirely offshore. Production is concentrated in five basins: Noroeste in northern Argentina, Neuquén and Cuyo in central Argentina, and Golfo San Jorge and Austral in southern Argentina. In 2014, 52.5% of the natural gas transported by our system originated in the Neuquina basin with the remainder coming primarily from the Austral basin and the re-gasifying LNG tanker located in Bahía Blanca. Our pipeline system is connected to the Neuquina, Austral and Golfo San Jorge basins. We are not connected to the Cuyo or Noroeste basins. Set forth in the table below is the location of the principal natural gas producing basins by province, their proved natural gas reserves estimated as of December 31, 2013 and 2012 (the most recent years for which information is available), production in 2013 and 2012 and the calculated reserve life for each basin:

Basin	Location by province	Proved Gas Reserves (Bcf) <sup>(1)(2)</sup>		Production (Bcf)		Reserve Life <sup>(3)</sup>	
		2013	2012	2013	2012	2013	2012
Neuquén	Neuquén, Río Negro, La Pampa, Mendoza (south)	4,907.0	4,722.0	800.0	843.0	6	6
San Jorge	Chubut, Santa Cruz (north)	1,690.0	1,711.0	185.0	181.0	9	9
Austral	Tierra del Fuego, Santa Cruz (south), and offshore	3,908.0	3,559.0	371.0	393.0	11	9
Cuyo	Mendoza (north)	26.0	27.0	2.0	2.0	13	14
Noroeste	Salta, Jujuy, Formosa	1,061.0	1,124.0	115.0	136.0	9	8
<b>Total</b>		<b>11,592.0</b>	<b>11,143.0</b>	<b>1,473.0</b>	<b>1,555.0</b>	<b>8</b>	<b>7</b>

<sup>1)</sup> Estimated as of December 31, 2013 and 2012, respectively. There are numerous uncertainties inherent in estimating quantities of proved natural gas reserves. The accuracy of any reserve estimate is a function of the quality of available data, and engineering and geological interpretation and judgment. Results of drilling, testing and production after the date of the estimate may require substantial upward or downward revisions. Accordingly, the reserve estimates could be materially different from the quantity of natural gas that ultimately will be recovered.

<sup>(2)</sup> Reserve figures do not include significant reserves located in certain Bolivian basins to which TGN is connected.

<sup>(3)</sup> Weighted average reserve life for all basins, at the 2013 or 2012 production levels, respectively.

*Source:* Federal Energy Bureau

According to data recently published by the Federal Energy Bureau, Argentine natural gas output edged 0.5% lower in 2014 versus 2013 to 1,465.0 billion cubic feet, representing the lowest reduction in the last five years. This change was driven mainly by a 12.5% increase in production by nationalized YPF, which largely offset the decline by other producers. During 2014, the annual volume of natural gas injected in our pipeline system was approximately 2,133.6 Bcf/d while the its available total capacity was 2,931.1 Bcf/d.

In April 2012, the Executive Branch issued Decrees No. 530/12 and 557/12 which called for the 30-day legal intervention of YPF and YPF Gas S.A., giving the Executive Branch temporary management of YPF and YPF Gas S.A. Then, in May 2012, the National Congress enacted a proposed law which expropriated the 51% of YPF and YPF Gas S.A. capital share owned by Repsol YPF, causing YPF to become 51% owned by the Argentine government. Since the expropriation of YPF, the Argentine government has played an important role signing agreements with foreign and local oil companies in order to develop an investment plan, which allows the increase of the reserves of the Neuquina basin and the domestic Argentine natural gas supply. On February 25, 2014, the Repsol YPF board approved a compensation package of US\$5 billion from Argentina for the nationalization.

In order to increase the existing natural gas reserves from the Neuquina basin, in July 2013, YPF announced the execution of an agreement with Chevron to develop oil and gas shale deposits in this province. During 2014, YPF continued negotiating with oil companies to reach new partnership agreements that will provide technology and capital resources for the exploitation of new reserves. In December 2014, YPF signed agreements with Petronas to invest US\$ 550 million and in January 2015, YPF and SINOPEC signed a memorandum of understanding aimed at eventually collaborating to develop oil-and-gas projects.

*Neuquina Basin.* The largest of the natural gas basins and the major source of natural gas supply for our system is the Neuquina basin, located in west central Argentina. However, in recent years, its proved natural gas reserves have been decreasing sharply as a result of exploration and exploitation, and new gas reserves have not been found in order to replace the natural gas produced. In December 2010, new non-conventional natural gas was discovered in the Neuquina basin by YPF. This new natural gas reserve is at the beginning stages of its exploitation, which will require several years and involve high extraction costs. In recent years, in order to increase the existing natural gas reserves from the Neuquina basin, YPF announced the signing of agreements with Chevron and Petronas to develop oil and gas shale deposits in the province of Neuquén. A new memorandum of understanding was signed in January 2015 with SINOPEC. In addition, YPF continues negotiating with oil companies to reach new partnership agreements that will provide technology and capital resources for the exploitation of new reserves.

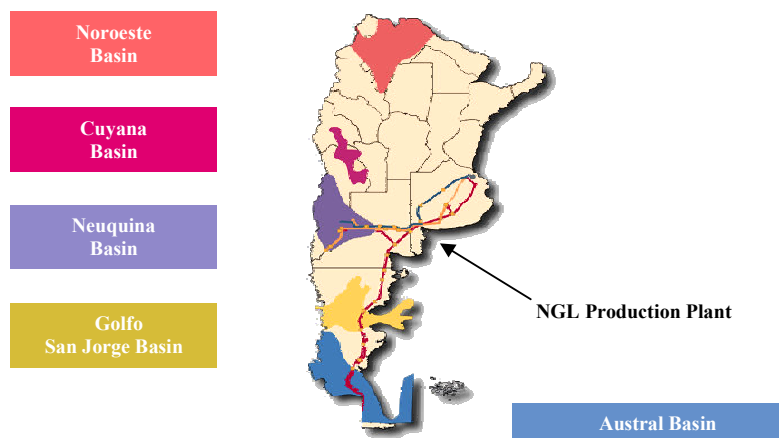
If brought on-line, this newly discovered reserve could potentially help offset the continued decline of the existing production of the Neuquina basin. The TGN system also accesses the Neuquina basin. Of the transported natural gas coming from the Neuquina basin, approximately 53.8% was transported by us and approximately 46.2% by TGN for the year ended December 31, 2014.

*Austral and Golfo San Jorge Basins.* Natural gas provided by these basins, located in the southern region of Argentina, was transported mainly by us (Camuzzi Sur also transports natural gas through regional pipelines). In the Austral basin, exploration has centered in and around the basin's existing natural gas fields and on other fields located offshore. The Golfo San Jorge basin is primarily an oil-producing basin.

Under the framework to promote investments enacted by the Argentine government after the issuance of the Decree No. 929/2013, in 2014, a joint venture was formed by Wintershall, Total and PAE for the investment of approximately US\$ 1,000 million in off-shore gas fields. This new project is expected to inject into the transportation system approximately 211.9 MMcf/d of natural gas with a maximum injection of approximately 351.1 MMcf/d beginning in the second half of 2015 when the second stage of the project will be finished.

In addition, ENAP Sipepetrol, YPF and ENARSA signed an agreement to explore and develop offshore fields in the continental shelf of Argentina.

The map below illustrates the distribution of the gas basins in Argentina:



## Regulatory Framework

**Industry Structure.** The Natural Gas Law, together with Decree No. 1,738/92, other regulatory decrees, the *Pliego de Bases y Condiciones para la Privatización de Gas del Estado S.E.* (the “**Pliego**”), the transfer agreements and the licenses of the newly privatized companies establish the legal framework for the transportation and distribution of natural gas in Argentina. The Hydrocarbons Law regulates the midstream natural gas industry, under a competitive and partially deregulated system. The Public Emergency Law and related laws and regulations have had the practical effect of significantly altering the regulatory regime under which we have operated since 2002. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business.”

Natural gas transportation and distribution companies operate in an “open access,” non-discriminatory environment under which producers and certain third parties, including distributors, are entitled to equal and open access to the transportation pipelines and distribution system in accordance with the Natural Gas Law, applicable regulations and the licenses of the privatized companies. In addition, a regime of concessions under the Hydrocarbons Law is available to holders of exploitation concessions to transport their own natural gas production.

The Natural Gas Law prohibits natural gas transportation companies from also being merchants in natural gas. Also, (i) natural gas producers, storage companies, distributors, and consumers who contract directly with producers may not own a controlling interest (as defined in the Natural Gas Law) in a transportation company, (ii) natural gas producers, storage companies and transporters may not own a controlling interest in a distribution company, and (iii) merchants in natural gas may not own a controlling interest in a transportation or distribution company.

Contracts between affiliated companies engaged in different stages in the natural gas industry must be approved by ENARGAS, which may reject these contracts if it determines that they were not entered into on an arm's-length basis.

ENARGAS, which was established by the Natural Gas Law, is an autonomous entity responsible for enforcing the provisions of the Natural Gas Law, the applicable regulations and the licenses of the privatized companies. Under the provisions of the Natural Gas Law, ENARGAS is required to be governed by a board of directors composed of five full-time directors appointed by the Executive Branch subject to confirmation by the National Congress. However, from 2004 to 2007, ENARGAS was governed by three directors who were not confirmed by the National Congress, and, since 2007, ENARGAS has been administered by an intervention inspector appointed by the Executive Branch for consecutive 180-day terms. After several renewals, the Executive Branch extended its intervention of ENARGAS and appointed a sub-inspector who continues to function in this position, the last of which was ruled on January 27, 2015.

ENARGAS has broad authority to regulate the operations of the transportation and distribution companies, including the ability to set rates pursuant to the Public Emergency Law. ENARGAS has its own budget which must be included in the Argentine national budget and submitted to the Federal Congress for approval. ENARGAS is funded principally by annual control and inspection fees that are levied on regulated entities in an amount equal to the approved budget, net of collected penalties, allocated proportionately to each regulated entity based on its respective gross regulated revenues, excluding natural gas purchase and transportation costs in the case of distribution companies. ENARGAS also collects the fines imposed for violations of the Natural Gas Law.

Since 2004 the Government adopted a series of measures to redistribute the effects of the crisis in the energy sector caused by the natural gas shortage. Most of the electrical power stations do not have firm gas supply agreements and have increasingly used imported natural gas or alternative fuels that are more expensive than natural gas produced in Argentina. For this reason, ENARGAS and the Federal Energy Bureau have issued a series of regulations aimed at averting a crisis in the internal system of natural gas supply.

The Executive Branch issued Decree No. 181/04, directing the Federal Energy Bureau to establish a system of priority pursuant to which power stations and natural gas distribution companies (for their residential clients) could receive natural gas in priority to other users, even those with firm transportation and firm gas supply contracts. On April 21, 2004, MPFIPyS issued Resolution No. 208/04 that ratified an agreement between the Federal Energy Bureau and natural gas producers to give effect to this new system.

On March 23, 2005, we received a notice from the Federal Energy Bureau providing that, in the event there is insufficient natural gas available in the market to supply power stations, we may be required to interrupt transportation services (including those with firm transportation contracts) to our customers in order to give priority to natural gas distribution companies and power plants that have not entered into natural gas firm transportation contracts. In any such case, ENARGAS will set the priority of transportation.

Under these circumstances and our License, when ENARGAS asks us to restrict the provision of natural gas to clients who hold firm transportation contracts, we are exposed to potential claims from, among others, our customers. Therefore, we have requested that in connection with these new procedures, ENARGAS submit to us written instructions for any such natural gas firm transportation service interruption request. However, if ENARGAS does not accept our petition and we do not comply with ENARGAS' instructions, if any, in order to avoid future claims from our customers, Resolution No. 208/04 will require us to pay the price difference between natural gas and the alternative fuel used by power stations in order to offset the loss resulting from our failure to comply with the instructions.

In October 2010, ENARGAS issued Resolution No. 1,410/2010 which set new rules for natural gas dispatch applicable to all participants in the natural gas industry and imposed new and more severe priority

demand gas restrictions on producers. Through this resolution, ENARGAS has the ability to redirect natural gas transportation in order to give priority to residential consumption.

At the end of May 2007, due to the rising demand for gas resulting from unusually low temperatures throughout the country, ENARGAS and the Federal Energy Bureau utilized their authority under Resolution 208/04 for the first time. ENARGAS honored our petition, and submitted written instructions to us. We complied with these instructions and do not believe that our compliance will result in legal action by any of our firm transportation clients, which legal action, if brought, could have a significant adverse economic and financial effect on us. As of the date of this Annual Report, only one client (Profertil S.A.) has brought legal actions against us, in respect of service interruptions that occurred in 2009, 2010 and 2011. In this action, ENARGAS ruled in our favor alleging that the interruptions were due to the shortage of natural gas.

The Government also expressly instructed us to redirect natural gas deliveries to supply power plants, residential users and vehicles in the winter of 2007. Since then, higher demand from industrial and power plant customers, from 2008 to 2010, and from all customers, since 2010, have been observed. Although the natural gas supply shortage did not create a bottleneck in the transportation capacity for meeting the total demand from the system during these periods, the Government, through the committee referred to above, continues to impose restrictions on the consumption of natural gas by certain customers that hold firm transportation contracts with us from time to time, in an effort to redirect and target the supply to the demand regarded as top priority, mainly residential users, CNG stations and industries connected to the distribution network.

During the 2013 and 2014 winters, our natural gas pipeline system met the demand for natural gas due to increased natural gas imports from Bolivia and the higher imported natural gas injections from the LNG re-gasification tanker located in the Port of Bahía Blanca, which is connected to our system. The injection of re-gasified natural gas from the LNG re-gasification tanker located in Bahía Blanca and the tanker in Escobar (which is connected to the TGN transportation system) kept stable from an average 585 MMcf/d in 2013 to 573 MMcf/d in 2014.

With the purpose of re-directing and allocating the supply to higher priority consumers, mainly residential, commercial and CNG stations, restrictions to gas supply to the industrial sector continued in the last winters, although to a lesser extent than has been observed in the past. The restrictions set forth by the intervening authority affected direct shippers who have firm transportation contracts with us, as well as industries in different distribution areas of the country.

We do not believe that our compliance will result in legal action by any of our natural gas firm transportation clients, which legal action, if brought, could have a significant adverse economic and financial effect on us. See “Item 3 Key Information—D. Risk Factors.”

***Our License.*** Our License authorizes us to provide the public service of natural gas transportation through the exclusive utilization of the southern natural gas transportation system. Our License does not grant us an exclusive right to transport natural gas in a specified geographical area and licenses may be granted to others for the provision of gas transportation services in the same geographical area. TGN’s natural gas transportation system is comprised of two transmission pipes, the North pipeline and Central western pipeline, and is operated under a license containing substantially similar terms to those described below and elsewhere herein.

Our License was granted for an original term of 35 years beginning on December 29, 1992. However, the Natural Gas Law provides that we may apply to ENARGAS for a renewal of our License for an additional ten-year term. ENARGAS is required at that time to evaluate our performance and make a recommendation to the Executive Branch. If ENARGAS determines that we are in substantial compliance with all our obligations arising under the Natural Gas Law, related regulations and our License, the renewal should be granted by the Executive Branch. ENARGAS would have the burden of proving that we had not complied with the obligations described above and, therefore, should not be granted a renewal. At the end of the 35-year or 45-year term, as the case may be, the Natural Gas Law requires that a new competitive auction be held for the license, allowing us the option, if we have complied substantially with our obligations described above, to match the best bid offered to the Government by any third party. To the extent that we were found not to have complied with the obligations described above or chose not to seek renewal of our License, we would be

entitled to certain specified compensation. See “—Certain Restrictions with Respect to Essential Assets” below.

Our License also places certain other rights and obligations on us relating to the services we provide. These include:

- operating and safety standards;
- terms of service, including general service conditions such as specifications regarding the quality of gas transported, major equipment requirements, invoicing and payment procedures, imbalances and penalties, and guidelines for dispatch management;
- contract requirements, including the basis for the provision of service, e.g., “firm” or “interruptible”;
- mandatory capital investments to be made over the first five years of the license term; and
- applicable rates based on the type of transportation service and the area serviced.

Our License establishes a system of penalties in the event of a breach of our obligations thereunder, including warnings, fines and revocation of our License. These penalties may be assessed by ENARGAS based, among other considerations, upon the severity of the breach or its effect on the public interest. Fines of up to Ps. 500,000 may be levied for any breaches. Revocation of our License may only be declared by the Executive Branch upon the recommendation of ENARGAS. Our License specifies several grounds for revocation, including the following:

- repeated failure to comply with the obligations of our License and failure to remedy a significant breach of an obligation in accordance with specified procedures;
- total or partial interruption of the service for reasons attributable to us, affecting completely or partially transportation capacity during the periods stipulated in our License;
- sale, assignment or transfer of our essential assets or otherwise encumbering such assets without ENARGAS’ prior authorization, unless such encumbrances serve to finance expansions and improvements to the gas pipeline system;
- bankruptcy, dissolution or liquidation; and
- ceasing and abandoning the provision of the licensed service, attempting to assign or unilaterally transfer our License in full or in part without the prior authorization of ENARGAS, or giving up our License, other than in the cases permitted therein.

Our License also prohibits us from assuming debt of, or granting credit to, CIESA, creating security interests in favor of, or granting any other benefit to, creditors of CIESA.

Generally, our License may not be amended without our consent. As part of the Renegotiation Process under the Public Emergency Law, however, the terms of our License may be changed or our License may be revoked. In addition, ENARGAS may alter the terms of service annexed to our License. If any such alteration were to have an economic effect on us, ENARGAS should modify our rates to compensate for such effect or we could request a change in the applicable rates.

***Regulation of Transportation Rates—Actual Rates.*** The natural gas transportation rates established under each transportation company must be calculated in U.S. dollars and converted into pesos at the time of billing pursuant to the terms of such license. However, the Public Emergency Law eliminated tariff indexing covenants based on U.S. dollar exchange rate fluctuations and established a conversion rate of one peso equal to one U.S. dollar for tariffs.

The rate for natural gas firm transportation services consists of a capacity reservation charge and is expressed as a maximum monthly charge based on the cubic meters per day of reserved transportation

capacity. The rate for natural gas interruptible transportation service, which is expressed as a minimum (from which no discounts are permitted) and a maximum rate per 1,000 m<sup>3</sup> of natural gas transported, is equivalent to the unit rate of the reservation charge for the firm service based on a load factor of 100%. For both firm and interruptible transportation services, customers are obligated to provide a natural gas in-kind allowance, expressed as a maximum percentage of gas received, equivalent to the natural gas consumed or lost in rendering the transportation service. The rates for all services reflect the rate zone(s) traversed from the point of receipt to the point of delivery.

The tables below set out our local natural gas firm and interruptible rates by pipeline and zones, in effect between January 1, 2000 and April 1, 2014, the date when we received for the first time since 1999 a partial tariff increase after the enactment of Resolution No. I-2852, and since August 1, 2014 showing the rates including the cumulative increase included in Resolution No. I-2852:

**From January 1, 2000 to April 1, 2014**

Rate Zones		Firm	Interruptible	Compression Fuel and Losses <sup>(3)</sup> (%)
		Reservation Charge <sup>(1)</sup> (Ps.m <sup>3</sup> /d)	Minimum Charge <sup>(2)</sup> (Ps.1,000 m <sup>3</sup> /d)	
Receipt	Delivery			
From Tierra del Fuego to:	Tierra del Fuego	0.076	2.541	0.49
	Santa Cruz Sur	0.154	5.123	0.98
	Chubut Sur	0.392	13.068	3.38
	Buenos Aires Sur	0.462	15.396	5.60
	Bahía Blanca	0.707	23.583	8.40
	La Pampa Norte	0.705	23.500	8.60
	Buenos Aires	0.828	27.593	10.35
	Greater Buenos Aires	0.929	30.959	11.27
From Santa Cruz Sur to:	Santa Cruz Sur	0.077	2.575	0.49
	Chubut Sur	0.315	10.508	2.89
	Buenos Aires Sur	0.385	12.841	5.11
	Bahía Blanca	0.632	21.071	7.91
	La Pampa Norte	0.632	21.067	8.11
	Buenos Aires	0.753	25.093	9.86
From Chubut to:	Greater Buenos Aires	0.854	28.470	10.78
	Chubut Sur	0.077	2.554	0.49
	Buenos Aires Sur	0.144	4.788	2.71
	Bahía Blanca	0.383	12.768	5.51
	La Pampa Norte	0.402	13.406	5.71
	Buenos Aires	0.498	16.598	7.46
From Neuquén to:	Greater Buenos Aires	0.594	19.790	8.38
	Neuquén	0.068	2.334	0.49
	Bahía Blanca	0.331	11.018	2.80
	La Pampa Norte	0.356	11.868	3.15
	Buenos Aires	0.448	14.923	3.91
	Greater Buenos Aires	0.548	18.315	4.86

(1) Monthly charge for every cubic meter per day of reserved transportation capacity.

(2) Minimum charge equal to the unit rate of the firm reservation charge at a 100% load factor.

(3) Maximum percentage of total transported gas which customers are required to replace in-kind to make up for gas used by us for compressor fuel or losses in rendering transportation services.

*Note: The gross receipts tax is not included in such transportation rates*

*Source: ENARGAS Resolution No. 2,496/02*

Since August 1, 2014

Rate Zones		Firm	Interruptible	Compression Fuel and Losses <sup>(3)</sup> (%)
		Reservation Charge <sup>(1)</sup> (Ps.m <sup>3</sup> /d)	Minimum Charge <sup>(2)</sup> (Ps.1,000 m <sup>3</sup> /d)	
Receipt	Delivery			
From Tierra del Fuego to:	Tierra del Fuego	0.091	3.049	0.49
	Santa Cruz Sur	0.184	6.148	0.98
	Chubut Sur	0.470	15.682	3.38
	Buenos Aires Sur	0.554	18.475	5.60
	Bahía Blanca	0.849	28.300	8.40
	La Pampa Norte	0.846	28.200	8.60
	Buenos Aires	0.993	33.111	10.35
	Greater Buenos Aires	1.115	37.151	11.27
From Santa Cruz Sur to:	Santa Cruz Sur	0.093	3.090	0.49
	Chubut Sur	0.378	12.610	2.89
	Buenos Aires Sur	0.462	15.410	5.11
	Bahía Blanca	0.759	25.285	7.91
	La Pampa Norte	0.758	25.281	8.11
	Buenos Aires	0.903	30.112	9.86
From Chubut to:	Greater Buenos Aires	1.025	34.164	10.78
	Chubut Sur	0.092	3.064	0.49
	Buenos Aires Sur	0.172	5.746	2.71
	Bahía Blanca	0.460	15.322	5.51
	La Pampa Norte	0.483	16.088	5.71
	Buenos Aires	0.598	19.918	7.46
From Neuquén to:	Greater Buenos Aires	0.712	23.748	8.38
	Neuquén	0.082	2.801	0.49
	Bahía Blanca	0.397	13.221	2.80
	La Pampa Norte	0.427	14.241	3.15
	Buenos Aires	0.537	17.907	3.91
	Greater Buenos Aires	0.658	21.978	4.86

(1) Monthly charge for every cubic meter per day of reserved transportation capacity.

(2) Minimum charge equal to the unit rate of the firm reservation charge at a 100% load factor.

(3) Maximum percentage of total transported gas which customers are required to replace in-kind to make up for gas used by us for compressor fuel or losses in rendering transportation services.

Note: The gross receipts tax is not included in such transportation rates

Source: ENARGAS Resolution No. 2,852/14

In addition, we are entitled to a CAU, which has also remained unchanged since its institution in 2005 by ENARGAS. This charge, which represents approximately 48% of the current tariff, is paid by clients that required the additional transportation capacity or who financed their expansions by means of advance payments, and is set by ENARGAS. In 2014, we recognized revenues of Ps. 49.9 million as a result of the CAU. However, given the permanent increase of operational and maintenance costs throughout the years, which now exceed the amount of the CAU, we filed a claim against the National Government to obtain the adjustment of the values and ensure a fair compensation for the service it renders. See “Item 4. Our Information—B. Business Overview—Gas Transportation—Pipeline Operations—Pipeline Expansions.” The CAU charge is not applicable to the first pipeline expansion undertaken in 2005.

**The Public Emergency Law and UNIREN.** The Public Emergency Law granted the Executive Branch power to renegotiate contracts entered into with private utility companies, pursuant to the framework included in the Public Emergency Law. The Public Emergency Law has been extended until December 31, 2015.

In July 2003, UNIREN was created under the joint jurisdiction of the MEF and MPFIPyS. This unit, which is the successor of the former Committee for the Renegotiations of Public Services and Works Contracts, is conducting the renegotiation of contracts related to utilities and public works, and is empowered to reach total or partial agreements with the licensees and submit proposals regulating the transitory adjustment of tariffs and prices, among other things. No progress was made in our renegotiation process until December 2003, when we discussed preliminary documents with UNIREN, including (i) the renegotiation guidelines, which determined the preparation of an agenda and a schedule for its discussion, (ii) a draft agenda which was

outlined in order to deal with main issues such as costs, investment programs and financing, rates of return and tariffs, etc. and (iii) a schedule, which settled for the renegotiation of the regulatory framework.

Since 2003, multiple proposals from UNIREN, with varying levels of tariff increase, have been discussed. On October 9, 2008, we signed the 2008 Transitional Agreement with UNIREN that contemplated a tariff increase of 20%, which would be retroactively applicable to September 1, 2008. For additional information regarding the tariff renegotiation process see “Item 3—D. Risk Factors—Risks Relating to Our Business—Since *the implementation of the Public Emergency Law in 2002 and until March 31, 2014, we have received only one increase in our regulated gas tariffs, which was granted on April 1, 2014, which has adversely affected our gas transportation segment and net revenues thereof.*”

As mentioned above, Resolution No. I-2852 contemplates a transitional tariff increase for the transportation of natural gas business segment. The Resolution also requires, in line with 2008 Transitional Agreement that at least 5% of the proceeds of the transitional rate adjustment would be temporarily deposited in the trust fund for the payment of maintenance works specified in an investment plan submitted by us and previously approved by the ENARGAS. We will manage the remaining balance of the increase for the fulfillment of that investment plan.

**Adjustment of Tariffs.** Under our License, we may be permitted to adjust tariffs semi-annually to reflect changes in PPI and every five years in accordance with efficiency and investment factors to be determined by ENARGAS and, subject to ENARGAS’ approval, from time to time to reflect cost variations resulting from changes in the tax regulations (other than income tax) applicable to us, and for objective, justifiable and non-recurring circumstances.

The Natural Gas Law requires that in formulating the rules that apply to the setting of future tariffs, ENARGAS must provide the transportation companies with (i) an opportunity to collect revenues sufficient to recover all future proper operating costs reasonably applicable to service, as well as future taxes and depreciation, and (ii) a reasonable rate of return, determined in relation to the rate of return of businesses having comparable risk and taking into account the degree of efficiency achieved and the performance of the company in providing the service. No assurances can be given that the rules to be promulgated by ENARGAS will result in rates that will enable us to achieve specific earnings levels in the future.

Since January 1, 2000, however, adjustments to tariffs to reflect PPI variations were suspended, first through an agreement with the Executive Branch and later by a court decision arising from a lawsuit to determine the legality of tariff adjustments through indexes.

Under the framework of the Public Emergency Law and 2008 Transitional Agreement, the ENARGAS issued Resolution No. I-2,852 on April 7, 2014 containing new tariff schedules that increase the tariff applicable to natural gas firm and interruptible transportation. Although the 2008 Transitional Agreement establishes that the tariff increase is effective retroactively as from September 1, 2008, the new tariff schedules establish only a progressive 8% increase as from April 1, 2014, an accumulated 14% increase as from June 1, 2014 and an accumulated 20% increase as from August 1, 2014. This transitional tariff increase represents the first increase since 1999. The publication of the new tariff schedules partially implements the 2008 Transitional Agreement.

On June 3, 2014, we filed a motion for reconsideration before ENARGAS, asking it to provide a methodology for recovery of the tariff increase that should have been effective as from September 1, 2008 to March 31, 2014, as required by the 2008 Transitional Agreement. Because the deadline for determination of the motion by ENARGAS has passed, we considered our request to have been denied by ENARGAS, and asked that the regulatory agency transfer the proceedings to the Federal Energy bureau to focus on the analysis of the motion for appeal lodged jointly with the motion for reconsideration mentioned above. Also, in order to address the potential refusal by ENARGAS of our request, we filed a preliminary administrative appeal to the Government under the terms of section 30 of the National Administrative Procedures Act claiming damages for the failure to implement the retroactive increase provisions of the 2008 Transitional Agreement.

Previously, in September 2010 we filed an *acción de amparo* against ENARGAS and SCyCG asking for implementation of the new tariff increase schedule. On September 19, 2014, the judge of the First Instance rejected our request that ENARGAS publish the tariff scheduled; alleging that after the issuance of



resolution I-2852, said organism has complied with the publication of the tariff schedule authorized in Decree No. 1,918/09. On April [XX], 2015, we filed a direct appeal to the Supreme Court of Justice as the Chamber for Federal Administrative Law Disputes of the City of Buenos Aires rejected the extraordinary appeal filed by TGS against its decision of December 18, 2014. For more information see D. “Risk Factors – Since the implementation of the Public Emergency Law in 2002 and until March 31, 2014, we have received only one increase in our regulated gas tariffs, which was granted on April 1, 2014, which has adversely affected our gas transportation segment and net revenues thereof.”

***Certain Restrictions with Respect to Essential Assets.*** A substantial portion of the assets transferred by GdE were defined in our License as essential to the performance of the licensed natural gas transportation service. Pursuant to our License, we are required to segregate and maintain the essential assets, together with any future improvements thereon, in accordance with certain standards defined in our License.

We may not for any reason dispose of, encumber, lease, sublease or lend essential assets for purposes other than the provision of the licensed service without ENARGAS’ prior authorization. Any extensions or improvements that we make to the gas pipeline system may only be encumbered to secure loans that have a term of more than one year to finance such extensions or improvements.

Upon expiration of our License, we will be required to transfer to the Government or its designee the essential assets specified in our License as of the expiration date, free of any debt, encumbrance or attachment, receiving compensation equal to the lower of the following two amounts:

- the net book value of the essential assets determined on the basis of the price paid by CIESA for shares of our common stock plus the original cost of subsequent investments carried in U.S. dollars in each case adjusted by the PPI, net of accumulated depreciation in accordance with the calculation rules to be determined by ENARGAS (since the enactment of the Public Emergency Law, this provision may no longer be valid); or
- the net proceeds of a new competitive bidding (the “**New Bidding**”).

Once the period of the extension of the License expires, we will be entitled to participate in the New Bidding, and thus, we shall be entitled to:

- submit a bid computed at an equal and not lower price than the appraisal value determined by an investment bank selected by ENARGAS, which represents the value of the business providing the licensed service at the valuation date, as a going concern and without regard to the debts;
- obtain a new license, without payment, in the event that any bid submitted in the New Bidding exceeds the appraisal value;
- match the best bid submitted by third parties in the New Bidding, if it would be higher than our bid mentioned above, paying the difference between both values to obtain a new license;
- if we have participated in the New Bidding but are unwilling to match the best bid made by a third party, receive the appraisal value as compensation for the transfer of the essential assets to the new licensee, with any excess paid by the third party remaining for the grantor.

Under Argentine law, an Argentine court will not permit the enforcement of a judgment on any of our property located in Argentina which is determined by the courts to provide essential public services. This may adversely affect the ability of a creditor to realize a judgment against our assets.

Under a transfer agreement we entered into in connection with the privatization of GdE in the 1990s (the “**Transfer Agreement**”), liabilities for damages caused by or arising from the GdE assets are allocated to either GdE or us depending on whether any such damage arose or arises from the operation of the assets prior to or following the commencement of our operations. Also, pursuant to the Transfer Agreement, we are responsible for any defects in title to such assets, although any such defects are not expected to be material. The Transfer Agreement further provided that GdE was responsible for five years until December 1997 for the registration of easements related to the system, which were not properly recorded, and for the payment to property owners of any royalties or fees in respect thereof. Since 1998, we

have been responsible for properly recording any remaining easement agreements and for making payments of royalties or fees related to such easements. See “Item 8. Financial Information.”

## **Competition**

Our natural gas transportation business faces only limited direct competition. Although there are no regulatory limitations on entry into the business of providing natural gas transportation services in Argentina, the construction of a competing pipeline system would require substantial capital investment and the approval of ENARGAS. Moreover, as a practical matter, a direct competitor would have to enter into agreements with natural gas distribution companies or end-users to transport a sufficient quantity of gas to justify the capital investment. In view of our current firm transportation contracts with our distribution company customers, and the other characteristics of the markets in which we operate, management believes that it would be very difficult for a new entrant to the natural gas transportation market to pose a significant competitive threat to us, at least in the short to intermediate term. In the longer term, the ability of new entrants to successfully penetrate our market would depend on a favorable regulatory environment, an increasing and unsatisfied demand for gas by end-users, sufficient investment in downstream facilities to accommodate increased delivery capacity from the natural gas transportation systems and the finding of significant natural gas reserves.

To a limited extent, we compete with TGN on a day-to-day basis for natural gas interruptible transportation services and from time-to-time for new natural gas firm transportation services made available as a result of expansion projects to the natural gas distribution companies to whom both we and TGN are either directly or indirectly connected (Camuzzi Pampeana, MetroGAS and BAN). We compete directly with TGN for the transportation of natural gas from the Neuquén basin to the greater Buenos Aires area.

The cost of natural gas relative to competing fuels may also affect the demand for transportation services in the long term. The delivered cost of gas to end-users in Argentina, based on energy content, is currently significantly lower than other alternative fuels, except for hydroelectric power.

In addition, the Argentine government has implemented a number of projects to encourage the exploration and development of new natural gas reserves, or secure alternative supplies of natural gas, in recent years. See “Item 4. Our Information—B. Business Overview—Gas Transportation—the Argentine Natural Gas Industry.” For example, the Northeast pipeline is a project, led by the Argentine government, which will connect the Bolivian natural gas basins with the northeastern region of Argentina and the greater Buenos Aires region. The Argentine government is evaluating the development, terms and conditions to carry out the expansion works. The transportation capacity of this pipeline is anticipated to be approximately 978 MMcf/d.

In 2008 and 2010, the Argentine government, through ENARSA, finalized the construction of a liquefied natural gas regasification ports in Bahía Blanca and Escobar, respectively, which, are intended to supplement the natural gas supply deficit.

In March 2010, the governments of Argentina and Bolivia signed an addendum to the agreement entered into by both countries in 2006, with the purpose of achieving a 706 MMcf/d increase in natural gas imports, which has been implemented in stages since 2010. This agreement is expected to expire in 2026.

These large new natural gas projects could reduce future investments in the exploration of fields from which we transport natural gas and consequently could decrease the volumes transported by us as these gas fields are depleted, adversely affecting our revenues from the natural gas transportation and liquids production and commercialization business segments.

## **LIQUIDS PRODUCTION AND COMMERCIALIZATION**

Our Liquids production and commercialization activities are conducted at our Cerri Complex, which is located near the city of Bahía Blanca in the Province of Buenos Aires. In the Cerri Complex, ethane, LPG and natural gasoline are extracted from the natural gas, which arrives through our three main pipelines from the Neuquina and Austral natural gas basins. The owners of the extracted Liquids are required to make in-kind deliveries of additional natural gas to replace their attributable share of the natural

gas shrinkage, fuel and losses associated with the extraction of liquids from the natural gas. The results of our Liquids production and commercialization segment are subject to risks associated with commodity price changes. We do not currently hedge against commodity price risk.

We operate our Liquids business under two different types of contractual arrangements:

- Liquids production and commercialization for our own account: Under this type of arrangement, we own the Liquids products obtained at our Cerri Complex. We purchase natural gas in order to replace thermal units consumed in the liquids production process. These natural gas purchases are negotiated with certain natural gas distributors, traders and producers. We include the assignment of rights in favor of TGS to withdraw the liquids contained in the natural gas purchased or injected in the pipeline system. This category of our liquids business is most important in terms of revenue, percentage of transactions and profit.
- Liquids production and commercialization on behalf of third parties: We also process natural gas and market the Liquids products in exchange for a commission based on a percentage of the sale price. In some cases we process the natural gas and deliver the Liquids products to the natural gas producers who pay us a percentage of the average monthly sale price obtained from our sales in the domestic and/or international markets (depending on the contract).

In the domestic market, we sell our production of propane to traders at export parity prices set monthly by the Federal Energy Bureau pursuant to Law No. 26,020 regulations. In addition, under Law No. 26,020 and the Federal Energy Bureau resolutions, to support low-income consumers throughout Argentina, we sell butane at a fixed price below market conditions. For additional information see “-Regulation – Domestic market” below.

In March 2015, the Argentine Government announced changes to the methodology applied to subsidize the above-mentioned trust fund. According to the new methodology, gas canister prices will be fixed and the Government will pay a subsidy to the consumers.

Because the Stabilization Agreement and the new regime require us to produce and trade LPG volumes required by the Federal Energy Bureau at prices significantly below the market, we are unable to cover production costs, leading to a negative operating margin.

We sell our LPG exports to Petredec Limited (“**Petredec**”), under an export agreement entered into on September 24, 2014, following a private bidding process which provides for a lower price per ton of sold product than the prior agreement. The contract provides for sales of approximately 135,583 short tons of propane and 72,752 short tons of butane at the price quoted in Mont Belvieu, Texas, plus a fixed charge per metric ton. The contract expired on March 31, 2015. For the period September 2015 through March 2016, we will submit a new bid with customers for a new agreement to replace the existing one. For the period from March through September of each year, our sales will take place mainly in the domestic market, due to restrictions on natural gas processing and to governmental requirements to supply the domestic market.

The agreement that governs natural gasoline exports matured on November 30, 2014. Given the uncertainty in the international market, spot sales are being conducted with Petrobras - Petróleo Brasileiro S.A. and Trafigura Beheer BV, while we and Petróleo Brasileiro decide whether to enter into a new mid-term agreement. Selling prices are set taking into consideration the NWE ARA price, less a fixed discount per metric ton. Petróleo Brasileiro is an affiliate of the Petrobras Argentina Group, which is a 50% shareholder of CIESA, our controlling shareholder. This supply contract was on market terms according to the analysis and conclusions of the Audit Committee.

Ethane is sold to PBB under a 10-year agreement that will expire on December 31, 2015. The ethane agreement includes, among other conditions TOP and DOP commitments for minimum annual quantities of 370,373 short tons per year. Under these conditions, if either of the parties does not comply with the TOP or DOP conditions, that party will be required to compensate the other party for the breach of the minimum annual quantities commitment. During 2014, PBB did not comply with its TOP commitments, and compensated us for this breach. The price was fixed until December 31, 2007. Since then, at the

beginning of each year the price has been subject to an annual adjustment based on various factors, including the PPI (which variation cannot be higher than 1% per year), the natural gas price, the quality of the ethane shipped by us and the transportation tariffs and charges. From 2008 to 2013, prices have increased 22.4%, 9.0%, 5.0%, 6.6%, 9.0% and 11.9% over the prior year. In 2014, the price was increased 4.3% as compared to 2013. We are currently negotiating the price for the year 2015 with PBB.

This business segment also comprises storage and dispatch by truck and subsequent shipment of the liquids extracted at the Cerri Complex in facilities located in Puerto Galván. LPG and natural gasoline are transported via two eight-inch pipelines to the loading terminal at Puerto Galván. Ethane is piped via an eight-inch pipeline to the PBB olefins plant, which is the sole outlet for ethane from the Cerri Complex. Any ethane extracted at the Cerri Complex that cannot be sold to PBB is reinjected into the pipeline.

Our Liquids production and commercialization segment has increased as a percentage of our total revenues from 19.0% in 2001 to 75.0% in 2014, as a consequence of the adverse change in the regulated natural gas transportation segment, and the increases in the international prices of LPG and natural gasoline experienced, which generated higher revenues principally from exports. In the last quarter of 2014, international prices of LPG declined significantly, in tandem with the decline in oil prices. However, as mentioned below, in December 2014 and February 2015, the export tax regime was modified to mitigate such decline in international prices. Nonetheless, if prices continue decreasing in the future, this decrease could have a significant adverse effect on our future earnings from this segment.

In 2014, our export revenues from Liquids production and commercialization segment were Ps. 1,490.9 million and represented 34.6% of our total net revenues and 46.0% of our liquids production and commercialization revenues. Additionally, the total volume of sales from Liquids was 1,037,987 short tons, and the volume of sales from Liquids exports was 345,316 short tons, representing 34.3% of our total liquids sales volumes. These export volumes also include sales made on account of third parties. Export revenues from our liquids production and commercialization segment command a price premium, which has declined after the decrease in international prices, as compared to our domestic market sales, primarily as a result of government regulation of domestic prices and high prices and demand for Liquids on the international markets.

The annual sales of the Cerri Complex for 2014, 2013 and 2012 in short tons were as follows:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Ethane.....	330,960	346,046	336,764
LPG.....	609,831	551,315	573,633
Natural Gasoline.....	97,196	103,958	108,559
<b>Total.....</b>	<b>1,037,987</b>	<b>1,001,319</b>	<b>1,018,956</b>

Our management anticipates that new oil and natural gas developments in Argentina will provide new opportunities in the liquids production and commercialization business and lead to related increases in revenues from our natural gas transportation and Liquids production and commercialization businesses.

## **Regulation**

Liquids production and commercialization activities are not subject to regulation by ENARGAS. However, in recent years, the Government has enacted regulations that significantly affect our Liquids production activities.

### *Domestic market*

In March 2005, the Government enacted Law No. 26,020, which set the framework through which the Federal Energy Bureau establishes regulations meant to cause LPG suppliers to guarantee sufficient supply of LPG in the domestic market at low prices. Law No. 26,020 creates a price regime pursuant to which the Federal Energy Bureau periodically publish reference prices for LPG sold in the domestic market. It also sets forth LPG volumes to be sold in the domestic market. Consequently, we are not able to select freely the markets to allocate LPG production. As we are effectively required to meet the minimum

domestic demand before exporting significant amounts of LPG, we forego revenues from foreign markets with higher prices than those established for local consumers.

The Stability Agreement initially was intended to terminate on December 1, 2009. Since that date, however, there have been several annual amendments to the agreement, the most recent of which provided that the Stability Agreement remained in force until March 31, 2015.

Under the Stabilization Agreement, butane bottles were sold at a fixed price below the market price with a quota assigned to each producer. This price reduction is partially offset by a subsidy paid to producers by a trust fund created for that purpose. The trust fund created by Law No. 26,020 is funded by: (i) penalties established by Law No. 26,020, (ii) assignments from the General State Budget, and (iii) funds that may be assessed by the Federal Energy Bureau.

On March 30, 2015, the Executive Branch issued Decree No. 470/2015, regulated by Resolution No. 49/2015 issued by the Federal Energy Bureau. Both replaced Stabilization Agreement creating a new framework for the selling of LPG bottles (the “**New Program**”). In line with the Stabilization Agreement, the Federal Energy Bureau regulates the price and the quantity of LPG sold in the domestic market by each LPG producer. On April 1, 2015, the Federal Energy Bureau issued Resolution No. 70/2015, which sets the new reference prices and the compensation received by us to sell LPG under the New Program.

Participation in the Stabilization Agreement and the New Program requires us to produce and market LPG volumes required by the Federal Energy Bureau at prices significantly below the market. The requirement does not allow us to cover production costs creating a negative operating margin, even after giving effect to the subsidy payments that we receive under the agreement. We are analyzing the impact of our participation in the New Program.

In addition, on June 28, 2005, the Federal Energy Bureau issued Resolution No. 792/05 which approved the method for calculating the propane and butane export parity. Recently, on March 16, 2015, Resolution No. 792/05 has been replaced by the Federal Energy Bureau issuing Resolution No. 36/2015. This new resolution updates the export parity price beginning in April 1, 2015.

Furthermore, on December 3, 2008, through Decree No. 2,067/08, the Executive Branch created a trust to finance natural gas imports to be injected into the natural gas pipeline system. The trust is funded, among others, through the creation of a charge to be paid by (i) the users of the transportation and/or distribution regulated services, (ii) natural gas consumers receiving gas directly from producers without using natural gas transportation or distribution systems, and (iii) the natural gas processing companies. Certain entities, including us, were selected to receive a subsidy for the payment of the charge since December 2008. However, in November 2011, ENARGAS issued the Gas Charge Resolutions that modified the list of the subsidy beneficiaries, and thus, involved a charge increase for many of our clients, and specifically for our consumption for our own account. The charge increased from Ps. 0.049 to Ps. 0.405 per cubic meter of natural gas effective from December 1, 2011, representing a significant rise of the variable costs of natural gas processing. See “Item 5. – Operating and Financial Review and Prospects—A. Operating Results—Discussion of Results of Operations for the Two Years Ended December 31, 2014 and 2013.”

In order to avoid the damage that would result from the implementation of this effective 727% increase in the cost for natural gas consumption for liquids producers, including TGS, we initiated legal actions challenging the application of the Executive Branch decree and the Gas Charge Resolutions against the Government, ENARGAS and MPFIPyS as defendants, and have obtained a preliminary injunction stopping the implementation of the charge against us pending a determination on the merits of the case. See “Item 8. – Financial Information – A. Consolidated Statements and Other Financial Information – Legal and Regulatory Proceedings.”

In 2013 ENARGAS regulated peak natural gas prices for industrial users, creating the concept of Ultimate Supply Providers (Proveedor de Última Instancia or “**PUI**”) and Ultimate Supplied Gas (Gas de Última Instancia) (“**GUI**”) in Note No. 04624/2013.

According to the Note, industrial users that receive natural gas supply from a PUI will pay US\$ 7.5 per MMBtu, which is the price for incremental production payable to domestic producers that have signed

investment agreements with the Government under Resolution No. 1/2013 of the Ministry of Economy and Finance (“MEF”). Producers who are not signatories of investment agreements paid 90% of the weighted average of the price of all of the producer’s natural gas purchase contracts. The Note further provides that industrial users consuming natural gas above permitted quantities shall pay the so-called GUI price, currently fixed at US\$ 13.29 per MMBTU (weighted average gas import price).

These new regulations significantly increased the cost of natural gas consumed in the Cerri Complex, thus decreasing the margins available to us and other natural gas processors whose gas is processed there. The prices of natural gas at wellhead have reached increases of approximately 30% (in U.S. dollars terms) in 2014.

#### *International market*

Since 2002, LPG and natural gasoline exports have been subject to a withholding tax on exports. In May 2004, the effective tax rate for LPG exports was increased from 4.76% to 16.67%. On May 24, 2007, it was increased to 20%.

After the issuance of Resolution No. 127/08 by the MEF, in March 2008, a variable export tax regime has been in force for the natural gasoline, propane and butane, respectively, with a minimum effective tax rate of 31.03% when international prices are lower than US\$1,028, US\$663 and US\$678 per metric ton (or US\$932, US\$601 and US\$615 per short ton, respectively), as notified daily by the Federal Energy Bureau. If international prices exceed these amounts, the marginal tax rate applicable to the excess is 100%. As a result of this export tax regime, we are unable to obtain post-tax prices of more than US\$709, US\$457 and US\$468 per metric ton (or US\$643, US\$415 and US\$424 per short ton, respectively) of natural gasoline, propane and butane, respectively. Due to international prices, the average effective tax rate for 2014 was 32.8%, 31.5% and 33.7% for propane, butane and natural gasoline, respectively.

On December 30, 2014, the MEF issued Resolution No. 1,077/2014, which modified the nominal rates applicable for the export of oil and oil by-products, including the natural gasoline sold by us. The new withholding tax on exports regime considers the price of Brent crude oil less 8 US\$/bbl (“IP”) as a reference price to determine the applicable rate. When the IP is less than 71 US\$/bbl the nominal rate of the withholding tax on export for the natural gasoline will be 1%. When the IP is greater than 71 US\$/bbl, the rate will be  $(IP - 70) / 70 \times 100$ . Thus far during 2015, IP has been below US\$ 71/bbl, so the applicable nominal rate for the exports of natural gasoline has been 1%.

In addition, on February 25, 2015, the MEF issued Resolution No. 60/2015, which entered into force on the same date. This resolution modified the variable export tax regime established under Resolution No. 127/08. According to the new methodology, the minimum tax rate is 1% if the international prices for propane and butane are lower than US\$ 464 and US\$ 478 (the “reference value”) per metric ton, respectively. If the propane and butane international prices are higher than the reference value, the tax rate applicable to the selling price is calculated on a sliding scale according to the amount by which the selling price exceeds the cut-off value of US\$ 460 and US\$ 473 per metric ton, respectively.

#### **Competition**

At the end of 2000, MEGA finished building and began operation of a gas processing plant with a capacity of approximately 1.3 Bcf/d, located in the Province of Neuquén. Although the construction of this gas processing plant initially resulted in lower volumes of gas arriving at the Cerri Complex, we have been able to undertake measures to substantially mitigate any negative impact of MEGA. However, there is a risk that additional gas processing at the MEGA plant could result in lower volumes or lesser quality gas (i.e., gas with lower liquids content) arriving at the Cerri Complex in the future, or that other projects that may be developed upstream of the Cerri Complex could adversely affect our revenues from Liquids production and commercialization services.

During the summer 2014, our sole purchaser of ethane, PBB, decided, for commercial reasons, to give priority to the product provided by MEGA. If PBB continues with its policy to take increased volumes of ethane from our competitors, this situation could adversely affect our revenues from Liquids production and commercialization services, if we are unable to sell the ethane and must reinject it into the gas stream.

To minimize the revenue impact of any project developed upstream of the Cerri Complex, since 2000, we have signed agreements with natural gas producers and distributor customers to maximize the richness of the gas to be processed at the Cerri Complex in order to have access to the associated Liquids. Starting in 2005, we agreed with major natural gas producers who contracted with us to process their natural gas in the Cerri Complex, and we obtained the commitment of such natural gas producers to not build natural gas processing plants upstream of the Cerri Complex during the term of such long-term agreements (10-year term in the case of those agreements signed in 2005 and 5-year term in those agreements entered into since 2006). From time to time, and as these contracts expire, we renew and sign new agreements with natural gas producers to replace expiring contracts. In recent years, the terms of the new agreements have contemplated a term of expiration between 1 and 2 years. All of these recent agreements contain commitments of such gas producers not to reduce the quality of the natural gas that they sell to us.

### **OTHER SERVICES**

Other services activities are not subject to regulation by ENARGAS.

#### **Midstream Services**

Through midstream services, we provide integral solutions related to natural gas from the wellhead up to the transportation systems. The services are comprised of gas gathering, compression and treatment, as well as construction, operation and maintenance of pipelines, which are generally rendered to natural gas and oil producers at the wellhead. Our portfolio of midstream customers also includes distribution companies, big industrial users, power plants and refineries. Our midstream activities include the separation and removal of impurities such as water, carbon dioxide and sulfur from the natural gas stream. Small diameter pipes from the wellheads form a network, or gathering system, carrying the gas stream to larger pipelines where field compression is sometimes needed to inject the gas into our large diameter gas pipelines. The services are tailored to fit the particular needs of each customer in technical, economic and financial matters.

In addition, we provide operation and maintenance of pipelines services to our affiliates Gas Link S.A. (“**Link**”).

In October 2012, ENARGAS issued Resolution No. 3,952/12 which authorized our affiliate Emprendimientos de Gas del Sur S.A. (“**EGS**”) to transfer its connection pipeline and service offerings in operation to us. The transfer was executed on December 17, 2013.

In recent years, we provided advisory services for the construction of natural gas and, more specifically, LNG infrastructure. We rendered these services associated with an extension of inflow facilities for regasified LNG from ships at Puerto de Ingeniero White near Bahía Blanca. In 2014, in addition to treatment and compression services rendered to several producers, such as Pluspetrol Energy S.A., YPF, and Petrobras Argentina Group, we provided a range of technical services related to connection to the natural gas transportation system, engineering inspection, project management, works inspection audits, dispatch management, professional technical counseling and instrument gauging tasks. Our customers for these services include, among others, Aluar Aluminio Argentino S.A.C.I., ENARSA, YPF, Tecpetrol S.A., Profertil S.A. and Roch S.A. Moreover, in 2014, we increased our steam production in the co-generation energy unit located at the Cerri Complex, by improving heat recovery efficiency for the generation of electricity.

#### **Telcosur (Telecommunications System)**

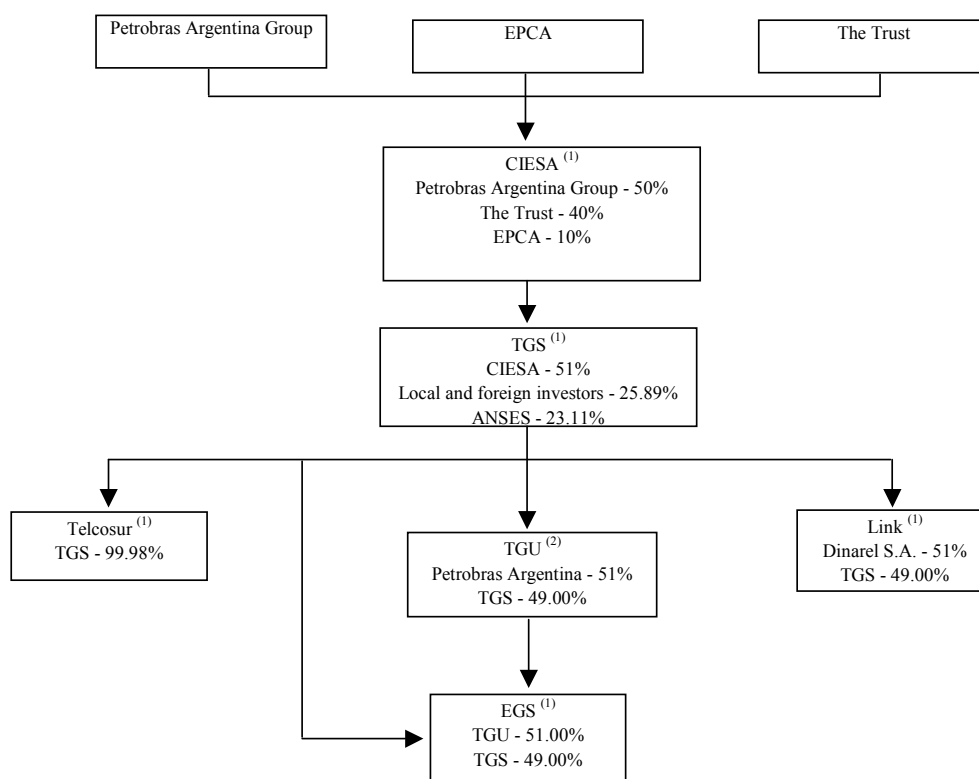
We own 99.98% of Telcosur, a telecommunications company created in September 1998 to provide value-added and data transportation services using our modern digital land radio telecommunications system with Synchronous Digital Hierarchy (“**SDH**”) technology (which was installed for purposes relating to our gas transportation system).

During 2014, Telcosur executed several agreements, which account for the increase in revenues as compared to last year:

- Silica Networks Argentina S.A. was assigned the right of way corresponding to two hairs of dark optical fiber that Telcosur owns in the route La Plata - Mendoza.
- Pursuing its mid- term and long- term consolidation strategy, Telcosur attained capacity expansions through the renegotiation of existing agreements and the execution of new ones.
- Telcosur entered into agreements with two clients for the Lease of Operative Sites, thus capitalizing its assets in the Bahía Blanca - corridor.

### C. Organizational Structure

The following is a summary diagram of our subsidiaries and affiliates as of the date of this Annual Report, including information about ownership and location:



<sup>(1)</sup> Incorporated in Argentina.

<sup>(2)</sup> Incorporated in Uruguay.

As of the date of issuance of this Annual Report, we are performing the formal steps to liquidate TGU and EGS.

### D. Property, Plant and Equipment

#### Gas Transportation

The principal components of the pipeline system we operate are as follows:



*Pipelines.* We render natural gas transportation service through a pipeline system that is 5,675 miles long, of which 4,745 miles are of our property. We manage the transportation of natural gas over the remainder of the system under management agreements with the Gas Trust, which owns the remaining portions of the pipeline. The system consists primarily of large diameter, high pressure pipelines intended for the transportation of large volumes of gas at a pressure of approximately 853-996 pound/inch<sup>2</sup>. Line valves are installed on the pipeline at regular intervals, permitting sections of the pipeline to be isolated for maintenance and repair work. Gas flow regulating and measurement facilities are also located at various points on the system to regulate gas pressures and volumes. In addition, a cathodic protection system has been installed to protect the pipeline from corrosion and significantly reduce metal loss. All of the pipelines are located underground or underwater.

*Maintenance bases.* Maintenance bases are located adjacent to the natural gas pipeline system in order to maintain the pipeline and related surface facilities and to handle any emergency situations which may arise. Personnel at these bases periodically examine the pipelines to verify their condition and inspect and lubricate pipeline valves. Personnel at the bases also carry out a cathodic protection system to ensure that adequate anti-corrosion systems are in place and functioning properly. They also maintain and verify the accuracy of measurement instruments to ensure that these are functioning within appropriate industry standards and in accordance with the specifications contained in our service regulations.

*Compressor plants.* Compressor plants along the pipelines recompress the natural gas volumes transported in order to restore pressure to optimal operational levels, thereby ensuring maximum use of capacity as well as efficient and safe delivery. Compressor plants are spaced along the pipelines at various points (between 62 and 124 miles) depending upon certain technical characteristics of the pipelines and the required pressure for transport. Compressor plants include mainly turbine-driven compressors and to a lesser extent motor-driven compressors which use natural gas as fuel, together with electric power generators to supply the complementary electrical equipment (control and measurement devices, pumping, lighting, communications equipment, etc.).

We transport natural gas through four major pipeline segments: General San Martín, Neuba I, Neuba II and Loop Sur, as well as several smaller natural gas pipelines. Information with respect to certain aspects of our main natural gas pipelines as of December 31, 2014, is set out in the table below:

Major Pipeline	Length (miles)	Diameter (inches)	Maximum Pressure (pound/inch)	Compressor Units	Operative Compressor Plants	HP Output
General San Martín	2,079	30(2)	853/995	58	14	503,710
Neuba I/Loop Sur	732	24/30	853	15	9	61,100
Neuba II	1,064	30/36	975/995	20	6	179,300
Other <sup>(1)</sup>	870	Various	Various	6	3	7,500
<b>Total</b>	<b>4,745</b>			<b>99</b>	<b>32</b>	<b>751,610</b>

<sup>(1)</sup> Includes 247 miles of transfer pipelines throughout the pipeline system, as well as the Cordillerano pipeline, with a length of 239 miles, and the Chelforó-Conesa pipeline and other minor pipelines.

<sup>(2)</sup> Includes two tranches of 24 inches which correspond to the “Estrecho de Magallanes” gas pipeline.

*General San Martín.* This pipeline was built in three stages, completed in 1965, 1973 and 1978, and transports natural gas from the extreme southern portion of Argentina to the greater Buenos Aires area in east-central Argentina. It originates in San Sebastián (Tierra del Fuego), passes through the Straits of Magellan and the Provinces of Santa Cruz, Chubut, Río Negro and Buenos Aires (including the Cerri Complex located near the city of Bahía Blanca in central Argentina), and terminates at the high pressure transmission ring around the city of Buenos Aires. The pipeline receives natural gas from the Austral basin at the extreme south in the province of Tierra del Fuego, from the same basin further north at El Cóndor and Cerro Redondo, in the Province of Santa Cruz and from the San Jorge basin in northern Santa Cruz and southern Chubut provinces. The natural gas pipeline principally serves the districts and cities of Buenos Aires, La Plata, Mar del Plata, Bahía Blanca, Puerto Madryn and Comodoro Rivadavia. This pipeline was expanded in 2005 by the Gas Trust in order to satisfy the growing natural gas demand in the Argentine economy. This expansion resulted in the construction of 458 miles of pipeline and the installation of new

compressor units. See “Item 4. Our Information—B. Business Overview—Gas Transportation—Pipeline Operations—Pipeline Expansions.”

*Neuba I* (Sierra Barrosa-Bahía Blanca). Neuba I was built in 1970 and was expanded by us in 1996. It is one of our two main pipelines serving our principal source of gas supply, the Neuquina basin. The pipeline originates in west-central Argentina at Sierra Barrosa (Province of Neuquén), passes through the provinces of Río Negro, La Pampa and Buenos Aires, and terminates at the Cerri Complex. This pipeline transports the natural gas received from the Neuquina basin, particularly from the Sierra Barrosa, Charco Bayo, El Medanita, Fernández Oro, Lindero Atravesado, Centenario, Río Neuquén and Loma de la Lata natural gas fields. The gas delivered from Neuba I is subsequently compressed and injected into the Loop Sur and the General San Martín pipelines for transportation north to the greater Buenos Aires area.

*Loop Sur*. This gas pipeline was built in 1972 as an extension of Neuba I and runs parallel to a portion of the General San Martín gas pipeline. Located in the province of Buenos Aires, it transports natural gas from the Neuba I at the Cerri Complex in Bahía Blanca and terminates at the high pressure transmission ring around Buenos Aires, which we also operate. The natural gas delivered by this gas pipeline constitutes a portion of the natural gas supply for the greater Buenos Aires area. Loop Sur is also connected to the TGN system and allows us to deliver natural gas to or receive natural gas from TGN. Such transfers occur occasionally during periods of high demand for natural gas.

*Neuba II*. Our newest natural gas pipeline, Neuba II, was built in 1988 and is our second pipeline serving the Neuquina basin. Neuba II was expanded four times between 1996 and 2000, and again in 2008. Neuba II begins at Repsol YPF’s Loma de la Lata gas treatment plant in the western portion of the basin and runs through the provinces of Neuquén, Río Negro, La Pampa and Buenos Aires (through the Cerri Complex), up to its terminal station located at Ezeiza just outside of Buenos Aires. Neuba II is a principal source of natural gas for the Federal District and the greater Buenos Aires area. In 2008, this pipeline was expanded as a part of the Second Expansion, resulting in the construction of 153 miles of natural gas pipeline.

*Other Pipelines*. We also operate the Cordillerano natural gas pipeline, built in 1984, which receives gas from the Neuquina basin and supplies it mainly to three tourist centers in southern Argentina. In addition, we operate other minor pipelines, the high pressure transmission ring around Buenos Aires, the Chelforó-Conesa natural gas pipeline and other natural gas pipelines known as natural gas transfer pipelines.

Additional information regarding the expansion of our gas transportation system is included in “Item 4. Our Information—B. Business Overview—Gas Transportation—Pipeline Operations—Pipeline Expansions.”

## **Ancillary Facilities**

### ***Cathodic Protection System***

Currently, we operate more than 280 cathodic protection devices, which are located along our main pipelines. The objective of this system is to prevent the corrosion process. The corrosion process causes metal loss, which, depending on the severity of the damage, may cause pipeline ruptures. Cathodic protection equipment includes DC rectifiers, and generators powered by thermic, turbine natural gas engines in locations where no electric lines are available. The system also includes an impressed current-deep anode, which facilitates circulation of electricity through the circuit formed by the generator, the anode itself, the pipe and the land.

### ***Natural Gas Control System***

Located at our Buenos Aires headquarters, the gas control system controls scheduled gas injections and deliveries and allows us to follow gas flows in real time. Data is received from compressor stations by phone and automatically from remote terminal units (“**RTUs**”) installed in the receipt and delivery points equipped with the electronic flow management (EFM) system. The information is normally collected by the Supervisory Control and Data Acquisition system (which has an ad-hoc database that is updated every 30 seconds on average) and is then consolidated into other databases. In order to control gas injection and deliveries, we have developed a software system called *Solicitud, Programación, Asignación y Control*, which, among other things, allows us to control actual volumes and projected future injections to determine

producer deviations. As part of this system, we operate meteorological equipment and receive daily weather information from various sources, which is used for the purpose of forecasting natural gas demand.

### ***Natural Gas Measurement***

Shipped and delivered natural gas is measured through primary field facilities that are connected with RTUs. Such RTUs transmit the data to the Buenos Aires headquarters. This data is utilized to prepare reports for clients, shippers, producers and ENARGAS. Energy balances are also prepared in order to control our system efficiency.

### **Liquids Production and Commercialization**

Our Liquids production and commercialization activities are conducted at our Cerri Complex. It is located near the city of Bahía Blanca and is connected to each of our main pipelines. The Cerri Complex consists of an ethane extraction cryogenic plant to recover ethane, LPG and natural gasoline, together with a lean oil absorption plant to recover LPG and natural gasoline. The facility also includes compression, power generation and storage facilities. The Cerri Complex processing capacity is approximately 1.6 Bcf/d.

As part of the Cerri Complex, we also maintain at Puerto Galván a storage and loading facility for the natural gas liquids extracted at the Cerri Complex. The Cerri Complex, including the Puerto Galván facility, is currently capable of storing 60,450 short tons of liquids. See “—Item 4. Our information. —B. Business Overview—Liquids Production and Commercialization” above.

### **Other Services**

#### ***Midstream***

As part of this business segment, we provide services related to natural gas including treatment, gathering and gas compression, which are rendered at two treatment plants and four gas compression plants with a total treatment capacity of 113 MMcf/d and a total compression capacity of 29,960 HP, respectively. The following chart shows summary information regarding the treatment and compression plants’ capacities as of December 31, 2014:

	<b>Treatment capacity (in MMcf/d)</b>	<b>Compression capacity (in HP)</b>
Río Neuquén	85	27,000
Plaza Huincul	28	2,960
<b>Total</b>	<b>113</b>	<b>29,960</b>

#### ***Telecommunication***

We own two interconnected networks beginning in the Buenos Aires Province which consist of (i) a flexible and modern microwave digital network with SDH technology over more than 2,859 miles, which covers the routes: Buenos Aires – Bahía Blanca – Neuquén to the West, Buenos Aires – Bahía Blanca – Comodoro Rivadavia – Río Grande to the South and (ii) a dark fiber optic network of approximately 1,056 miles, which covers the route La Plata – Buenos Aires – Rosario – Córdoba – San Luis – Mendoza. There is also a network in the Patagonia region, which consists of a “lit” fiber optic network of approximately 374 miles, which covers the route Puerto Madryn – Pico Truncado.

In addition, the following networks were installed in 2010, 2011 or 2012: (i) a high capacity fiber optic network of approximately 745 miles, which links Buenos Aires – Bahía Blanca – Neuquén; (ii) a fiber optic network of approximately 497 miles, which covers the route Bahía Blanca – Puerto Madryn; and (iii) a high capacity fiber optic network of approximately 497 miles, which links Pico Truncado – Río Gallegos. In 2013, we installed 81 miles of fiber optic to connect the city of Río Gallegos and the radio station “El Cóndor” which is the southernmost continental radio station in South America.

## **Environment and Quality**

Federal and provincial laws and regulations relating to environmental quality in Argentina affect our operations. These laws and regulations set standards for certain aspects of environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish remedial obligations in certain circumstances.

In general, we are subject to the requirements of the following federal environmental regulations:

- the National Constitution;
- Law No. 25,675 on National Environmental Policy;
- Law No. 24,051 on Hazardous Waste;
- Law No. 25,688 on Environmental Management of Waters;
- the Criminal Code; and
- the Civil Code.
- provincial legislation on the hazardous waste management, control of water resources, emission of greenhouse gases and environmental compliance.

The principal environmental issues arising from our operations are related to the release of natural and combustion gases into the atmosphere, emergencies and damages by third parties, environmental noise, generation of waste, and impact on the soil and water courses. We monitor all of these issues through a measurement and follow-up program. We also have an annual program of emergency drills to test our response capacity in the event of security or environmental emergencies.

The above description of the material Argentine environmental regulations is only a summary and should not be taken as a comprehensive description of the Argentine environmental regulatory framework.

All issues related to Safety, Occupational Health, Environment and Quality are documented and monitored as part of our Integrated Management System. This system has been certified in accordance with ISO standards 14,001 and 9001 and OHSAS 18001.

In 2014, we implemented improvements to the Integrated Management System tool (“SGI” according to its initials in Spanish), which is structured to support the Integrated Management System. The improvement consists in the creation of a new module “Operative Deviations and Leakages” that provides more efficient follow-ups to quality variable deviations and leakages of natural gas to the atmosphere.

We have established an environmental and industrial safety investment plan for the period of 2015-2017 with a budget of approximately US\$12.4 million.

## **Safety**

In 2014, we strengthened our processes aimed at achieving our Zero Accident target. As part of this effort, we included within the Integrated Management System tool a module for the management of “Safety Preventive Observations” and we extended the scope of the implementation of the WATCH Program in the operative sectors.

Also in 2014, we introduced the concept of Human Factors and Organizational Factors, which facilitate a more efficient analysis of prevention and occurrence of unsafe incidents. The survey on SMS issues was performed on typical directors and officers responsible for Health and Safety of our contractors. We conducted a monitoring of the representative tasks, in different locations of the Company, providing counseling and external training for our professionals.

Regarding the Preventive Driving Program, we went deeper into on-site and distance education, training through driving sessions accompanied by instructors and tests via internet. We focused on the Previous Trip Plan (“PVP”) as a risk analysis tool before starting a trip. We also delivered the book “The Smart Driver” to every participant in the driving program, to expand and strengthen the learning imparted in the workshops and applied to their daily tasks. The objective was to extend this training to the driver’s family, to contribute to a reduction in automobile accidents reduction. We have recorded lower vehicular incidents with human injuries or serious damage to the vehicles.

In 2015, we started developing the Assets Management Program, named “TGS-ASSETS”. We also started the monitoring and assessment of plants, bases and planned sectors and are conducting workshops to study and implement improvements.

## **Insurance**

We maintain insurance, subject to deductibles, against third-party liability, damage to our pipeline assets that pass under rivers or other bodies of water and the Straits of Magellan and business interruption. We believe this coverage is consistent with standards for international natural gas transportation companies. The terms of the policies related to the regulated assets have been approved by ENARGAS. In addition, we have obtained insurance coverage for our directors and officers pursuant a standard D&O insurance. For additional information, see “Item 3. Key Information.—D. Risk Factors.—Risks Relating to Our Business—*Our insurance policies may not fully cover damage or we may not be able to obtain insurance against certain risks.*”

## **Item 4A. Unresolved Staff Comments**

We do not have any unresolved staff comments.

## **Item 5. Operating and Financial Review and Prospects**

### **A. Operating Results**

The following Operating and Financial Review and Prospects should be read in conjunction with “Item 3. Key Information—A. Selected Financial Data” and our Financial Statements included elsewhere herein.

This Operating and Financial Review and Prospects discussion contains forward-looking statements that involve certain risks, uncertainties and assumptions. These forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “will,” “will likely result,” “intend,” “projection,” “should,” “believe,” “expect,” “anticipate,” “estimate,” “continue,” “plan” or other similar words. Our actual results may differ materially from those identified in these forward-looking statements. For more information on forward-looking statements, see “Cautionary Statement Regarding Forward-Looking Statements.” In addition, for a discussion of important factors, including, but not limited to, the pesification of our tariffs and other factors that could cause actual results to differ materially from the results referred to in the forward-looking statements, see “Item 3. Key Information—D. Risk Factors.”

For purposes of the following discussion and analysis, unless otherwise specified, references to fiscal years 2014, 2013 and 2012 relate to the fiscal years ended December 31, 2014, 2013 and 2012, respectively.

We maintain our accounting books and records in Pesos. Our Financial Statements as of December 31, 2014, 2013 and 2012 have been prepared in accordance with the accounting policies based on the IFRS issued by the IASB and the interpretations issued by the IFRIC applicable as of such date.

For information relating to the presentation of financial information, see “Presentation of Financial and Other Information.”

## Critical Accounting Policies and Estimates

In connection with the preparation of our Financial Statements included in this Annual Report, we have relied on assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Although we review these assumptions in the ordinary course of our business, the presentation of our financial condition and results of operations often requires management to make judgments regarding the effects of matters that are inherently uncertain. Actual results may differ from those estimated as a result of these different assumptions. We have described each of the following critical accounting policies and estimates in order to provide an understanding about how our management forms judgments and views with respect to such policies and estimates, as well as the sensitivity of such policies and estimates:

- impairment of property, plant and equipment;
- allowances for doubtful accounts; and
- provisions for legal claims and others

### *Impairment of property, plant and equipment*

We consider each of our business segments to be a single cash-generating unit (CGU). Accordingly, we evaluate the carrying value of our property, plant and equipment on a segment-by-segment basis in December of each year. In addition, we periodically evaluate the carrying value of our property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The calculation of the value in use is based on the definition of discounted future cash flows. The projected cash flows are prepared taking into account: (i) projections of the price of the price of liquids and purchase costs of natural gas associated with our Liquids Production and Commercialization segment (including the impact of the Gas Charge Resolutions) and Other Services segment, (ii) estimates relating to the timing, type and amount of the tariff increase and the recognition of cost adjustments for the Natural Gas Transportation segment, (iii) projections of future costs to be incurred, (iv) the use of certain macroeconomic variables such as interest rates, inflation, changes in the exchange rate in accordance with the budget for the upcoming fiscal year approved by the Board of Directors. The discount rate is the Company's weighted average cost of capital ("WACC").

We recorded no impairment losses of components of property, plant and equipment as of December 31, 2014 and 2013.

Due to the uncertainties surrounding the tariff renegotiation process as describes in Note 16.a to our Financial Statements, estimates of future tariff adjustments are highly uncertain and there is a substantial risk that these estimates could prove to be materially different from actual future tariffs. For this reason, we performed probability-weighted analysis as to the cash flow assumptions considered in performing an impairment test of our natural gas transportation business segment as of the end of each year. We considered two different scenarios:

- Scenario 1: we are able to reach an agreement with the Government regarding a tariff increase ("Scenario 1"); and
- Scenario 2: we are unable to reach an agreement with the Government, resulting in no tariff increase during the remaining term of our License, including the entire extension period ("Scenario 2").

As of December 31, 2014, we assigned a probability of occurrence of 95% to Scenario 1, and a probability of occurrence of 5% to Scenario 2.

In performing the analysis for Scenario 1, because the terms of an agreement with the Government are also uncertain, we developed three different projected cash flow streams based on the timing, type and amount of our tariff increase based on the renegotiation process with the Government, namely a) the base case, b) the optimistic case, and c) the pessimistic case and assigned a portion of the probability of

occurrence of 95% to each projected cash flow—50%, 10% and 35%, respectively. Specific details of each cash flow streams as of December 31, 2014 were based on: (a) the status of the negotiations with the Government, (b) the status of the legal actions initiated by us in order to obtain the implementation of the tariff increase included in the 2008 Transitional Agreement, (c) our current regulatory framework, (d) recent experiences and renegotiation agreements signed by other natural gas and electricity utility peers, and I management's expectations regarding other measures that management believes are likely to be taken by the Government to deal with the present economic situation of natural gas and electricity utilities. Each of these cash flow scenarios included assumptions related to: (i) the implementation of an initial tariff increase as contemplated by the Decree No. 1,918/09, (ii) the enactment of the License Renegotiation Agreement with the UNIREN, which was accepted by us (but has not been executed) and which contemplates different magnitudes and timings of the tariff review, and (iii) the magnitude and timing of the semi-annual tariff review mechanism that would permit adjustment in the tariff to reflect movements in general cost indices.

For further information about our tariff renegotiation process, see "Item 3. Key Information —D. Risk Factors —Risks Relating to Our Business—*Since the implementation of the Public Emergency Law in 2002 and until March 31, 2014, we have received only one increase in our regulated gas tariffs, which was granted on April 1, 2014, which has adversely affected our gas transportation segment and net revenues*" and "Item 4 – B. Business Overview – Gas Transportation – Regulatory Framework – The Public Emergency Law and UNIREN".

We have prepared our projections under the assumption that the natural gas transportation tariff will be improved according to the current framework. However, we are not in the position to ensure that future changes in our tariff schedule will be in line with our estimates. Therefore, significant differences may arise in relation to the estimates and assumptions used as of the date of this Annual Report.

Based on those estimations, as the estimated discounted cash flows were higher than the carrying amount of such assets, we determined that the property, plant and equipment were not impaired under IFRS as of December 31, 2014.

In addition, we have performed a sensitivity analysis of the probability of occurrence of each scenario and we concluded that an increase of up to 60 percentage points in the weighted probability of the pessimistic case (from 35% to 95%) and a reduction in the probability of occurrence of the optimistic case and in the probability of occurrence of the base case (reducing each to zero) would not generate a value that would require an adjustment in carrying amount for impairment.

#### ***Allowances for doubtful accounts***

We provide for doubtful accounts relating to accounts receivables. The allowance for doubtful accounts is based on the evaluation of various factors, including the credit risk of customers, historical trends and other information. While we use the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluations. We have considered all events and/or transactions that are subject to reasonable and normal methods of estimation, and our Financial Statements reflect that consideration.

During the year ended December 31, 2012, we recorded an allowance for doubtful accounts relating to the Metrogas bankruptcy process amounting Ps. 27.2 million. On February 8, 2013, we finally received the collection of the notes issued by Metrogas to cancel its debt with us. Thus, for the year ended December 31, 2013 we partially recovered this above-mentioned allowance.

#### ***Provisions for legal claims and others***

We have certain contingent liabilities with respect to legal and regulatory proceedings. We accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments as of the time the accruals are made, estimates of the outcomes of these matters and our lawyers' experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in estimates of future costs, which could have a material effect on our future results of operations and financial condition or liquidity.

We believe that our accounting policy relating to the allowances for doubtful accounts and provision for legal claims and others is a “critical accounting policy” because:

- It requires our management to make estimates and assumptions that are highly susceptible to change from period to period.
- The impact that recognizing or reversing allowances for doubtful accounts and provisions for legal claims and others would have on our consolidated balance sheet as well as on the results of our operations could be material.

### Factors Affecting Our Consolidated Results of Operations

As we are an Argentine *sociedad anónima* and all of our operations and operating assets are located in Argentina, we are affected by general economic conditions in the country, such as demand for natural gas, inflation and fluctuations in currency exchange rates. In particular, these factors affect our operating costs and revenues.

Since the onset of the severe economic crisis in Argentina, which began in late 2001, our revenue composition has changed significantly, mainly as a consequence of (i) the substantial devaluation of the peso as compared to the U.S. dollar, (ii) high inflation that has occurred since 2002, (iii) the suspension, pursuant to the Public Emergency Law, of adjustments of the tariff for the transportation and distribution of natural gas, and (iv) generally increasing international prices of LPG and natural gasoline. For the year ended December 31, 2014, 75.4% of our net revenues were attributable to our Liquids production and commercialization segment and approximately 17.3% of our net revenues attributable to our natural gas transportation business.

The following table sets forth, for the years indicated, the variation of key economic indicators in Argentina during the years indicated, as reported by official sources.

	December 31,											
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
WPI	28.3	14.8	13.1	12.7	14.8	10.0	8.8	14.6	7.2	10.6	7.9	2.0
CPI	23.9	10.6	10.5	9.2	10.5	7.3	7.2	8.5	9.8	12.3	6.1	3.7
Devaluation of pesos vs. U.S. dollar	31.1	32.6	14.3	8.2	4.6	10.0	9.7	2.8	1.0	1.8	1.7	13.1
Real GDP (% change)	0.5	2.9	1.8	8.9	9.2	0.9	6.8	8.7	8.5	9.2	9.0	8.8
Industrial production (% change)	(2.5)	(0.2)	(1.2)	6.6	9.7	0.1	5.0	7.6	8.4	8.4	10.7	16.2

Source: INDEC, Banco de la Nación Argentina.

In January 2007, the INDEC modified its methodology for calculating the CPI. Some private analysts have suggested that the change was driven by Argentina’s policy to control inflation and reduce payments on its inflation-linked bonds and have materially disagreed, and continue to disagree, with INDEC’s official inflation data (as well as other economic data affected by inflation data, such as poverty and GDP estimates). Laws and regulations currently governing the Argentine economy may continue to change in the future and these changes may adversely affect our business, financial condition or results of operations. For more information, see “Item 3. Key Information—D. Risk Factors.—Risks Relating to Argentina” Our Financial Statements do not include any adjustments or reclassifications that might result from the outcome of the uncertain economic and political environments in Argentina.

Since January 2014, the Argentine government established the IPCNu, which more broadly reflects consumer prices by considering price information from the 24 provinces of the country.

The combined effect of the lack of adjustments to our gas transportation tariffs and sustained cost increases over the years has resulted in a substantial deterioration in the operating results of the natural gas transportation segment.

Year to year fluctuations in our net income are a result of a combination of factors, including principally:



- The volume of liquids products we produce and sell;
- Changes in international prices of LPG and natural gasoline;
- Regulation affecting our liquids business, including Law No. 26,020 (which requires us to meet domestic demand before exporting LPG) and the export tax regime (which imposes an effective price cap on our sales of LPG and natural gasoline);
- Changes in the input costs related to the liquids production and commercialization segment, including the Gas Charge Resolutions;
- The availability of natural gas and its richness;
- Fluctuation in the Argentine peso / U.S. dollar exchange rate;
- Local inflation and its impact on costs expressed in Argentine pesos; and
- Other changes in laws or regulations affecting our operations, including tax matters.

#### Argentine Macroeconomic Outlook for 2015

According to Argentine National Budget 2015 approved by Law No. 27,008, real GDP is expected to grow approximately 2.8% and consumer prices are expected to rise by 15.6%. Regarding the official exchange rate market, the foreign exchange rate of the Peso against the U.S. dollar is likely to be US\$ 1 = Ps. 9.45 (a 10.5% devaluation against 2014). International reserves are expected to continue to fall throughout 2015 but at a lower rate than the observed in 2014.

#### Discussion of Results of Operations for the Two Years Ended December 31, 2014 and 2013

The following table presents a summary of our consolidated results of operations for the years ended December 31, 2014 and 2013, stated in millions of pesos, and the increase or decrease and percentage of change between the periods presented:

	Year ended December 31,		Year ended December 31, 2014 compared to year ended December 31, 2013	
	2014	2013	Variation	Percentage change
<b>Revenues from sales</b> .....	<b>4,304.0</b>	<b>2,865.0</b>	<b>1,439.0</b>	<b>(50.2%)</b>
Operating costs .....	(2,325.3)	(1,365.7)	(959.6)	(70.3%)
Depreciation.....	(240.2)	(229.6)	(10.7)	(4.6%)
<b>Costs of sales</b> .....	<b>(2,565.5)</b>	<b>(1,595.3)</b>	<b>(970.2)</b>	<b>(60.8%)</b>
<b>Gross profit</b> .....	<b>1,738.4</b>	<b>1,269.7</b>	<b>468.8</b>	<b>36.9%</b>
Administrative and selling expenses .....	(810.8)	(575.1)	(235.8)	(41.0%)
Other operating income .....	4.9	12.1	(7.1)	(59.5%)
<b>Operating profit</b> .....	<b>932.5</b>	<b>706.6</b>	<b>225.9</b>	<b>32.0%</b>
Net financial results .....	(765.5)	(532.7)	(232.9)	(43.7%)
Share of profit / (loss) from associates.....	2.9	(0.5)	3.4	680.0%
Income tax expense.....	(64.8)	(65.9)	1.1	1.7%
<b>Total comprehensive income</b> .....	<b>105.0</b>	<b>107.5</b>	<b>(2.5)</b>	<b>(2.3%)</b>

## Year 2014 Compared to Year 2013

### *Total comprehensive income*

For the year ended December 31, 2014, we reported a total comprehensive income of Ps. 105.0 million, in comparison to the Ps. 107.5 million reported in the year 2013.

The slight decline of Ps. 2.5 million in net comprehensive income resulted from the operating loss of Ps. 42.4 million in our Natural Gas Transportation business segment, the first annual period in our history for which this segment recorded an operating deficit. In addition, our net financial expense increased by Ps. 232.9 million, due to impact of the further depreciation of the peso on our U.S. dollar net liability position. We recorded a foreign exchange loss, net of Ps. 90.6 million, higher interest expense of Ps. 76.8 million to service our outstanding debt, substantially all of which is denominated in U.S. dollars and a higher negative result of the derivative financial instruments of Ps. 141.5 million. These effects were offset somewhat by a Ps. 77.9 million increase in interest income and Ps. 15.6 million in the fair value on financial instruments. The impact of the deterioration in our net financial results was largely offset by an improved operating performance of Ps. 225.9 million in the Liquids Production and Commercialization business due to higher revenues on sales denominated in U.S. dollars or at prices linked to U.S. dollar reference prices.

### *Cost of sales, administrative and selling expenses*

Cost of sales for the years ended on December 31, 2014 and 2013 represented 59.6% and 55.7%, respectively, of net revenues reported in these years.

Administrative and selling expenses for the years ended on December 31, 2014 and 2013 represented 18.8% and 20.1%, respectively, of net revenues reported in both of these years.

See. “—Analysis of Operating Profit by Business Segment for the years ended December 31, 2014 and 2013.”

### *Share of profit / (loss) from associates*

In the year ended December 31, 2014, we recorded a share profit from associates of Ps. 2.9 million, compared to the loss of Ps. 0.5 million recorded in the year ended December 31, 2013.

### *Net Financial Results*

Net financial results for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
<b>Financial income</b>		
Interest	219.4	141.4
Fair value gains on financial instruments through profit or loss	24.8	9.2
Foreign exchange gain	218.9	159.0
<b>Subtotal</b>	<b>463.1</b>	<b>309.6</b>
<b>Financial expenses</b>		
Interest expense	(310.5)	(230.8)
Foreign exchange loss	(777.8)	(627.0)
Derivative financial instruments results	(103.5)	38.0
Other financial charges	(47.5)	(29.9)
Less: Amounts capitalised on qualifying assets	10.4	7.2
<b>Subtotal</b>	<b>(1,228.9)</b>	<b>(842.4)</b>
<b>Total</b>	<b>(765.6)</b>	<b>(532.7)</b>

Net financial expense increased by Ps. 232.8 million at the close of the year ended December 31, 2014 compared to 2013. This increase was mainly related to: (i) the higher negative results from the derivative financial instruments of Ps. 141.5 million (reflecting the difference between the lower real

exchange rate and the exchange rate set in the currency forward agreements), (ii) the increase in the foreign exchange loss of Ps. 90.9 million due to higher devaluation of the peso against the US dollar in 2014 as compared to 2013, and (iii) higher negative interest of Ps. 79.7 million. These negative effects were partially offset by the improvement of TGS' financial investments performance in peso terms during the year ended December 31, 2014.

To partially offset the negative impact of the Argentine peso exchange rate variation against the U.S. dollar on our net monetary liability position, in the year 2014 we continue the mitigation actions we started in 2013, including currency forward agreements and investments in financial instruments which reflect the variation in the exchange rate.

### Analysis of Operating Profit by Business Segment for the Two Years Ended December 31, 2014 and 2013

The following table sets forth revenues and operating income for each of our business segments for the years ended December 31, 2014 and 2013:

	Year ended December 31,		Year ended December 31, 2014 compared to year ended December 31, 2013	
	2014	2013	Variation	Percentage Change
<b>Natural Gas Transportation</b>				
Revenues from sales	744.1	661.0	83.1	12.6%
Cost of sales	(626.7)	(521.9)	(104.8)	(20.1%)
<b>Gross profit</b>	<b>117.4</b>	<b>139.1</b>	<b>(21.7)</b>	<b>(15.6%)</b>
Administrative and selling expenses	(157.3)	(124.2)	(33.1)	(26.7%)
Other operating (expense) / income	(2.5)	14.6	(17.1)	(117.1%)
<b>Operating (loss) / profit</b>	<b>(42.4)</b>	<b>29.5</b>	<b>(71.9)</b>	<b>(243.7%)</b>
<b>Liquids Production and Commercialization</b>				
Revenues from sales	3,243.3	2,065.3	1,178.0	57.0%
Cost of sales	(1,828.3)	(994.7)	(833.6)	(83.8%)
<b>Gross profit</b>	<b>1,415.0</b>	<b>1,070.6</b>	<b>344.4</b>	<b>32.2%</b>
Administrative and selling expenses	(605.3)	(421.6)	(183.7)	(43.6%)
Other operating income / (expense)	7.2	(2.1)	9.3	442.9%
<b>Operating profit</b>	<b>816.9</b>	<b>646.9</b>	<b>170.0</b>	<b>26.3%</b>
<b>Other services</b>				
Revenues from sales	256.7	109.2	147.6	135.3%
Cost of sales	(90.4)	(64.4)	(26.1)	(40.4%)
<b>Gross profit</b>	<b>166.3</b>	<b>44.8</b>	<b>121.5</b>	<b>272.0%</b>
Administrative and selling expenses	(40.7)	(24.8)	(15.8)	(64.1%)
Other operating (income) / expense	0.2	(0.3)	0.5	166.7%
<b>Operating profit</b>	<b>125.8</b>	<b>19.6</b>	<b>106.2</b>	<b>541.8%</b>
<b>Telecommunications</b>				
Revenues from sales	59.9	29.5	30.4	103.1%
Cost of sales	(20.1)	(14.4)	(5.8)	(39.6%)
<b>Gross profit</b>	<b>39.7</b>	<b>15.1</b>	<b>24.6</b>	<b>163.6%</b>
Administrative and selling expenses	(7.5)	(4.4)	(3.1)	70.5%
Other operating expense	-	(0.1)	0.1	100.0%
<b>Operating profit</b>	<b>32.2</b>	<b>10.6</b>	<b>21.6</b>	<b>204.7%</b>

## Regulated Natural Gas Transportation Segment

The Natural Gas Transportation business segment represented 17.3% and 23.1% of our total revenues during the years 2014 and 2013, respectively. Natural Gas Transportation revenues are derived mainly from firm contracts, under which pipeline capacity is reserved and paid for regardless of actual usage by the shipper. We also provide interruptible natural gas transportation services subject to availability of the pipeline capacity. In addition, we render operation and maintenance services for the Natural Gas Transportation facilities, which belong to certain gas trusts created by the Argentine Government to expand the capacity of the Argentine natural gas transportation pipeline system. This business segment is subject to ENARGAS regulation. Since the implementation of the Public Emergency Law in 2002, we received no increases in our regulated natural gas transportation tariff until April 2014, and we have received no increases in our O&M Agreement and CAU. The absence of tariff increases means that we are not able to offset the impact of inflation on our operations. See Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business—Since the implementation of the Public Emergency Law in 2002, we have received only one increase in our regulated natural gas transportation tariffs, which was granted on April 1, 2014, which has adversely affected our gas transportation segment and net revenues” And “Item 4. Our Information—B. Business Overview—Gas Transportation—Regulatory Framework—Adjustment of Rates.” for additional information regarding the history of our discussions with various Argentine governmental authorities in relation to the adjustment of our gas transportation tariffs.

We have had to face increasing operation and maintenance costs throughout the years, whereas the CAU has not been modified since it was created in November 2005. Given the permanent increase of operational and maintenance costs throughout the years, beyond the reach of the current calculation of the CAU, we filed a claim against the National Government to obtain the adjustment of the values and ensure a fair compensation for the service it renders. The value of the CAU is minor compared to the transportation tariff we are permitted to charge for our natural gas transportation services, because we were not required to make any investment in the construction and expansion of these assets. Revenues relating to the CAU amounted to Ps. 49.9 million, and Ps. 49.6 million for the years ended December 31, 2014 and 2013, respectively. See “Item 4. Our Information—B. Business Overview— Gas Transportation—Pipeline Operations—Pipeline Expansions” for additional information regarding the CAU.

During 2014, the Natural Gas Transportation business segment recorded an operating loss of Ps. 42.4 million, compared to the operating income of Ps. 29.5 million in 2013. The main factors that affected the results of operations of this segment during 2014 are the following:

- Revenues from the Natural Gas Transportation business segment increased by Ps. 83.1 million for the year 2014 compared to 2013. The increase was mainly due to: (i) the impact of the new rate schedules of natural gas transportation tariffs approved by Resolution I-2852, which not only does not comply with the provisions of the 2008 Transitional Agreement but also does not compensate the sustained operating costs increases by Ps. 60.6 million, (ii) higher provision of interruptible services by Ps. 14.0 million and, (iii) more services of natural gas transportation intended for export by Ps. 4.3 million.
- Revenues related to natural gas firm transportation contracts for the years ended December 31, 2014 and 2013, respectively, amounted to Ps. 581.6 million and Ps. 517.7 million, and revenues related to interruptible natural gas transportation service amounted to Ps. 82.7 million and Ps. 66.6 million, respectively.
- Costs of sales and administrative and selling expenses for the year ended December 31, 2014 increased by Ps. 137.9 million, from Ps. 646.1 million to Ps. 784.0 million, as compared to the year ended December 31, 2013. This increase was mainly attributable to higher labor costs relating to the joint negotiations during 2014, amounting to Ps. 98.3 million and an increase of Ps. 28.1 million in maintenance expenses for the pipeline and other fixed assets.
- The negative variation in Other operating (expense)/ income was mainly due to the reversal of allowances for doubtful accounts amounting Ps. 18.3 million attributable to the collection of the notes issued by MetroGAS S.A. in 2013.

## Liquids Production and Commercialization Segment.

Unlike the natural gas transportation segment, revenues of the Liquids production and commercialization segment are not subject to full regulation by ENARGAS and the Federal Energy Bureau. However, in recent years, the Government has enacted a number of laws and regulations that have limited our ability to commercialize at the full international market prices for all of the liquids that the Cerri Complex produces. In addition, ENARGAS has the ability to redirect the volumes of natural gas in the system to cover certain uses and that may result in lower volumes of natural gas to be processed in the Cerri Complex. See “Item 4. Our Information. B—Business Overview—Liquids Production and Commercialization—Regulation” for more information.

The Liquids production and commercialization segment represented 75.4% and 72.1% of our total net revenues during the years ended December 31, 2014 and 2013, respectively. Production and Commercialization of Liquids activities are conducted at the Cerri Complex, which is located near Bahía Blanca and connected to each of our main pipelines. At the Cerri Complex, we recover ethane, LPG and natural gasoline for our own account, on behalf of our customers and on a fee basis, collecting a commission for the extracted Liquids delivered to our customers.

All ethane produced by our Liquids segment in the year ended December 31, 2014 was sold locally under a long-term contract with PBB. During the summer of 2014, for commercial reasons, PBB decided to purchase a smaller volume of ethane from us, giving priority to the product provided by MEGA. Our ethane sales for the years 2014 and 2013 represented the 29.7% and 27.6% of our Liquids Production and Commercialization net revenues. For this reason, any decrease in the volumes of ethane sold to PBB may have a negative impact on our net revenues.

In 2014, we sold 59.3% of our production of LPG in the local market to LPG marketers (61.7% in 2013), with the remainder exported to Petredec. In addition, all natural gasoline produced during the 2014 year was exported to Petroleo Brasileiro, a related party. For more information about these contracts, see “Item 4. Our Information. B—Business Overview—Liquids Production and Commercialization.”

The total annual sales for the Cerri Complex for 2014 and 2013 in short tons, which include liquids sales made on behalf of third parties, from which we withhold fees for production and commercialization, were as follows:

	Years ended December 31,		Year ended December 31, 2014 compared to year ended December 31, 2013	
	(volumes in short tons)		(volumes in short tons)	
	2014	2013	Increase / (Decrease)	Percentage Change
<i>Local Market</i>				
Ethane .....	330,960	346,046	(15,086)	(4.4%)
LPG .....	361,711	339,894	21,817	9.0%
<b>Subtotal</b>	<b>692,671</b>	<b>685,940</b>	<b>6,731</b>	<b>4.6%</b>
<i>Exports</i>				
LPG .....	248,120	211,421	36,699	17.4%
Natural Gasoline .....	97,196	103,958	(6,762)	(6.5%)
<b>Subtotal</b>	<b>345,316</b>	<b>315,379</b>	<b>29,937</b>	<b>10.9%</b>
<b>Total Liquids</b>	<b>1,037,987</b>	<b>1,001,319</b>	<b>36,668</b>	<b>15.5%</b>

Export revenues from our Liquids production and commercialization segment command a price premium, as compared to our domestic market sales, primarily as a result of government regulation of domestic prices and high prices and demand for liquids on the international markets. See “Item 8. — Financial Information— A. Consolidated Statements and Other Financial Information—Exports.” For several years now, a variable export tax regime has been in force for the natural gasoline, propane and butane, respectively, with a minimum effective tax rate of 31.03% when international prices are lower than US\$1,028, US\$663 and US\$678 per metric ton (or US\$932, US\$601 and US\$615 per short ton, respectively), respectively. If international prices exceed these amounts, the marginal tax rate applicable to the excess is 100%. As a result of this export tax regime, we are unable to obtain post-tax prices of more

than US\$709, US\$457 and US\$468 per metric ton (or US\$643, US\$415 and US\$424 per short ton, respectively) of natural gasoline, propane and butane, respectively. The average effective tax rate for 2014 was 32.8%, 31.5% and 33.7% for propane, butane and natural gasoline, respectively.

To address declining international prices as from January 1, 2015, the Government reduced the withholding export taxes, so that we could partially compensate for the decrease in the price of propane, butane and natural gasoline. On December 29, 2014, the MEF issued Resolution No. 1,077/2014, which modified the rates applicable to the export of oil and oil by-products, including the natural gasoline sold by us. This resolution is effective as from January 1, 2015 and reduce the nominal rate applicable to natural gasoline exports to 1% when the price of the Brent crude oil is less than 71 US\$/bbl. In addition, on February 25, 2015, the MEF issued Resolution No. 60/2015, which modified the variable export tax regime established under Resolution No. 127/08. According to the new methodology, the minimum nominal tax rate is 1% if the international prices for propane and butane are lower than US\$ 464 and US\$ 478 per metric ton, respectively. When the prices are higher, the applicable tax rate is calculated on a sliding scale according to the amount by which the actual price exceeds the cut-off prices.

Based on the volumes of sales and the international prices for the year 2014, if the new export tax regime had been in effect for all of 2014, its positive impact on selling expenses would have been Ps. 249.3 million.

We cannot offer any assurance of the future levels of withholding export taxes.

In the domestic market, the Federal Energy Bureau has recently issued a series of measures which are expected to reduce the negative impact that the decrease in the international prices of reference and the cost of natural gas have on operating income. These measures include the increase in the sale price and the compensation from selling propane and butane bottles under the new Stabilization Agreement and the export party price of the propane and butane sold in the domestic market.

See “Item 4. Our Information—B. Business Overview—Liquids Production and Commercialization—Regulation—International Market.” for additional information.

During 2014, the Liquids Production and Commercialization business segment recorded an operating income of Ps. 816.9 million, compared to Ps. 646.9 million in 2013. The main factors that affected the results of operations for this segment during 2014 were the following:

- The Liquids Production and Commercialization segment revenue increased by Ps. 1,178.0 million in 2014, compared with the previous year. This increase is mainly due to: (i) the variation in the foreign exchange rate of the Argentine peso related to the U.S. dollar (an increase of Ps. 837.1 million), (ii) the favorable weather conditions which increased the volume sold for our own account (an increase of Ps. 360.2 million), (iii) higher logistic services rendered in the facilities located in Puerto Galván (an increase of Ps. 53.5 million) and (iv) the impact of the annual adjustment of the ethane price of Ps. 51.5 million. These effects were offset to some extent by the reduction in sale prices for propane, butane and natural gasoline as a result of the decrease in the international reference prices in the second half of 2014, as well as lower fixed charges per metric ton obtained in export agreements during the year ended on December 31, 2014 (a decrease of Ps. 253.3 million).

Our average export sales prices in 2014 for LPG and natural gasoline were 9.1% and 8.8% lower than in 2013. International reference prices for propane, butane and natural gasoline decreased of 63.5%, 51.8% and 46.4%, respectively, over the course of 2014, principally in the second half of the year, hitting their lowest levels in the last 6 years. The factors underlying these decreases are the same ones that affect the benchmark prices for oil and natural gas. Low prices have continued thus far in 2015; for example, our average export sales prices for propane, butane and natural gasoline during the first quarter of 2015 decreased by 59.1%, 50.6% and 44.1% respectively, from the levels in the first quarter of 2014. If prices do not increase, the operating results for this segment in 2015 will be continue being adversely affected.

In addition, our obligation under the Stabilization Agreement to supply butane to the domestic

market continues to have an adverse impact on this segment, resulting in a negative operating margin on domestic sales of LPG.

- Costs of sales, administrative and selling expenses for the year ended December 31, 2014 increased by Ps. 1,017.3 million, from Ps. 1,416.3 million to Ps. 2,433.6 million, as compared to the year ended December 31, 2013. This increase was mainly due to: (i) a Ps. 767.2 million increase in variable production costs of liquids resulting from the rise in the price of natural gas that we are required to purchase in replacement of the energy content we extract from the gas stream (Replenishment Thermal Plant, or “RTP”) as part of the Liquids processing business, (ii) a Ps. 165.9 million increase in export and turnover tax from sales, and (iii) a Ps. 17.9 million increase in labor costs.

In light of the uncertainty in the international market, our sales of LPG and natural gasoline to Petróleo Brasileiro are currently made on a spot basis but on pricing terms, as prevailed under the agreement with Petróleo Brasileiro that expired in September 2014. We and Petróleo Brasileiro are considering a whether to enter into a new mid-term agreement.

The cost of natural gas used as RTP continued to increase in 2014 after the significant increase recorded in 2013 as a consequence of the price guidelines stipulated by the Government. Well-head prices of natural gas at well-head increased approximately 23.6% in U.S. dollars terms (80.4% in peso terms) in 2014.

As described in “Item 4. Our Information— B. Business Overview—Liquids Production and Commercialization—Regulation,” in 2008, the Executive Branch created the gas charge through Decree No. 2,067/08. The gas processing charge increased from Ps. 0.049 to Ps. 0.405 per cubic meter of natural gas effective from December 1, 2011. This modification in the charge meant an increase of approximately 726.5% of the charge created by Decree No. 2,067/08 for the financing of natural gas imports. We are currently challenging the increased gas charge, before the Court of Appeals in administrative federal matters based in the Autonomous City of Buenos Aires. In July 2012, this court issued a preliminary injunction, ordering the Executive Branch (the Federal Energy Bureau), ENARGAS and Nación Fideicomisos S.A., as collection agents, not to bill or attempt to collect from us the gas processing charge, and permitting us to continue the billing and collection of the amounts stated prior to the issuance of the Gas Charge Resolutions, pending resolution of the dispute. In April 2015, we obtained a new six-month extension of this injunction that suspends the effect of Gas Charge Resolutions issued by ENARGAS. This injunction prevents the application of the gas charge, allowing us to continue our Liquids Business without the reduction in profitability that would result from the mentioned charge. See “Item 8.—Financial Information—A. Consolidated Statements and Other Financial Information—Tax Claims.”

We have not recorded the increase of the charge for gas consumption since July 2012, when we obtained the injunction. If the injunction had not been obtained, the impact of the Gas Charge Resolutions, assuming that we were able to recover the charge in the sale price of our Liquids, would have had a significantly negative impact on our future results of operations. We estimate that the impact of the Gas Charge Resolutions for the year ended December 31, 2014, assuming that we were able to recover the charge to the sales price of the product, would have resulted in an additional net expense of Ps. 182.9 million and an operating loss for the segment for the year ended December 31, 2014.

The cumulative impact on retained earnings from 2012 to 2014 had we not obtained the injunctions would have been a reduction of Ps. 372.4 million.

The factors mentioned above have contributed to decrease the operating margins that are able to achieve in this segment. This situation was mitigated by internal factors such as the implementation of measures to improve performance in the recovery of natural gas liquids at Cerri Complex and the execution of natural gas supply agreements that ensured its provision at reasonable prices, and external factors such as the favorable weather conditions. These internal and external mitigating factors resulted in lower restrictions to the reception of natural gas for RTP.

## **Other Services**

This segment includes midstream services. Midstream services include natural gas treatment, separation and removal of impurities from the natural gas stream and compression services, which are generally rendered to the natural gas producers at the wellhead, as well as activities related to construction, operation and maintenance of pipelines and compressor plants.

During 2014, the Other services business segment recorded an operating profit of Ps. 125.8 million, compared to Ps. 19.6 million in 2013. The main factors that affected the results of operations of this segment during 2014 are the following:

- Net revenues increased by Ps. 147.6 million in the year ended December 31, 2014, when compared to 2013 primarily due to: (i) the positive impact of the depreciation of the peso (an increase of Ps. 31.1 million), (ii) new operation and maintenance contracts (an increase of Ps. 74.0 million), (iii) higher revenues from management services rendered to the Gas Trust for the realization of the expansions in the pipeline system (an increase of Ps. 21.0 million), and (v) higher revenues from steam generation services for electricity generation (an increase of Ps. 9.2 million).
- Costs of sales, administrative and selling expenses for the year ended December 31, 2014 increased by Ps. 41.9 million, from Ps. 89.2 million to Ps. 131.1 million, as compared to the year ended December 31, 2013. The increase was principally attributable to higher labor cost of Ps. 22.1 million and the increase in turnover tax of Ps. 9.6 million

## **Telecommunications**

Telecommunication services are rendered by our subsidiary, Telcosur.

During 2014, the Telecommunications business segment recorded an operating profit of Ps. 32.2 million, compared to Ps. 10.6 million in 2013. The main factors that affected the results of operations of this segment during 2014 are the following:

- Net revenues increased by Ps. 30.4 million in the year ended December 31, 2014, when compared to 2013 primarily due to the depreciation of the peso (an increase of Ps. 13.5 million) and new agreements signed to provide telecommunication capacity (an increase of Ps. 12.5 million).
- Costs of sales, administrative and selling expenses for the year ended December 31, 2014 increased by Ps. 8.9 million, from Ps. 18.8 million to Ps. 27.6 million, as compared to the year ended December 31, 2013. The increase was principally attributable to higher labor cost of Ps. 4.2 million and the increase in turnover tax of Ps. 3.7 million.

## **Discussion of Results of Operations for the Two Years Ended December 31, 2013 and 2012**

The following table presents a summary of our consolidated results of operations for the years ended December 31, 2013 and 2012, stated in millions of pesos, and the increase or decrease and percentage of change between the periods presented:



	Year ended December 31,		Year ended December 31, 2013 compared to year ended December 31, 2012	
	2013	2012	Variation	Percentage Change
	<b>Revenues from sales</b> .....	<b>2,865.0</b>	<b>2,575.0</b>	<b>290.0</b>
Operating costs .....	(1,365.7)	(1,128.1)	(237.6)	(21.1%)
Depreciation .....	(229.6)	(223.6)	(6.0)	(2.7%)
<b>Costs of sales</b> .....	<b>(1,595.3)</b>	<b>(1,351.7)</b>	<b>(243.6)</b>	<b>(18.0%)</b>
<b>Gross profit</b> .....	<b>1,269.7</b>	<b>1,223.2</b>	<b>46.4</b>	<b>3.8%</b>
Administrative and selling expenses .....	(575.1)	(517.5)	(57.6)	(11.1%)
Other operating income / (expenses) .....	12.1	(4.0)	16.0	400.0%
<b>Operating profit</b> .....	<b>706.6</b>	<b>701.8</b>	<b>4.9</b>	<b>0.70%</b>
Net financial results .....	(532.7)	(342.4)	(190.3)	(55.6%)
Share of (loss) / profit from associates .....	(0.5)	0.2	(0.7)	(350.0%)
Income tax expense .....	(65.9)	(126.8)	60.9	48.3%
<b>Total comprehensive income</b> .....	<b>107.5</b>	<b>232.7</b>	<b>(125.2)</b>	<b>(53.8%)</b>

## Year 2013 Compared to Year 2012

### *Total comprehensive income*

For the year ended December 31, 2013, we reported a total comprehensive income of Ps. 107.5 million, in comparison to the Ps. 232.7 million reported in the year 2012.

The decline in total comprehensive income during 2013 mainly stems from the negative impact of Ps. 190.3 million recorded in the net financial expenses, which is mostly attributable to the impact of the foreign exchange loss generated by our U.S. dollar denominated debt. The slight operating profit increase, of Ps. 4.9 million, was mainly driven by: (i) a gradual increase in fixed costs in the Natural Gas Transportation business segment that were not compensated by a revenue increase, given that the implementation of a tariff adjustment has not been implemented in fourteen years, (ii) the increase in the variable costs of the Liquids Production and Commercialization business segment, and (iii) increased selling and administrative expenses.

### *Cost of sales, administrative and selling expenses*

Cost of sales for the years ended December 31, 2013 and 2012 represented 55.7% and 52.5%, respectively, of net revenues reported in these years.

Administrative and selling expenses for the years ended on December 31, 2013 and 2012 represented 20.1% of net revenues reported in both of these years.

See, “—Analysis of Operating Profit by Business Segment for the years ended December 31, 2013 and 2012.”

### *Share of (loss) / profit from associates*

In the year ended December 31, 2013, we recorded a share loss from associates of Ps. 0.5 million, compared to the profit of Ps. 0.2 million recorded in the year ended December 31, 2012. The loss from associates was principally due to the loss on our investments in Link during 2013 due to the increase in the financial expenses.

## *Net Financial Results*

Net financial results for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
	(in millions of pesos)	
<b>Financial income</b>		
Interest income	150.7	35.7
Foreign exchange gain	159.0	70.1
<b>Subtotal</b>	<b>309.7</b>	<b>105.8</b>
<b>Financial expenses</b>		
Interest expense	(230.8)	(190.3)
Foreign exchange loss	(627.0)	(239.1)
Derivative financial instruments results	38.0	-
Other financial charges	(29.8)	(24.8)
<i>Less: Amounts capitalised on qualifying assets</i>	7.2	5.9
<b>Subtotal</b>	<b>(842.4)</b>	<b>(448.3)</b>
<b>Total</b>	<b>(532.7)</b>	<b>(342.5)</b>

Total net financial expenses were Ps. 532.7 million for the year ended December 31, 2013, compared to Ps. 342.5 million reported in 2012. This negative variation is primarily attributable to a higher foreign exchange loss generated by our U.S. dollar denominated debt obtained to finance the acquisition of fixed assets, of which 90% correspond to the Natural Gas Transportation business segment. The greatest negative impact on our financial expense was the effect of the foreign exchange loss of Ps. 299.0 million arising from the higher devaluation of the Peso during 2013. This effect was partially offset by a Ps. 38.0 million gain on derivative financial instruments and a Ps. 115.0 million gain on interest generated by investments as a result of higher interest rates and higher amounts invested in 2013.

To partially offset the negative impact of the Argentine peso exchange rate variation against the U.S. dollar – which represented an increase of approximately 20% as of February 10, 2014 - on our net monetary liability position, in the year 2014 we continued the mitigation actions we started in 2013, including currency forward agreements and investments in financial instruments which reflect the variation in the exchange rate.

## **Analysis of Operating Profit by Business Segment for the Two Years Ended December 31, 2013 and 2012**

The following table sets forth revenues and operating income for each of our business segments for the years ended December 31, 2013 and 2012:

	Year ended December 31,		Year ended December 31, 2014 compared to year ended December 31, 2013	
	2013	2012	Variation	Percentage Change
<b>Natural Gas Transportation</b>				
Revenues from sales	661.0	603.4	57.7	9.6%
Cost of sales	(521.9)	(473.4)	(48.5)	(10.2%)
<b>Gross profit</b>	<b>139.1</b>	<b>129.9</b>	<b>9.2</b>	<b>7.1%</b>
Administrative and selling expenses	(124.2)	(102.6)	(21.6)	(21.0%)
Other operating income / (expense)	14.6	(4.3)	18.9	439.5%
<b>Operating profit</b>	<b>29.5</b>	<b>23.0</b>	<b>6.5</b>	<b>28.3%</b>
<b>Liquids Production and Commercialization</b>				
Revenues from sales	2,065.3	1,835.7	229.6	12.5%
Cost of sales	(994.7)	(791.1)	(203.6)	(25.7%)
<b>Gross profit</b>	<b>1,070.6</b>	<b>1,044.6</b>	<b>26.0</b>	<b>2.5%</b>
Administrative and selling expenses	(421.6)	(396.6)	(25.0)	(6.3%)
Other operating (expense) / income	(2.1)	0.4	(2.5)	(625%)
<b>Operating profit</b>	<b>646.9</b>	<b>648.4</b>	<b>(1.5)</b>	<b>(0.2%)</b>
<b>Other services</b>				
Revenues from sales	109.1	109.4	(0.3)	(0.3%)
Cost of sales	(64.4)	(75.0)	10.6	14.1%
<b>Gross profit</b>	<b>44.7</b>	<b>34.4</b>	<b>10.3</b>	<b>29.9%</b>
Administrative and selling expenses	(24.8)	(13.7)	(11.1)	(81.0%)
Other operating expense	(0.3)	-	(0.3)	(100.0%)
<b>Operating profit</b>	<b>19.6</b>	<b>20.7</b>	<b>(1.1)</b>	<b>(5.3%)</b>
<b>Telecommunications</b>				
Revenues from sales	29.5	26.5	3.0	11.3%
Cost of sales	(14.4)	(12.2)	(2.2)	(18.0%)
<b>Gross profit</b>	<b>15.1</b>	<b>14.3</b>	<b>0.8</b>	<b>5.6%</b>
Administrative and selling expenses	(4.4)	(4.6)	0.2	4.3%
Other operating expense	(0.1)	-	(0.1)	100.0%
<b>Operating profit</b>	<b>10.6</b>	<b>9.7</b>	<b>0.9</b>	<b>9.3%</b>

### Regulated Natural Gas Transportation Segment.

The Natural Gas Transportation business segment represented 23.1% and 23.4% of our total revenues during the years 2013 and 2012, respectively.

Revenues relating to the CAU amounted to Ps. 49.6 million, and Ps. 52.4 million for the years ended December 31, 2013 and 2012, respectively. See “Item 4. Our Information—B. Business Overview—Gas Transportation—Pipeline Operations—Pipeline Expansions.”

During 2013, the Natural Gas Transportation business segment recorded an operating income of Ps. 29.5 million, compared to Ps. 23.0 million in 2012. The main factors that affected the results of

operations of this segment during 2013 are the following:

- Revenues from the Natural Gas Transportation business segment increased by Ps. 57.7 million for the year ended December 31, 2013 compared with the previous year, despite the fact that the tariff increase had not yet been implemented. The increase is primarily due to higher volumes transported under interruptible natural gas transportation contracts.
- Revenues related to natural gas firm transportation contracts amounted to Ps. 517.7 million and Ps. 494.7 million, and revenues related to interruptible natural gas transportation service amounted to Ps. 66.6 million and Ps. 35.1 million for the years ended December 31, 2013 and 2012, respectively.
- Costs of sales and administrative and selling expenses for the year ended December 31, 2013 increased by Ps. 70.1 million, from Ps. 576.0 million to Ps. 646.1 million, as compared to the year ended December 31, 2012. This increase was mainly attributable to higher labor costs relating to the joint negotiations during 2013, amounting Ps. 52.5 million and an increase of Ps. 15.5 million in taxes and contributions.
- The positive variation in Other operating income was mainly due to the reversal of allowances for doubtful accounts amounting Ps. 18.3 million attributable to the collection of the notes issued by MetroGAS See “Item 8.A—Financial Information—Consolidated Statements and Other Financial Information. — Other Litigation” —for more information.

#### Liquids Production and Commercialization Segment.

The Liquids production and commercialization segment represented 72.1% and 71.3% of our total net revenues during the years ended December 31, 2013 and 2012, respectively.

All ethane produced by our Liquids segment in the year ended December 31, 2013 was sold locally under a long-term contract with PBB. In 2013, we sold 61.7% of our production of LPG in the local market to LPG marketers (55.4% in 2012), with the remainder exported to Petrobras Global Trading BV (from January to September 2013) and to Petredec (from September to December 2013). In addition, all natural gasoline produced during the 2013 year was exported to Petroleo Brasileiro, also a related party, under a contract that was renewed in December 2013 and will expire in November 2014. For more information about these contracts, see “Item 4. Our Information. B—Business Overview—Liquids Production and Commercialization.”

The total annual sales for the Cerri Complex for 2013 and 2012 in short tons, which include liquids sales made on behalf of third parties, from which we withhold fees for production and commercialization, were as follows:

	Years ended December 31,		Year ended December 31, 2013 compared to year ended December 31, 2012	
	(volumes in short tons)		(volumes in short tons)	
	2013	2012	Increase / (Decrease)	Percentage Change
<i>Local Market</i>				
Ethane .....	346,046	336,764	9,282	2.7%
LPG .....	339,894	317,716	22,178	7.0%
<b>Subtotal</b>	<b>685,940</b>	<b>654,480</b>	<b>31,460</b>	<b>9.7%</b>
<i>Exports</i>				
LPG .....	211,421	255,917	(44,496)	(17.4%)
Natural Gasoline .....	103,958	108,559	(4,601)	(4.2%)
<b>Subtotal</b>	<b>315,379</b>	<b>364,476</b>	<b>(49,097)</b>	<b>(21.6%)</b>
<b>Total Liquids</b>	<b>1,001,319</b>	<b>1,018,956</b>	<b>(17,637)</b>	<b>(11.9%)</b>

Due to international prices, the average effective tax rate for 2013 was 31.2%, 32.2% and 34.0% for propane, butane and natural gasoline, respectively.

During 2013, the Liquids Production and Commercialization business segment recorded an operating income of Ps. 646.9 million, compared to Ps. 648.4 million in 2012. The main factors that affected the results of operations for this segment during 2013 were the following:

- The Liquids Production and Commercialization segment revenue increased by Ps. 229.6 million in 2013, compared with the previous year, mainly due to an increase of Ps. 300.8 million resulting from the depreciation of the Argentine peso compared to the U.S. dollar and higher revenues derived from logistics services rendered in Puerto Galván amounting to Ps. 24.0 million. Both effects were partially offset by a decline in international reference prices (a decrease of Ps. 46.5 million) and lower export volumes in order to meet the higher local demand for LPG, resulting in a Ps. 63.0 million decrease in net revenues.
- On average, prices of LPG were lower than prices reported in the previous year. In the second half of the year we conducted a price bid for our new export agreement, and due to market conditions at the conclusion of the bid, we obtained a considerable decrease in the final price, despite the unstable scenario in the international market. In addition, Cerri Complex's processing activities were restricted by the policy adopted by the Government to guarantee the supply of natural gas. In spite of this, through adequate temporal management of the complex and its facility maintenance plans, we have been able to mitigate the negative impact of the drop in processing activity, and obtain a higher yield of processed natural gas volumes.
- Costs of sales, administrative and selling expenses for the year ended December 31, 2013 increased by Ps. 228.6 million, from Ps. 1,187.7 million to Ps. 1,416.3 million, as compared to the year ended December 31, 2012. This increase was mainly due to: (i) a Ps. 156.1 million increase in variable production costs of liquids resulting from the rise in the price of natural gas, purchased as RTP for the Cerri Complex, (ii) a Ps. 18.4 million increase in export and turnover tax from sales, and (iii) a Ps. 12.3 million increase in labor costs.

During 2013, there have been changes in the liquid processing framework agreement with producers and shippers, which had a significant impact on our operating costs. For this reason, we negotiated the renewal of the agreements to purchase natural gas with our suppliers in order to ensure the arrival of this raw material with higher calorific power to the Cerri Complex.

These costs had a negative impact on the operating margins of the Liquids production and commercialization business segment, which in prior years had managed to offset the negative effect of tariff freezing in the Natural Gas Transportation segment.

As described in "Item 4. Our Information— B. Business Overview—Liquids Production and Commercialization—Regulation," in 2008, the Executive Branch created the gas charge under Presidential Decree No. 2,067/08. The gas processing charge increased from Ps. 0.049 to Ps. 0.405 per cubic meter of natural gas effective from December 1, 2011. We are currently disputing the increased gas charge, and the Court of Appeals in administrative federal matters based in the Autonomous City of Buenos Aires, has issued an injunction in July 2012, currently prorogated until September 2015, ordering the Executive Branch (the Federal Energy Bureau), ENARGAS and Nación Fideicomisos S.A., as collection agents, not to bill or attempt to collect from us the gas processing charge, and permitting us to continue the billing and collection of the amounts stated prior to the issuance of the Gas Charge Resolutions, pending resolution of the dispute. See "Item 8. —Financial Information—A. Consolidated Statements and Other Financial Information—Tax Claims."

We have not recorded the increase of the charge for gas consumption since July 2012, when we obtained the injunction. The increased natural gas processing charge that was recorded in our financial results for the year ended December 31, 2012, resulted in an increase of Ps. 135.1 million in our cost of sales for 2012. If the injunction had not been obtained, the impact of the Gas Charge Resolutions, assuming that we were able to recover the charge in the sale price of our Liquids, would have had a significantly

negative impact on our future results of operations. We estimate that the impact of the Gas Charge Resolutions for the year ended December 31, 2013, assuming that we were able to recover the charge to the sales price of the product, would have resulted in an additional net expense of Ps. 123.9 million and a net loss for the year ended December 31, 2013.

In addition, the cumulative impact on retained earnings since we obtained the injunction would have been involved a reduction of Ps. 189.4 million.

#### **Other Services.**

During 2013, the Other Services business segment recorded an operating income of Ps. 19.6 million, compared to Ps. 20.7 million in 2012. The main factors that affected the results of operations of this segment during 2013 are the following:

- Other Services revenues decreased by Ps. 0.3 million for the year ended December 31, 2013 compared to 2012, primarily due to higher revenues of Ps. 26.8 million in fiscal year 2012 for management services rendered to the gas trust related to the expansion of the pipeline system and facilities for the input of re-gasified liquefied natural gas proceeding from the re-gasification tank imported by ship, located near the city of Bahia Blanca in the Province of Buenos Aires. This effect was offset in 2013 by higher revenues from steam generation services for electricity generation (Ps. 12.1 million), the positive impact of the variation in the exchange rate of the Argentine peso against the U.S. dollar and the effect price adjustments (approximately Ps. 12.0 million) had on the revenues from natural gas treatment and conditioning.
- Costs of sales, administrative and selling expenses for the year ended December 31, 2013 increased by Ps. 0.5 million, from Ps. 88.7 million to Ps. 89.2 million, as compared to the year ended December 31, 2012. The decrease was principally attributable to lower cost of services rendered to third parties of Ps. 15.8 million. This effect was partially offset by the increase in labor cost of Ps. 4.8 million and higher turnover tax of Ps. 7.8 million.

#### **Telecommunications.**

During 2013, the Telecommunications business segment recorded an operating profit of Ps. 10.6 million, compared to Ps. 9.7 million in 2012. The main factors that affected the results of operations of this segment during 2013 are the following:

- Net revenues increased by Ps. 3.0 million in the year ended December 31, 2013, when compared to 2012, due to the increase in the telecommunication services provided by Telcosur after the consummation of new long-term agreements.
- Costs of sales, administrative and selling expenses for the year ended December 31, 2013 increased by Ps. 2.0 million.

#### **B. Liquidity and Capital Resources**

In response to the limited availability of financing for Argentine companies, we closely monitor our liquidity levels in order to ensure compliance with our financial obligations and achieve our objectives. Our cash flows from operations have been affected in recent years due to the lack of adjustment to our natural gas transportation tariffs to cover increases in our operating costs. Along these lines, and as a guiding principle, financial solvency is our main objective.

To preserve cash surpluses, we invest in low risk and highly liquid financial assets offered by high quality financial institutions that are located in Argentina and the United States of America. Our policy is designed to diversify credit risk.

In the short term, the most significant factors generally affecting our cash flow from operating activities are: (i) fluctuations in international prices for LPG products, (ii) fluctuations in production levels and demand for our products and services, (iii) changes in regulations, such as taxes, taxes on exports, tariff for our regulated business segment and price controls, and (iv) fluctuations in exchange rates.

As from April 2014, Resolution No. I-2852/14 issued by ENARGAS stipulated a gradual adjustment applicable to the natural gas transportation tariff, reaching a total increase of 20% in August 2014. This increase is not enough to offset the huge increase in costs recorded over the last years, in spite of our continuous efforts to reduce them, a situation that has resulted in an annual operating loss. If the conditions prevailing at the date of this Annual Report remain unchanged, the economic and financial situation of our Natural Gas Transportation business segment will continue deteriorating.

Regarding the Liquids Production and Commercialization business segment, as it is mentioned in “Item 5—A. Operating results —Liquids Production and Commercialization.” as from the fourth quarter of 2014, it began to be affected by the decline in the reference international prices of the Liquids. In 2014, we also continued participating in the Stabilization Agreement Program, through which butane is commercialized at subsidized sales prices, despite significantly higher production costs, generating losses in this business segment. For further information see “Item 4—A. Our Information—Liquids Production and Commercialization.”

The aspects described above have changed our operating cash flow, especially the operating cash flow corresponding to the Liquids business segment that in prior years had mitigated the natural gas transportation segment difficulties and the profitability decrease as a consequence of the sustained cost increase not reflected in the tariff increase. Nonetheless, during 2014, our operating cash generation has been sufficient to meet our operating costs and capital expenditures.

In previous years, increased prices and volumes in our Liquids production and commercialization segment have compensated for the decrease in the operating income of our Natural Gas Transportation business segment, which has been negatively affected by the continuous increase in its operational cost and the lack of tariff adjustment since 1999. Moreover, over the last few years the Peso has depreciated against the U.S. dollar. A potential new devaluation of the peso, additional capital expenditures required by the Government or lower liquids prices could harm our cash-generating ability and materially adversely affect our liquidity and our ability to service our debt.

The decline in international reference prices could be regarded as circumstantial, but has structural effects that could adversely affect the operative margins of our Liquids Production and Commercialization business segment, which up to this year had allowed us to balance our cash flows, offsetting the negative effect of the lack of natural gas transportation tariffs adjustment. Thus, these negative factors further emphasize the need to continue and strengthen all our efforts aimed at obtaining the expected adjustment of our tariffs in the natural gas transportation segment.

Our primary sources and uses of cash during the years ended December 31, 2014 and 2013 are shown in the table below:

	<b>Years ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(in millions of pesos)</b>	
Cash and cash equivalents at the beginning of the year .....	893.8	693.0
Cash flows provided by operating activities .....	1,019.0	871.0
Cash flows used in investing activities .....	(194.4)	(484.6)
Cash flows used in financing activities .....	(982.4)	(238.1)
Net (decrease) / increase in cash and cash equivalents .....	(157.9)	148.2
Foreign exchange gains on Cash and cash equivalents	53.5	52.5
<b>Cash and cash equivalents at the end of the year .....</b>	<b>789.4</b>	<b>893.8</b>

### ***Cash Flows Provided by Operating Activities***

Cash flows from operating activities for the year ended December 31, 2014 increased by Ps. 148.0 million, principally due to the increase in the operating income of Ps. 226.0 million, partially offset by higher financial interest paid of Ps. 36.6 million and payments made with respect to the financial derivative instruments of Ps. 59.7 million. The increase in the operating income is mainly attributable to higher cash flow generated by the Liquids productions and commercialization segment.

### ***Cash Flows Used in Investing Activities***

Cash flows used for investing activities decreased by Ps. 290.2 million. This decrease is mainly due to the increase in cash flows generated by the sale of financial assets, other than cash equivalents, of Ps. 405.4 million used to meet our financial obligations. This effect was offset by higher capital expenditures of Ps. 115.2 million due to higher costs incurred for carrying out repair and maintenance of pipeline system operated by us and the works performed to build a new storage tank (see “Item 4. Our Information – A. Our History and Development – Capital Expenditures.”)

### ***Cash Flows used in Financing Activities***

Cash flows used in financing activities increased by Ps. 744.3 million mainly due to the cancellation of U.S. dollar 94.7 million of principal of our financial debt in May 2014.

In addition, during our Board meeting of November 26, 2014, the Board approved the distribution of Ps. 260.5 million as a cash dividend (of which Ps. 36.8 million net of taxes remained payable). Meanwhile, during 2013, the cash dividends amounted to Ps. 263.7 million and were paid according to the provisions of the Board of Directors on December 6, 2012 and March 18, 2013.

### ***Description of Indebtedness***

In December 2004, we restructured for the first time substantially all of our debt obligations by means of an exchange offer for new notes (the “**Restructured Notes**”), which was accepted by creditors holding 99.76% of the principal amount of the debt that we sought to restructure. Taking into account the governing law of the unstructured amount, in July 2012 our Board of Directors has deemed claims of creditors barred pursuant the statute of limitations.

Beginning in April 2007, we began a series of steps to refinance the Restructured Notes and the amended and restated loan agreements with Inter-American Development Bank (the “**Amended Loans**”). These steps included a tender offer and proxy solicitation with respect to all of the Restructured Notes (the “**Tender Offer**”), which was completed in May 2007 and accepted by 78.4% of the note holders; a new notes offering (described below); an optional prepayment of amounts outstanding under the Amended Loans; and the redemption of all of the Restructured Notes remaining after the completion of the Tender Offer. Concurrent with the Tender Offer, we commenced an offering of new notes in an aggregate principal amount of US\$ 500 million (the “**2007 Notes**”) pursuant to our Medium Term Note Program (the “**2007 Program**”), which provides for the issuance of up to a maximum principal amount of US\$ 650 million in notes. The interest rate for the 2007 Notes is fixed at 7.875%, and the maturity date is May 14, 2017. The principal amount will be amortized in four equal payments, which will mature on May 14, 2014, 2015, 2016 and 2017.

Between August 2008 and August 2010, we cancelled 2007 Notes with a nominal value of US\$ 125,976,000, which were purchased by us on market, at prices lower than their nominal value. These purchases and cancellations helped us to reduce our finance costs.

In order to improve the maturity profile of our financial debt, in January 2014 we launched an offer for a voluntary exchange of the 2007 Notes (the “**Exchange Offer**”). The Exchange Offer settled on February 11, 2014. We accepted 67% of the 2007 Notes, US\$ 250,741,000 aggregate principal amount and issued US\$ 255,451,506 of new notes (the “**2014 Notes**”) pursuant to our Medium Term Note Program approved by the CNV on January 3, 2014 (the “**2014 Program**”). The 2014 Notes bearing interest at a fixed rate of 9.625% per annum, and the principal will be amortized in four equal payments, which will mature on May 14, 2014, 2018, 2019 and 2020.



As of the date of this Annual Report, our total indebtedness under the 2007 Notes amounted to US\$92,462,250 and thus, the amortization payments amount to US\$ 30,820,750 payable in each of 2015, 2016 and 2017. Our total indebtedness under the 2014 Notes amounted to US\$ 191,588,630 and thus, the amortization payments amount to US\$ 63,862,876 payable in each of 2018, 2019 and 2020. See “Item 10. Additional Information – C. Material Contracts –Debt Obligations.” The first amortization payment was in May 2014.

We are subject to several restrictive covenants under both our 2014 Notes and our 2007 Notes that limit our ability to obtain additional financing, including limitations on our ability to incur additional indebtedness to create liens on our property, assets or revenues. In addition to the required principal amortization payment obligations, we are also subject to other restrictive covenants that affect our use of cash on hand, such as limitations on our ability to pay dividends to our shareholders and limitations on our ability to sell our assets. See “Item 10. Additional Information—C. Material Contracts—Debt Obligations” for a detailed discussion of the terms of our financial debt, including the interest rates and material covenants applicable to such indebtedness.

Beginning in 2013, we implemented actions aimed at minimizing the impact of the exchange rate variation on our financial indebtedness, including entering currency forward agreements with major financial institutions for the purchase of U.S. dollars to cover exposure to the exchange rate risk derived from our financial indebtedness. In addition, we will invest in financial instruments which reflect the variation of the exchange rate. In light of the current financial crisis and the macroeconomic environment, our ability to finance our financial debt payments could be limited.

During the years 2014 and 2013 a financial (expense) / income of (Ps. 103.5 million) and Ps. 38.0 million was recognized as a result of currency forward agreements.

On August 24, 2012, we signed a Ps. 20.0 million loan with Santander Río Bank (the “**Santander Loan**”), which bears interest at fixed rate of 15.01% per annum, payable monthly. The Santander Loan amortizes principal in nine quarterly and equal installments of Ps. 2.2 million, beginning on August 26, 2013 and matures in August 2015.

During 2013, we obtained two loans. The first, on November 22, 2013, was a financial loan of Ps. 20.0 million received from Banco Itaú Argentina S.A. Payments of principal are due in 25 equal and consecutive monthly installments beginning in November 2014 and ending in November 2016. The loan bears an interest rate of 15.25%, and it must be repaid on a monthly basis after its execution.

Also, on December 3, 2013, we obtained a loan from Banco Macro S.A. of Ps. 10.0 million. The loan bears an interest rate of 15.25%, to be repaid monthly. Payments of principal are due in equal and consecutive monthly installments beginning in July 2014 and ending in April 2017.

### Future Capital Requirements

Details of our currently projected capital expenditures for the 2015-2017 period, in millions of U.S. dollars, are set forth in the following table:

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Total</b>
<i>Gas transportation</i>				
Reliability and others .....	18.1	26.5	26.1	70.7
Expansions .....	-	-	-	-
Operational efficiencies .....	-	0.1	0.1	0.2
<b>Total</b> .....	<b>18.1</b>	<b>26.6</b>	<b>26.2</b>	<b>70.9</b>
<i>Liquids production and commercialization</i>				
Reliability and others .....	6.5	10.3	10.1	26.9
Expansions .....	-	-	-	-
Operational efficiencies .....	-	-	-	-
<b>Total</b> .....	<b>6.5</b>	<b>10.3</b>	<b>10.1</b>	<b>26.9</b>
<i>Other services</i> <sup>(1)</sup> .....	6.7	-	-	6.7
<b>Total Capital Expenditures</b> .....	<b>31.3</b>	<b>36.8</b>	<b>36.3</b>	<b>104.4</b>

<sup>(1)</sup> The corresponding works of 2015 will be financed by our clients through prepayment of the service to be provided.

We currently expect that our capital investment requirements will be financed primarily by cash from operations.

### **Currency and Exchange Rates**

Our primary market risk exposure is associated with changes in the foreign currency exchange rates because most of our debt obligations are denominated in U.S. dollars and more than Ps. 1,397.4 million of our annual revenues are peso-denominated. Contributing to this exposure are the measures taken by the Government since the repeal of the Convertibility Law and the pesification of our regulated tariffs described elsewhere in this Annual Report. This exposure is mitigated in part by our revenues from our Liquids Production and Commercialization segment, 83.8% of which are denominated in U.S. dollars. See “Item 3—Key Information Exchange Rates Information.”

We place our cash and current investments in high quality financial institutions in Argentina and the United States of America. Our policy is to limit exposure with any one institution. Our temporary investments primarily consist in money market mutual funds and fixed-term deposits. In addition, in order to reduce our exposure to currency exchange rates, during 2013 our Board of Directors approved a change in our investment policy allowing us to invest in funds and other instruments to compensate for the negative impact of the variation of the peso against the U.S. dollar on our net liability position, which is primarily in U.S. dollars. To that end, as of December 31, 2014, some of our funds were in dollar-linked mutual funds. In addition, we have entered into forward purchase transactions. For further information see “—Derivative Financial Instruments” below.

Our financial debt obligations denominated in foreign currency as of December 31, 2014, amounted to US\$ 285.0 million (Ps. 2,437.4 million). As of December 31, 2014, we also had the equivalent of US\$ 32.9 million (Ps. 281.4 million) of trade and other payables denominated in U.S. dollars. Finally, US\$88.3 million (Ps. 754.7 million) of our assets are denominated in U.S. dollars. Therefore, our net liability position in U.S. dollars amounted to US\$ 229.0 million as of December 31, 2014.

We estimate, based on the net liability financial position of our balance sheet as of December 31, 2014 that, other factors being constant, a 10% appreciation of the US dollar against the Argentine Peso for the year ended December 31, 2014, would have decreased our income before tax for the year in approximately Ps. 196.7 million. A 10% depreciation of the US dollar against the Argentine Peso would have an equal and opposite effect on the income statement. This sensitivity analysis provides only a limited view of the market risk sensitivity of certain of our financial instruments. The actual impact of market foreign exchange rate changes on our financial instruments may differ significantly from the impact shown in the sensitivity analysis.

### **Derivative Financial Instruments**

Our Board of Directors has approved the terms for acquiring derivative financial instruments in order to hedge risks associated with the fluctuation of interest and exchange rates of our debt.

In September 2014, we entered into forward purchase transactions of U.S. dollars to cover the risk exposure associated with exchange rates derived from our financial debt for an aggregate amount of US\$ 44.0 million. These forward contracts settled on March 31, 2015. The weighted average exchange rate was set at Ps. 9.82 per \$1. The fair value of the outstanding derivative financial instruments as of December 31, 2014 is Ps. 28.8 million (liability). During 2014 we recognized a loss of Ps. 103.5 million as a result of our currency forward purchase transactions.

We do not enter into derivative financial instrument agreements for speculative purposes.

We do not believe that we are exposed to significant interest rate risk because the interest rates on our all of debt obligations are fixed.

### **C. Research and Development, Patents and Licenses, etc.**

Not applicable.

## D. Trend Information

See “A. Operating Results—Discussion of Results of Operations for the Two Years ended December 31, 2014 and 2013” and “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal and Regulatory Proceedings.”

## E. Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements or significant transactions with unconsolidated entities not reflected in our consolidated Financial Statements. All of our interests in and/or relationships with our subsidiaries are recorded in our consolidated Financial Statements. See “B. Liquidity and Capital Resources—Derivative Financial Instruments.”

## F. Tabular Disclosure of Contractual Obligations

The following table represents a summary of our contractual obligations as of December 31, 2014:

	Payment due by period (in millions of pesos)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations <sup>(1)(2)</sup> .....	3,270.5	496.4	1,576.8	1,197.3	-
Purchase Obligations <sup>(3)</sup> .....	769.9	769.9	-	-	-
Other Long-Term Liabilities <sup>(4)</sup> .....	125.1	55.8	69.3	-	-
<b>Total</b> .....	<b>4,165.5</b>	<b>1,322.1</b>	<b>1,646.1</b>	<b>1,197.3</b>	<b>-</b>

- (1) Refers to amortization and interest payments on the 2007 and 2014 Notes as described in “Item 5. Operating and Financial Review of Prospects – Description of indebtedness.” and “Item 10 – Additional Information. C. Material Contracts”, respectively.
- (2) The total amount of interest payments includes Ps. 780.4 million of estimated interest payments accrued according to 2007 and 2014 Notes.
- (3) Refers to agreements for the purchase of natural gas used in our liquids production and commercialization activities.
- (4) Refers to the estimated technical assistance service agreement to be paid to Petrobras Argentina Group pursuant to Section 2.5 of the Technical Assistance Service Agreement. For more information see, “Item 4. Our Information—B. Business Overview— Gas Transportation—Pipeline Operations—Technical Assistance Service Agreement.”

Approximately 98% of the debt obligation amounts set forth in the table above are U.S. dollar-denominated and, therefore, principal and accrued interest included in the amounts presented have been converted to peso amounts using the selling exchange rate of US\$1.00 = Ps. 8.551 as of December 31, 2014. Actual foreign currency debt payments may significantly differ from these estimates due to exchange rate fluctuations.

## Item 6. Directors, Senior Management and Employees

### A. Directors and Senior Management

**General.** Management of our business is vested in the Board of Directors. Our By-laws provide for a board of directors consisting of a minimum of nine directors and nine alternate directors and a maximum of eleven directors and eleven alternate directors. In the absence of one or more directors, alternate directors will attend meetings of the Board of Directors. Directors and alternate directors are elected at an ordinary meeting of shareholders and serve one- to three-year renewable terms, as decided by the shareholders.

Under our By-laws and Argentine law, the Board of Directors is required to meet at least once every three months. A majority of the members of the Board of Directors constitutes a quorum, and resolutions must be adopted by a majority of the directors present. In the case of a tie, the Chairman or the

person replacing him at a particular meeting is entitled to cast the deciding vote. Upon motion by the Chairman our Board of Directors' meetings may be held by video or telephone conference.

The current Board of Directors consists on nine directors and nine alternate directors, all of whom were elected by our shareholders at the General Annual Shareholders' Meeting held on April 23, 2015, for a two-year term.

The Shareholders' Agreement (as defined in "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders—Shareholders' Agreement") contains provisions governing the voting of our shares held by CIESA, the election of the members of our Board of Directors and certain other matters.

As we mentioned above, in December 2008, as a consequence of the enactment of Law No. 26,425, the AFJPs transferred their share participation of our outstanding capital stock (which as of the date of issuance of this Annual Report represents 23.1% of our common stock) to the FGS managed by the ANSES. At our General Annual Shareholders' Meeting held on April 23, 2015, the ANSES appointed Cecilia Galarza and Alejo da Bouza as independent alternate directors to fill the vacancies of David Jacoby and David Kary who presented their resignation during 2014. Pursuant to Decree No. 1,278/12, issued by the Executive Branch on July 25, 2012, these representatives are to report directly to the MEF and are subject to a mandatory information-sharing regime, under which, among other obligations, they must immediately inform the MEF of the agenda for each board of directors meeting and provide related documentation.

On February 2015, the Executive Branch enacted Decree No. 196/2015, which complements the provisions of the Decree 1278/2012, mainly extending indemnity and legal assistance coverage to directors and statutory committee members appointed by the Government in companies in which it has stock participation.

The Commercial Companies Act governs the way directors are appointed. Directors are appointed by the General Annual Shareholders' Meeting or by the Statutory Committee as the case may be, when authorized by the "By-Laws". It is not mandatory to be a shareholder of the company to be eligible as director. Section 263 of the Commercial Companies Act mandates that up to one third of the members of the board can be appointed by the "cumulative vote system." The vote of each shareholder who chooses to use the "cumulative vote system" shall be multiplied by the number of members to be appointed; the result may be partially or fully allocated to any of the candidates. All of the shareholders are entitled to choose the "cumulative vote system" in other words, not only ANSES has the right to appoint members to the board through that system.

***Duties and Liabilities of Directors.*** Under Argentine law, directors have the obligation to perform their duties with the loyalty and diligence of a prudent business person. Directors are jointly and severally liable to us, shareholders and third parties for the improper performance of their duties, for violating the law, our By-laws or regulations, if any, and for any damage caused by fraud, abuse of authority or gross negligence. Under Argentine law, specific duties may be assigned to a director by our By-laws or regulations or by a resolution of a shareholders' meeting. In such cases, a director's liability will be determined with reference to the performance of such duties, provided that certain recording requirements are met. Moreover, under Argentine law, directors are prohibited from engaging in activities in competition with us without express shareholder authorization. Certain transactions between us and directors are subject to ratification procedures established by Argentine law.

A director who participates in the adoption of a resolution or who advises on or recognizes such resolution, will be exempted from liability if he leaves written evidence of his objection and notifies the Statutory Committee before his liability is reported to the board of directors, Statutory Committee, a shareholders' meeting, or competent authority or before judicial action is exercised. Shareholder approval of a director's performance terminates any liability of a director vis-à-vis us, provided that shareholders representing at least 5% of our capital stock do not object and that such liability does not result from a violation of the law or our By-laws or regulations.

Causes of action against directors may be initiated by us upon a majority vote of shareholders. If a cause of action has not been initiated within three months of a shareholders' resolution approving its initiation, any shareholder may initiate the action on behalf of and for our account.

At the General Annual Shareholders' Meeting held on March 6, 1996, our shareholders approved the acquisition of civil liability insurance coverage for directors, Syndics and officers. Such coverage is common practice among public companies who seek protection for such persons against shareholders' and other parties' claims.

Four of the members of our Board of Directors qualify as independent as defined in Section 301 of the Sarbanes Oxley Act and the CNV rules. Three of them are also members of our Audit Committee. The remaining members of the Board of Directors are not independent. Under the independence requirements, a director is not independent if any of the following apply:

- is also a member of the administrative body or dependent on shareholders who hold "significant shareholding" of the issuer, or any corporation in which those shareholders hold directly or indirectly "significant shareholding,"
- is engaged or was engaged during the last three years to the issuer under a contract of employment,
- provides, or belongs to a professional corporation or association, which renders professional services to or receives any form of remuneration or fees (other than the corresponding remuneration for its position in the administration body) from the issuer, or those shareholders that have any direct or indirect "significant shareholding" in TGS or from corporations in which shareholders also have any direct or indirect "significant shareholding,"
- directly or indirectly holds "significant shareholding" in the issuer or any corporation, which holds "significant shareholding" in the latter,
- directly or indirectly sells or provides goods or services to the issuer or its shareholders, who hold direct or indirect "significant shareholding," for an amount substantially higher than the compensation received for their position as members of the administration body, or
- is a husband or wife, close relative up to fourth degree of kinship or second degree of relationship that, in case of being a member of the administration body, would not be independent as set forth in the CNV regulations.

In all cases, "significant shareholding" refers to those shareholders holding at least fifteen per cent (15%) of our common stock, or less in cases when they are entitled to appoint one or more directors per class of share, or have agreements with other shareholders relating to management and administration of any such companies, or its controlling entity.

The following table reflects the current members of our Board of Directors, their respective positions on the Board of Directors and the year they were appointed to such position.

Name	Year of Appointment	Term Expires	Position	Position in Other Company
Ricardo Isidro Monge	2010	2016	Chairman	Adviser to the Executive Director at Petrobras Argentina
Gustavo Mariani	2011	2016	Director	Vice Chairman and Chief Business Development Manager at Pampa
Héctor Daniel Casal	2009	2016	Director	Legal Vice President at Petrobras Argentina
Sonia Fabiana Salvatierra	2009	2016	Director	Member of the law firm Salvatierra & Asociados Abogados
Javier Bernardo Sato	2014	2016	Director	Marketing Manager at Downstream division in Petrobras Argentina
Diego Alberto Güerri	2006	2016	Independent Director	Member of the law firm Güerri & Asociados
Carlos Alberto Olivieri	2010	2016	Independent Director	Independent Consultant
Federico Pastrana	2014	2016	Independent Director	Chairman of the Banco de Inversión y Comercio Exterior (“BICE”)
Pablo Sebastián Benchimol	2014	2016	Independent Director	Economic analyst to the Secretaría de Comercio del Interior
Jorge Raúl Subijana <sup>(1)</sup>	2010	2016	Alternate Director	Finance Manager
Mariano Batistella	2014	2016	Alternate Director	Investor Relations Officer, Special Projects and Planning Manager of Pampa
Allan Blumenthal	2011	2016	Alternate Director	Natural Gas Business at Petrobras Argentina
Favio Marcelo Pezzullo	2015	2016	Alternate Director	Marketing Manager of Natural Gas at Petrobras Argentina
Mariano Osvaldo Ferrero	2011	2016	Alternate Director	Legal Consultant
Alejandro Candiotti	2011	2016	Independent	Partner of Candiotti Gatto Bicain & Ocantos S.C.
Diego Petrecolla	2007	2016	Alternate Director	Chairman of GPR Economía S.A.
Cecilia Galarza	2015	2016	Independent	Economic analyst at <i>Dirección Nacional de Empresas con Participación del Estado</i>
Alejo da Bouza	2015	2016	Independent	Gas and Oil Coordinator at <i>Dirección Nacional de Empresas con Participación del Estado</i>

<sup>(1)</sup> Effective December 17, 2013, Mr. Jorge Raúl Subijana has been appointed as Director after the resignation of Mr. Rigoberto Mejía Aravena.

Additional information regarding the occupation and employment background of each of our regular directors is set forth below:

*Ricardo I. Monge* has served as adviser to the Executive Director of Petrobras Argentina since 2008. He graduated with a degree in Industrial Engineering from the *Universidad de Buenos Aires* and obtained a Post-graduate degree in Management Development Program and a Post-graduate degree in Corporate Finance at UADE. Since March 2002, he has held different managerial positions at Petrobras Argentina. Previously he worked as Business Manager for Eg3 S.A. and Isaura S.A. He is currently a member of the Board of Directors of MEGA, CIESA and Petrobras Hispano Argentina S.A. He was born on May 16, 1951.

*Gustavo Mariani* has a Master in Finance from the CEMA University, a degree in Economics from the University of Belgrano, and is a Chartered Financial Analyst (CFA) since 1998. He is a partner and managing director of Grupo Dolphin S.A. In 2005, he became Director in Pampa where he currently serves as Chairman. He also serves as Director on the Boards of Edenor S.A., Transba S.A., CIESA, Central Térmica Güemes S.A., Central Térmica Loma La Lata S.A., Central Térmica Piedra Buena S.A. and he is Chairman of Hidroeléctrica Los Nihuiles S.A. and Hidroeléctrica Diamante S.A. Prior to 2005 Mr. Mariani served as Chief Financial Officer (“CFO”) of Grupo IRSA/Cresud/Alto Palermo. He was born on September 9, 1970.

*Héctor Daniel Casal* graduated in Law from the *Universidad Católica Argentina* in 1980. He joined Petrobras Argentina in 1991. Since 2003, he has acted as Legal Vice President at Petrobras Argentina. Currently, he serves as Director of CIESA, and Petrobras Electricidad de Argentina and as alternate Director of Petrobras Argentina, Edesur S.A. and Petrolera Entre Lomas. He also serves as Director abroad in Petrobras Argentina Colombia, Petrobras Holding Austria GmbH and Petrobras Financial Services Austria GmbH. He was born on April 10, 1956.

*Sonia Fabiana Salvatierra* received a degree in Law from the *Universidad de Buenos Aires*. Between 1987 and 1996 she worked for the Caja de Valores S.A. Between 1996 and 2008 she acted as associate for Marval O’Farrell & Mairal. Currently, she is partner in Salvatierra & Asociados law firm. She is also a member of the board of directors of CIESA. She was born on March 20, 1966.

*Javier Bernardo Sato* received a Chemical Engineering degree from the *Universidad de Buenos Aires*. He worked for Petrobras Argentina in several positions. From October 2013 until now, he acts as the

Marketing Manager at the Downstream division of the company. In April 2008, he joined TGS and worked as Planning and Business Development Vice President until June 2010, when he was appointed as Business Vice President until October 2013. Between October 2005 and March 2008, he acted as CEO of Conecta (a gas distribution company in Uruguay). Until March 2005, he served as Planning and Business Development Manager of the refining, petrochemical and fertilizing business unit of Petrobras Argentina and between April 2004 and September 2005; he worked for Petrobras in Brazil. He also acts as a member of the board of directors of Telcosur, Compañía Mega, CIESA and TGS. He was born on June 28, 1956.

*Diego Alberto Güerri* received a Law degree from the *Universidad de Buenos Aires*. He also obtained a Master's Degree in Business Administration from IAE Business School, *Universidad Austral*. Between October 2002 and 2005, he acted as liquidator of Quilseg S.A., Quilburs S.A., Capi S.A., Cirqui S.A., Dispel S.A. and Faique S.A. He was partner of Zarantonello & Güerri law firm between 1999 and 2007. Since 2007, he has been partner of the law firm Güerri. He was born on January 8, 1969.

*Carlos Olivieri* holds a Public Accountant degree from the *Universidad Nacional de Rosario* and a postgraduate degree in Corporate Financial Management from the University of Michigan (USA) and Stanford. At present, Mr. Olivieri is professor of Finance of Di Tella University. Between 2008 and March 2010, Mr. Olivieri acted as a financial advisor at Raymond James and between 2002 and 2007 he worked for Repsol YPF S.A. as CFO for Argentina, Brazil and Bolivia. Previously he acted as CFO of YPF S.A., Quilmes Industrial S.A. and Eaton S.A. and president of YPF GAS S.A. and Maxus Corporation (USA). He also had executive responsibilities in other industries, such as Aerolíneas Argentinas and Arthur Andersen & Co. and taught at the *Universidad de Buenos Aires* and Michigan Universities. Currently, Mr. Olivieri is also member of the board of directors of Provida AFP (Chile), Crown Point Ltd. (Canada) and International Advice. He was born on May 14, 1950.

*Federico Pastrana* holds a degree in Economics and completed a Masters in Economics, both from the *Universidad de Buenos Aires*. He has served in the private sector as Director of Banco Macro SA, and in public sector as Deputy National Audiovisual Services Development of the Federal Authority for Audiovisual Communication Services. He has also worked in the Ministry of Labor and the National Council of Scientific and Technical Research. He has authored publications in the areas of Macroeconomics and Economic Policy and Economic Development. Until his appointment to the BICE he served as Advisor in the Secretariat of Economic Policy and Development Planning of the MEF.

*Pablo Sebastián Benchimol* received a degree in Economics from the *Universidad de Buenos Aires*. He currently serves as Administrative Technical Coordinator at the Dirección Nacional de Empresas con Participación del Estado, MEF. He is professor at the *Universidad de Buenos Aires* where he teaches Economics since 2006 and he is professor at the Economics Department of the *Universidad de La Matanza* since 2012 as well. Mr. Benchimol served as an economic analyst to the Secretaría de Comercio del Interior at the MEF. He was born on June 7, 1984.

**Executive Officers.** The following is a list of our executive officers as of the date of this Annual Report, their respective positions with us and the year they were appointed to such position:

Name	Year of Appointment	Position
Javier Gremes Cordero	2012	CEO
Gonzalo Castro Olivera	2007	CFO
Benjamín Guzmán	2010	Operations Vice President
Daniel Perrone	1999	Institutional Affairs Vice President
Nicolás M. Mordegliá	2010	Legal and Regulatory Affairs Vice President
Carlos H. Sidero	2013	Human Resources Vice President
Alejandro Basso	1998	Management Control and Corporate Governance Vice President
Oscar Sardi	2005	Services Vice President
Néstor Hugo Martín	2013	Business Vice President

There is no expiration term defined for the executive officers.

Below is a description of the main activities currently carried out by each of our executive officers, together with the biographical information thereof:

*Javier Gremes Cordero* received a Public Accounting degree from the *Universidad Católica Argentina*, a Master's in Science from the Université de Management, Switzerland and a MBA from the Universidad Francisco de Vitoria, Spain. He worked for Perez Companc from January 1993 to September 2002. Between October 2002 and February 2006, he worked for Petrobras Argentina in the Financial Department of the E&P business unit. Between March 2006 and February 2009, he served as CFO and from March 2009 to November 2012 as CEO of Petrobras Ecuador. He became our CEO in November 2012. He was born on January 11, 1962.

*Gonzalo Castro Olivera* received a degree in Business Administration from the *Universidad de Belgrano* and a Master's Degree in Finance from the *Universidad Torcuato Di Tella*. Between 1997 and 1998, he worked for the ABN AMRO Bank N.V. and, between 1991 and 1997, he worked at BankBoston. In both banks, he worked in corporate banking. He joined us as Head of Capital Markets in 1998, and from 2005 to 2007, he was our Finance and Corporate Information Manager. He became our CFO in 2007. He was born on October 23, 1968.

*Benjamín Guzmán* received an Electromechanical Engineering degree and a Bachelor in Chemistry Degree from the *Universidad de Buenos Aires*. He obtained a Master in Business Administration from *IDEA* and a Master in Regulations of Gas and Electricity Industries from *CEARE*. Between January 1997 and October 2010 he held different managerial positions in Petrobras Argentina. He has served as our Operations Vice President since November 2010. He was born on September 25, 1956.

*Daniel Perrone* received a Mechanical Engineering degree from the *Universidad Tecnológica Nacional*. He has previously worked for Cometarsa S.A., Matoil S.A., Servoil S.A., Bidas S.A.P.I.C. and TransCanada International. From 1999 through March 2010, he served as our Regulatory Matters and Rates Vice President and, since August 2001, has also been responsible for Institutional Affairs. He was born on August 29, 1948.

*Nicolás M. Mordeglia* received a Law degree from the *Universidad de Buenos Aires* in 1988 and a Master's degree in Business Law and an Executive Business Program from *Universidad Austral* in 1994. During 2002 he attended an Executive Management Business Program at IAE. He worked for the Legal Affairs Department of SADE Ingeniería y Construcciones S.A. (f/k/a Sade S.A.C.C.I.F.I.M.) from 1990 to 1992, and for the Legal Affairs Department of Compañía Naviera Perez Companc S.A.C.F.I.M.F.A. from 1993 to 1995. He worked for the Legal Affairs Department of Cerro Vanguardia S.A. (f/k/a Minera Mincorp S.A.) from 1995 to 1999. From 1999 to 2010, he worked for the Legal Affairs Department of Petrobras Argentina S.A. (f/k/a Pecom Energía S.A.) and has been appointed to several boards of directors and Statutory Committees in corporations in Argentina and abroad where Petrobras Argentina has interest including TGS and CIESA. Since August 2010, he has served as our Legal Affairs Vice President and, since April 2011, he has been responsible for regulatory matters. He was born on August 17, 1965.

*Carlos H. Sidero* graduated from the National University of Buenos Aires as a Certified Public Accountant in Argentina. He worked with Isaura S.A. from 1981 through 1994. From 1994 he managed different areas within the Human Resources department at Eg3 SA and Petrobras Argentina S.A. He joined TGS in March 2013 as Vice President Human Resources. He was born on February 16, 1956.

*Alejandro Basso* received a Public Accounting degree from the *Universidad de Buenos Aires*. He worked for Petrobras Argentina from 1987 to 1992 and for Quital-Co S.A. from 1992 to 1994. From 1994 to 1998 he acted as our Planning and Corporate Control Manager and between September 1998 and March 2008 he was our Planning and Control Vice President. Since March 2008, he has been our Management Control and Corporate Governance Vice President. He also acts as alternate director of TGU, EGS and Telcosur. He was born on October 13, 1961.

*Oscar Sardi* received a Mechanical Engineering degree from the *Universidad Nacional de Rosario* and holds a major in Natural Gas from the *Universidad de Buenos Aires*. He also participated in a General Administration Program at the *Universidad Austral*. He worked for GdE between 1983 and 1992 and from that year he has held different positions in our operations area. In April 2005 he was designated Service Vice President of Link. He also acts as alternate director of Link and Telcosur. He was born on September 1, 1955.



*Néstor Hugo Martín* obtained a degree in Chemical Engineering from the *Universidad Nacional del Sur*, Bahía Blanca. Mr. Martín has wide experience in the oil and gas industry. Between 1976 and 2002 he held different positions in companies such as ESSO S.A.P.A., YPF, Isaura S.A. and EG3. In 2002 he joined Petrobras Argentina where he served in many managerial positions especially related to planning, business, supply and trading. In 2013, he was designated as our Business Vice President. He was born on April 17, 1953.

For additional information regarding the provisions include in the Shareholders' Agreement for the election of our CEO, see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders—Shareholders' Agreement."

***Indemnification of Officers and Directors.*** Under the Shareholders' Agreement, the shareholders of CIESA require us to: (i) limit the liability of each of our officers, syndics and directors for all consequences of their acts or omissions, excluding acts or omissions where there is evidence of fraud or gross negligence and (ii) enter into agreements obligating us to defend, indemnify and hold harmless each of our officers, syndics and directors from and against all liabilities, losses, and other expenses incurred by each such officer, syndics or director in connection with a pending, threatened or completed civil, criminal, administrative or other proceeding, or any investigation that could lead to such a proceeding, by reason of the fact that such officer, syndics or director is or was one of our officers, syndics or directors, including claims alleged to be due to the negligence of such person, but excluding acts or omissions that involve fraud or gross negligence towards us.

## **B. Compensation**

The remuneration paid by us during the year 2014 in favor of our members of the Board of Directors and executive officers amounted to Ps. 3.5 million and Ps. 16.0 million, respectively. We do not grant pension or retirement plans or other benefits to members of our Board of Directors or to our executive officers.

Executive officers are subject to a goal-directed management system with a variable remuneration program. Consensual objectives are in line with our global objectives, as the variable remuneration program links a portion of its compensation to the performance thereof and our performance. Total compensation of executive officers consists of a fixed portion (normal and usual remuneration) and a variable portion. The variable portion depends on the level of achievement of the "Outcome" objectives, which consists of economic and financial targets, and "Performance Results," including business objectives that do not have an associated economic result. We measure achievement of these objectives annually, based on performance during the fiscal period.

## **C. Board Practices**

For information on the term of office of our directors and executive officers, see "A. Directors and Senior Management" above. The information in that section is incorporated herein by reference.

None of the members of our Board of Directors are party to any service contract with us or any of our subsidiaries providing for benefits upon termination of employment.

## **Audit Committee**

According to the Capital Market Law, publicly listed companies must have an Audit Committee "that will function on a collegiate basis with three or more members of the Board of Directors, the majority of whom must be independent under CNV regulations." The Audit Committee operates under its Rules of Procedure, which were approved by our Board of Directors in 2003 in accordance the requirements of the Capital Market Law. The Rules of Procedure require that the three members that form the Audit Committee must be independent according to the standards of the SEC and the CNV. Committee members are designated by a simple majority of the Board of Directors, at the first meeting following designation of the members of the Board of Directors, and they hold office until their successors are designated. The Audit Committee adopts its own regulations and must prepare a working plan for each fiscal year. At the General Annual Shareholders' Meeting held on April 23, 2015, Diego Alberto Güerri, Carlos Alberto Olivieri and Pablo Sebastián Benchimol were designated as independent members of the Board of Directors and were

appointed to the Audit Committee and Alejandro Candiotti, Diego Petrecola and Federico Pastrana were appointed as their alternates, respectively.

The Audit Committee's mandatory periodic duties are to:

- supervise the internal control and accounting systems as well as the reliability of the latter and all the financial information and other significant issues that are to be submitted to the SEC, CNV and BASE in compliance with the applicable disclosure policies;
- supervise the application of information policies regarding our risk management;
- ensure that the market is informed about those operations where there may be a conflict of interest with one or more members of the Board of Directors, controlling shareholders or other parties as defined by the applicable regulations;
- express its view on the reasonableness of fees and stock option plans for directors submitted by the Board of Directors;
- express its view as to compliance with laws and regulations and the reasonableness of the conditions of an issuance of shares (or convertible securities), in the case of a capital increase excluding or limiting preferential rights;
- verify compliance with the Code of Ethics (see Item 16.B. Code of Ethics);
- issue a well-founded opinion on whether the terms and conditions of relevant transactions with related parties are according to market practice, within five calendar days from the receipt of a petition issued by the Board of Directors, and at any other time at which a conflict of interest exists or might exist;
- prepare an annual performance plan for the fiscal year and notify the Board of Directors and the Statutory Committee within 60 days from the beginning of the period;
- fulfill all the obligations stated in our By-laws and applicable laws and regulations;
- express its view on the Board of Directors' proposals appointing (or rejecting) the external auditors to be hired and monitor the auditors' independence; and
- establish procedures for: (i) the receipt, treatment, investigation and administration of the complaints received by us regarding accounting, internal accounting controls or internal auditing matters; and (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or internal auditing matters.

Also, regarding the internal and external auditors, the Audit Committee must:

- review their plans; and
- evaluate their performance, and give an opinion on their performance when issuing the annual Financial Statements.

In evaluating the external auditors' performance, the Audit Committee must:

- analyze the different services rendered by the external auditors as well as their independence, according to Technical Resolution ("TR") No. 34 of the FACPCE, any other related regulations issued by professional councils and those regulations set by Title II, Chapter III, Article 21 of the Rules of the CNV;
- report separately the fees billed as follows: (i) fees for external audit and other related services meant to provide reliability to third parties (e.g., special reports about internal controls, shareholding prospectuses, certifications and special reports requested by regulators, etc.); and (ii) fees related to other special services different from those mentioned above, such as those associated with design and implementation of systems, laws and regulations, financial issues, etc.; and
- verify the independence of the external auditors in accordance with internal policies.

Additionally, the Audit Committee must perform the following mandatory duties contained in the regulatory framework:

- give a prior assessment, within five days of notification, that shall be used by the CNV to require us to designate an external auditor as requested by minority shareholders, as long as such shareholders represent at least 5% of our common stock (in those cases in which the

minority shareholders' rights might be affected), in order to carry out one or more specific revisions. The charges of such revisions shall be paid by the petitioning shareholders (Law No. 26,381, article 108.e);

- provide a well-founded assessment about an acquiring tender offer if by withdrawing the public offering we would cease to be a public company or our stock cease to be traded (Law No. 26,381, article 98); and
- issue a report supporting a Board of Directors' resolution to buy back our shares (Law No. 26,381, article 64).

Once a year, the Audit Committee is required to prepare a plan for the fiscal year to be presented to the Board of Directors and to the Statutory Committee. The directors, members of the Statutory Committee, managers and external auditors must, when requested by the Audit Committee, attend its meetings, provide the Audit Committee with information and otherwise assist the Audit Committee in the performance of its functions. In order to better perform its functions, the Audit Committee may seek the advice of legal counsel and other independent professionals at our expense, pursuant to a budget approved by the shareholders, and we must provide the Audit Committee with access to the information and documents it may deem necessary to perform its duties.

According to CNV rules, at least once a year and upon the filing of the annual Financial Statements, the Audit Committee shall issue a report to the shareholders, addressing how the Committee performed its duties and the results of its work.

The aggregate remuneration paid by us during the year 2014 to the members of the Audit Committee was approximately Ps. 1.4 million. We do not provide pension, retirement or similar benefits to any member of the Audit Committee.

#### **Statutory Committee**

The Statutory Committee is our monitoring body as stipulated in Section No. 284 of the Commercial Companies Law. Our By-laws provide for a Statutory Committee consisting of three syndics and three alternate members (“**alternate syndics**”). In accordance with our By-laws, two syndics and the corresponding alternate syndics are elected by a majority vote of the holders of our Class A Shares. The remaining syndic and corresponding alternate syndic are elected by the majority vote of the remaining holders of our common stock. Each member of the Statutory Committee is elected at the General Annual Shareholders' Meeting and serves for a one-year renewable term. Members of the Statutory Committee must be lawyers or accountants qualified under Argentine law and, for the accountants, TR No. 15. Our directors, officers and employees may not be members of the Statutory Committee, all members must be independent. Our By-laws require the Statutory Committee to hold meetings at least once per month.

The primary responsibilities of the Statutory Committee consist of monitoring our management's compliance with the Commercial Companies Law, our By-laws and the shareholders' resolutions, and without prejudice to the role of external auditors, reporting to the shareholders at the General Annual Shareholders' Meeting regarding the reasonableness of our financial information. Furthermore, the members of the Statutory Committee are entitled to: (i) attend Board of Directors and shareholders' meetings, (ii) call Extraordinary Shareholders' Meetings when deemed necessary and General Annual Shareholders' Meetings when the Board of Directors fails to do so, and (iii) investigate written inquiries initiated by the shareholders. The Statutory Committee does not control our operations or evaluate management's decisions, which are the exclusive responsibility of the Board of Directors.

The aggregate remuneration paid by us during 2014 to the members of the Statutory Committee was approximately Ps. 0.8 million. We do not provide pension, retirement or similar benefits for syndics and alternate syndics.

The following table sets out the current membership of our Statutory Committee, each of whom was appointed at the General Annual Shareholders' Meeting held on April 23, 2015, the year when each member was initially appointed and the year when their term expires:

<b>Name</b>	<b>Member since</b>	<b>Term Expires</b>	<b>Position</b>
Claudio Norberto Vázquez	2014	2016	Syndic
José María Zuliani	2015	2016	Syndic
Javier Rodrigo Siñeriz	2015	2016	Syndic
Silvina Yazbeck Jozami	2015	2016	Alternate Syndic
Diego Martín Salaverri	2014	2016	Alternate Syndic
Alejandro Mario Roisentul Wuillams	2014	2016	Alternate Syndic

The present principal occupations and employment history of our syndics are set forth below:

*Claudio Norberto Vázquez* received a Law degree from the *Universidad de Buenos Aires* in 1989, and a Master's degree in Administrative Law, a post-graduate degree in Oil and Gas and a post-graduate degree in Company Senior Management from the *Universidad Austral*, in 1995, 1997 and 2011 respectively. He joined Petrobras Argentina in 2006 as Legal Manager E&P – G&E. He also acts as Director of Canadian Hunter S.A., Director of Petrobras Energía Ecuador Ltd., General Manager of Ecuador TLC S.A., and syndic of Compañía Mega S.A. and Transportadora de Gas del Sur S.A. He was born on January 20, 1965.

*José María Zuliani* received a Law degree and a Master's Degree in International Private Law from the Universidad Nacional de Rosario. In January 1996, he joined Refinería San Lorenzo, a subsidiary of Perez Compac, where he served as head of the Legal Department. In November 2000, he joined Petrobras Argentina (following a merger of this company with Perez Compac), where he held several managing positions. He left Petrobras Argentina in February 2009 after serving as its Gas and Energy Legal Affairs Manager. Between 2009 and 2010, he was appointed as our Legal Affairs Vice President. At present, he works as consulting partner in Salaverri, Dellatorre, Burgio & Wetzler Malbrán law firm. He was born on December 13, 1961.

*Javier Rodrigo Siñeriz* Mr. Siñeriz holds a law degree from the Law School of the Catholic University of Argentina. He also holds a master degree in law and judicature from the Austral University, a master degree in Governmental law from the School of Lawyers of the government and a specialization in fiscal law from the Litoral National University. Mr. Siñeriz also serves as syndic of SA San Miguel AGICI y F, Administradora de Recursos Humanos Ferroviarios SACPEM, Compañía Inversora de Transmisión Eléctrica Citelec SA, and as an alternate syndic of Pellegrini S.A. Gerente de Fondos Comunes de Inversión, BICE (Banco de Inversión y Comercio Exterior), Intercargo SAC, Nación Servicios S.A., Fábrica Argentina de Aviones Brig. San Martín S.A., Líneas Aéreas Federales S.A., Sociedad Operadora Ferroviaria S.E. and Tandanor SACIyN. He was born on December 1, 1970.

#### **Remuneration Committee**

We do not have a remuneration committee. Compensation decisions are made by our senior management.

#### **Corporate Governance Practices; NYSE Requirements**

See Item 16.G. Corporate Governance.

#### **D. Employees**

The following table sets out the number of employees according to department as of December 31, 2014, 2013 and 2012:

<b>Department</b>	<b>Number of Employees as of December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
General	2	2	2
Administration and Finance	47	47	47
Human Resources	20	19	18
Control and Corporate Governance	10	10	8
Legal and Regulatory Affairs	12	11	11
Public Affairs	7	7	8
Services	136	138	124
Safety and Environmental	12	10	9
Business	40	41	44
Internal Audit	3	2	-
Operations	627	616	613
<b>Total</b>	<b>916</b>	<b>903</b>	<b>884</b>

The following table sets out the number of employees according to geographical location as of December 31, 2014, 2013 and 2012:

<b>Location</b>	<b>Number of Employees as of December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
City of Buenos Aires	244	247	219
Province of Buenos Aires	390	383	382
Province of Chubut	58	54	57
Province of La Pampa	13	13	13
Province of Neuquén	73	69	72
Province of Río Negro	54	56	56
Province of Salta	-	-	1
Province of Santa Cruz	82	79	81
Province of Tierra del Fuego	2	2	3
<b>Total</b>	<b>916</b>	<b>903</b>	<b>884</b>

As of December 31, 2014, 2013 and 2012 the number of temporary employees working for us was 20, 16 and 53, respectively.

Under Argentine law, in the event of an unjustified dismissal of an employee, the employer is required to pay the terminated employee severance, the amount of which is regulated by the Argentine Labor Law (Section 245). The severance consists of payment of one month's wages for each year of employment. The Argentine Labor Law stipulates limits to the severance payment; these limits affect only employees who earn high wages. However, the Supreme Court has ruled this severance payment limitation unconstitutional when it results in a loss of more than 33% for a terminated employee as compared to the unlimited amount.

The Supreme Court held the Law of Occupational Hazard Prevention unconstitutional as applied to contractors whose employees are injured in the course of employment, extending liability to the company that contracted with the contractor for the services.

Some courts have held that a company that contracts with a contractor for services is jointly liable for a contractor's obligations to provide its workers and third-party service providers with social security benefits, wages, insurance, etc., even if the service for which the company contracts is not part of the company's usual business.

Higher inflation levels in Argentina have led to increased conflict between employers and unionized workers, particularly within the gas industry. During 2014, we signed several arrangements with our labor unions. These arrangements addressed both wage and working conditions. While the existence of several labor unions hinders our ability to achieve unified treatment of labor relations agreements, we have

achieved the goal of maintaining one single salary and development structure for each labor union representing our staff.

We have begun contract negotiations with our labor unions to avoid conflict in 2015, but the status of these negotiations is uncertain.

Currently, 23.0% of our workforce is affiliated with one of three national unions, each of which has representation in each of the provinces in which we operate.

**E. Share Ownership**

The total amount of our Class B Shares held by our directors, Syndics and executive officers as of the date of issuance of this Annual Report is 83,393 shares.

Our directors, Syndics and executive officers, individually and together, beneficially hold less than 1% of our Class B Shares.

**Item 7. Major Shareholders and Related Party Transactions**

**A. Major Shareholders**

Our controlling shareholder is CIESA, which holds 51% of our common stock and all of our Class A shares. Local and foreign investors hold the remaining shares of our common stock. CIESA is under control of: (i) Petrobras Argentina Group, which altogether hold 50% of CIESA’s common stock and (ii) the Trust (whose trustee is The Royal Bank of Scotland N.V. Sucursal Argentina), which has a trust shareholding of 40%. The additional 10% is held by PEPCA (a subsidiary of Pampa). (See “Item 4.—Our Information—A. Our History and Development—General” above.)

On July 13, 2012, Pampa and Petrobras Argentina Group entered into the 2012 Settlement Agreement. Pursuant to the 2012 Settlement Agreement and as a relevant condition thereof, the above mentioned parties cancelled all of CIESA’s Notes due and outstanding since 2002. As compensation, CIESA, among other payments, cancelled the aggregate financial debt by means of (i) the transfer of 34,133,200 of our Class B Shares (representing 4.2962% of our outstanding Class B Shares), to PISA (a subsidiary of Pampa) and (ii) once the pending governmental approval is obtained, the transfer of shares representing 40% of the capital stock in CIESA that is currently held in trust by The Royal Bank of Scotland, Sucursal Argentina to PISA. Upon completion thereof Pampa Group will be the direct and indirect holder of 50% of the capital stock of CIESA.

The following table sets forth certain information, with respect to each shareholder known to us to own more than five percent of our common stock as of March 31, 2015:

<b>Name of Beneficial Owner</b>	<b>Number of Shares</b>	<b>Percent of Total Common Shares</b>	<b>Class</b>
CIESA.....	405,192,594	51.0000%	A
ANSES.....	183,618,632	23.1113%	B

Pursuant to the Pliego and the terms of the 2007 Notes and 2014 Notes, CIESA may not reduce its shareholding below 51% of our share capital.

As of March 31, 2015 a total of 27,123,863 ADRs, representing 135,619,315 Class B Shares (34.84% of the total Class B Shares) were held by approximately 30 registered holders. Because certain of these ADRs are held by nominees, the number of record holders may not be representative of the number of beneficial owners.

## Shareholders' Agreement

As a result of changes in the shareholding of our controlling company, CIESA, a shareholders' agreement was signed on August 29, 2005 (the "**Shareholders' Agreement**"). This agreement governs certain matters relating to shareholder participation in CIESA and in us. This agreement divides the CIESA shares into five classes that grant the shareholders different rights and obligations with respect to us and CIESA, mainly regarding the designation of the members of our Board of Directors and our Statutory Committee.

Under this agreement, Class A1 and B1 shares are owned by Petrobras Argentina Group, Class A2 and B2 shares belong to the Trust and Class B3 shares are owned by PEPCA.

**Transfers of CIESA and Our Shares.** The Shareholders' Agreement provides certain rights of first refusal and "tag-along" or co-sale rights in favor of PEPCA, in the event of a proposed transfer of CIESA shares. In particular, before any sale of shares to outside parties, the selling shareholder must offer to sell such shares to PEPCA at the price agreed upon in a written purchase proposal from the outside party seeking to purchase such shares. In the event that PEPCA does not choose to purchase the shares, it can opt to have a portion of its own shares (the allotted portion is dependent on the number of shares being sold) additionally included in the shares to be sold by the selling shareholder to the third party.

Under the Shareholders' Agreement, the sale or transfer of any of our shares held by CIESA requires an affirmative vote of at least 60% of CIESA's issued and outstanding common voting shares.

**Election of Our Directors and Officers; Voting.** The Shareholders' Agreement also contains provisions governing the voting of shares held by CIESA, the election of the members of the Board of Directors and our Statutory Committee, the appointment of certain officers and certain other matters.

Our current Board of Directors consists of nine directors (see "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management"). Under the Shareholders Agreement, the CIESA directors designated by each of the Class A1, Class A2, Class B1 and Class B3 shareholders shall cause CIESA to nominate directors, alternate directors and syndics pursuant to the instructions given by each of such class of shareholders. Thus, indirectly, the Class A1 shareholders (controlled by Petrobras Argentina Group) nominate two regular directors, two alternate directors, one regular syndic and one alternate syndic, the Class A2 shareholders (controlled by the Trust) nominate two regular directors and two alternate directors, the Class B1 shareholders (controlled by Petrobras Argentina Group) nominate one regular director, one alternate director, one regular syndic and one alternate syndic and the Class B3 shareholders (controlled by PEPCA) nominate one regular director, one alternate director, one regular syndic and one alternate syndic. The three remaining independent directors must be unanimously approved by all shareholders of CIESA.

Under the terms of the Shareholders' Agreement, but subject to shareholders' overriding duty to protect our corporate interest and the common interest of all our shareholders, the CIESA-nominated directors shall vote unanimously in favor of the candidates nominated by the Class A1 shareholders for Chairman of the Board of Directors and CEO. The Vice-Chairman of our Board of Directors is nominated by the Class B3 shareholders.

Regarding the designation of our Statutory Committee members, Petrobras Argentina Group appoints two syndics and the same number of alternate syndics. The position of Chairman of our Supervisory Committee is held by one of the two syndics appointed by the Class A1 shareholders. The remaining syndic and alternate syndic are appointed by the Class B3 shareholders.

**Tender Offer Regime.** According to the Capital Market Law, public companies will be included in the tender offer regime, starting from the date of the shareholders' meeting approving the company's inclusion in the regime or automatically upon the first shareholders' meeting held twelve months after the enforcement of the CNV resolution regulating the matter, issued in March 2003. The decree also provides that if a public company is not willing to be included in such regime, it must incorporate an article to its By-laws stating the following: "Company not Subject to the Tender Offer Regime." Our shareholders decided not to adhere to this regime, and approved an amendment to our By-laws to incorporate the exclusion expressly at the Shareholder's Meeting held on April 2, 2004.

## **B. Related Party Transactions**

Transactions with related parties are carried out in the ordinary course of business according to common practices. The terms of these transactions are comparable to those offered by or obtained from unaffiliated parties.

### Technical Assistance Agreement

Petrobras Argentina is our technical operator, according to the approval of ENARGAS in June 2004, and subject to the terms and conditions of the Technical Assistance Agreement which provides that Petrobras Argentina is in charge of providing services related to the operation and maintenance of the natural gas transportation system and related facilities and equipment, to ensure that the performance of the system is in conformity with international standards and in compliance with certain environmental standards. For these services, we pay a monthly fee based on a percentage of our operating income. With the prior approval of ENARGAS and our Board of Directors, in October 2014, we and Petrobras Argentina approved the renewal of the Technical Assistance Agreement for a three-year term, beginning on December 28, 2014. For additional information see “Item 4. Our Information—B. Business Overview—Gas Transportation—Pipeline Operations—Technical Assistance Service Agreement.”

### Commercial transactions

During 2014, we entered into certain agreements with Petrolera Pampa S.A. and Petrobras Argentina, for the transfer of natural gas and richness to us by these companies. These agreements will expire in April and October 2015, respectively. The price, which is denominated in U.S. dollars, is determined according to common practices.

Moreover, we, under certain agreements, process the natural gas in Cerri Complex and commercialize the liquids, render natural gas transportation services and other services to our related companies, mainly to Petroleo Brasileiro and MEGA.

### Financial transactions. Loan agreement with Pampa.

On October 5, 2011, we granted a US\$26 million loan to Pampa. Proceeds from the loan were used by Pampa to exercise the option contained in the Call Option Agreement, (defined under “Item 10 Additional Information”). This loan is described in more detail under “Item 10 Additional Information —C. Material Contracts.” Additionally, to guarantee compliance with its obligations, Pampa created a pledge on the rights that correspond to the arbitration actions of Ponderosa Assets LP and Enron Creditors Recovery Corp. against the Government acquired upon exercise of the option mentioned above. For more information, see “Item 10—Additional Information.—C. Material Contracts.” After several extensions of the maturity of the loan, on May 7, 2013, our Board of Directors approved amendments to certain terms and conditions of the loan granted to Pampa.

As of December 31, 2014 and March 31, 2015 the outstanding amount of the loan to Pampa was US\$ 31.7 million and US\$ 32.2 million (Ps. 268.1 million and Ps. 280.5 million at exchange rate of the reference date), respectively, including accrued interest.

The details of significant outstanding balances (stated in thousands of pesos) for transactions with related parties as of December 31, 2014, are as follows:



Company	Revenues			Costs		Financial Results	
	Natural Gas Transportation	Production and commercialization of liquids	Other services	Gas purchase and others	Compensation for technical assistance	Revenues for administrative services	Interests earned
<b>Controlling shareholder:</b>							
CIESA	-	-	-	-	-	122	-
<i>Associate which exercises joint control on the controlling shareholder:</i>							
Petrobras Argentina	30,192	5,826	52,200	153,378	69,966	-	-
<i>Associate which exercises significant influence on the controlling shareholder:</i>							
Pampa Energia	-	-	-	-	-	-	14,941
<i>Associate with significant influence:</i>							
Link	-	-	2,637	-	-	-	-
EGS	-	-	173	-	-	-	-
<b>Other related companies:</b>							
Compañía Mega S.A.	856	74,405	30	-	-	-	-
Petroleo Brasileiro	-	627,468	-	-	-	-	-
Petrolera Pampa S.A.	-	-	-	30,479	-	-	-
<b>Total</b>	<b>31,048</b>	<b>707,699</b>	<b>55,040</b>	<b>183,857</b>	<b>69,966</b>	<b>122</b>	<b>14,941</b>

For additional information regarding revenues, costs, and outstanding balances relating to transactions with related parties as of and for the year ended December 31, 2014, see Note 19 to our consolidated financial statements included as part of this Annual Report on Form 20-F.

### C. Interests of Experts and Counsel

Not applicable.

## Item 8. Financial Information

### A. Consolidated Statements and Other Financial Information

Our Financial Statements, which are set forth in the Index to Financial Statements in Item 18, are filed as part of this Annual Report.

#### Exports

For additional information regarding our exports see “Item 4. Our Information—B. Business Overview—Liquids Production and Commercialization.”

#### Legal and Regulatory Proceedings

In addition to the matters discussed below, we are a party to certain lawsuits and administrative proceedings arising in the ordinary course of business. Although no assurances can be given, we believe we have meritorious defenses, which we will assert vigorously to challenge all claims, and that possible liabilities from these claims will not have a material adverse effect on our consolidated financial position or results of operations.

#### Tax Claims

##### a) Exemption of the sales of Liquids in Turnover Tax

In the framework of the Tax Agreement subscribed by the Argentine Government and the Provinces in 1993, and as from the enactment of provincial Law No. 11,490, we required the Tax Agency of the Province of Buenos Aires to exempt the sales of liquids from the turnover tax in its jurisdiction. In September 2003, the Tax Bureau of the Province of Buenos Aires, through Resolution No. 4,560/03, denied the exemption. In October 2003, TGS filed an administrative appeal with the Tax Court of the Province of Buenos Aires.

In February 2007, the Tax Court partially upheld our complaint. In its pronouncement, the Tax Court stated that ethane, propane and butane sales were within the scope of the turnover tax exemption but that neither propane nor butane sales qualified for the exemption in the domestic market, where they were not raw materials for an industrial process.

Due to these facts, we filed an appeal in May 2007 before the Province of Buenos Aires Court seeking the exemption on the basis that propane and butane may be utilized for uses different from those in the petrochemical industry. On December 14, 2014, we were notified that the court denied our claim. On December 22, 2014, we filed an appeal against this decision. As of the date of this Annual Report, the Court has not issued a final decision.

In September 2014, we paid Ps. 13.2 million to cancel the total amount claimed by the Agencia de Recaudación de la Provincia de Buenos Aires (“ARBA”) for the fiscal periods from January 2002 to July 2003.

On February 19, 2008, we were notified of a formal assessment of Ps. 3.6 million (not including interest) regarding the payment of the turnover tax corresponding to the period ranging from August 2003 to December 2004. On March 11, 2008, we filed a discharge within the Tax Bureau of the Province of Buenos Aires which was rejected and thus, we filed an appeal with the Tax Court of this province in January 2009. On November 23, 2013 the Tax Court partially upheld our complaint. Finally, in March 2015 we cancelled the total amount claimed for the fiscal periods from August 2003 to December 2004.

On December 4, 2012, we were notified of a new formal assessment of Ps. 0.8 million regarding the payment of the turnover tax corresponding to the fiscal year 2006 related to the production of liquefied gas, butane, propane and natural gasoline. On December 26, 2012, we answered the charges alleging the statute of limitations of the taxes claimed for 2006 period had expired. On April 10, 2013, the ARBA rejected our statute of limitations defense. On May 2, 2013, we lodged an appeal against ARBA’s decision with the Tax Court. On September 3, 2014, we were notified that the Tax Court denied our appeal. We have presented our statute of limitations argument before the Contentious-Administrative Court. As of the date of this Annual Report, a decision by the Contentious-Administrative Court is still pending. On February 2015, ARBA initiated the fiscal execution process for the fiscal year 2006. Against this new proceeding, we alleged the statute of limitation.

On April 13, 2013, we were notified of a new formal assessment of Ps. 2.7 million (not including interest) regarding the payment of the turnover tax corresponding to the period ranging from January 2007 to April 2008. On June 14, 2013, we were notified of the penalty resolution which was appealed on July 13, 2013 alleging the statute of limitations of fiscal year 2008.

As of December 31, 2014, the provision relating to this matter, including interest, amounted to Ps. 21.1 million.

b) Turnover tax calculated on the natural gas price used by us as fuel to render its transportation services

*Province of Santa Cruz*

In November 2002, the Tax Bureau of the province of Santa Cruz sent us a formal assessment notice for the payment of the turnover tax calculated on the natural gas price used by us as fuel to render our transportation services.

This assessment corresponds to the period from January 1998 to October 2002. In August 2005, we paid the amount claimed of Ps. 1.6 million (including interest until December 4, 2002) and started a tax recovery process, first exhausting all other procedural steps, with the Tax Bureau of the province and then initiating a proceeding in the Provincial Tax Court. On February 19, 2015, the Supreme Court of Justice issued a final decision, which rejected the appeal filed by us.

In November 2012, the Department of Revenue of the Province of Santa Cruz sent us a formal assessment notice for the payment of the turnover tax for the periods from January 2006 to November 2007

and from January 2008 to April 2011, in the amount of Ps. 5.9 million. In September 2013, we paid Ps. 6.8 million (including interest as of that date) and initiated the tax recovery process, which is pending.

*Province of Río Negro*

In November 2005, we received a notice from the Tax Bureau of the province of Río Negro claiming the payment of Ps. 0.2 million, on the same grounds as those of the Province of Santa Cruz, for the period from January 1999 to May 2005. On February 1, 2008, we initiated a tax recovery process with the Tax Court of the province of Río Negro to obtain the refund of Ps. 0.5 million paid in November 2007. The tax recovery process was rejected on August 1, 2012. We have appealed this decision. On September 30, 2014, we requested the opening of the evidence stage, which as of the date of this Annual Report is ongoing.

*Province of Tierra del Fuego, Antártida Argentina e Islas del Atlántico Sur*

In September 2008, the Tax Bureau of the province of Tierra del Fuego e Islas del Atlántico Sur sent us a formal assessment notice for the payment of Ps. 11.2 million corresponding to 2002-2007 period. Once all legal actions were lodged, in February 2013, we paid the amounts claimed, beginning the tax recovery process.

In November 2013, the Tax Bureau of the province of Tierra del Fuego e Islas del Atlántico Sur initiated new formal assessments for the periods August 2008 and March 2013 and April 2013 and June 2014 asking for the payment of Ps. 24.1 million and Ps. 12.7 million, respectively. For the period from August 2008 to March 2013 we have initiated legal actions against the High Court of the Province of Tierra del Fuego challenging these assessments. Regarding the period from April 2013 to June 2014, we filed an appeal for reconsideration against the Tax Bureau of the province of Tierra del Fuego e Islas del Atlántico Sur. These legal actions are still pending.

If our position regarding the turnover tax claims mentioned above fails and the turnover tax has to be paid, we are entitled to recover this amount by a transportation tariff increase as set forth in the License. However, there can be no guarantee that such tariff increase would be granted, notwithstanding the terms of the License.

As of December 31, 2014, we recorded a provision of Ps. 120.8 million in respect of this contingency. This amount was determined in accordance with the estimates of tax and interest, that would be payable as of such date, in case the resolution of this contingency is unfavourable to us.

c) Action for annulment by ENARGAS of the Gas Charge Resolutions

Within the framework of a legal action against the Gas Charge Resolutions, on July 10, 2012, we obtained a preliminary injunction from the Lower Court in administrative federal matters based in the Autonomous City of Buenos Aires, ordering the Executive Branch (the Federal Energy Bureau), ENARGAS and Nación Fideicomisos S.A., as collection agents, not to bill or attempt to collect from us the gas processing charge established in the Gas Charge Resolutions, and permitting us to continue the billing and collection of the amounts stated prior to the issuance of said resolutions. This decision was confirmed on April 7, 2014 by the relevant Court of Appeals, but only for a period of six months. Pursuant to the prevailing legislation, the precautionary injunctions issued against the Government are renewable at the request of a party at its maturity. We requested and obtained a new preliminary injunction which will expire in September, 2015. Given this limited duration, we filed an appeal before the Supreme Court. In April 2014, the Court of Appeals in administrative federal matters before which ENARGAS and the Government appealed the granting of the injunction confirmed the injunction and rejected the appeals.

On December 21, 2012, we expanded the grounds of our demand and requested that the case be referred to the defendants, since we are producing the discovery.

The basis for our claims relating to the Gas Charge Regulations is that these regulations violate the constitutional principles that govern the issuance of matter and annulment of administrative acts, because no tax burden may be enforceable without the prior existence of a law framed within the constitutional precepts, and created by the Legislative Branch by a special law. This is a fundamental issue raised by us in the legal action, which was the basis adopted by the presiding judge to issue the preliminary injunction in

2012. Furthermore, we believe the implementation of the Gas Charge Resolutions would constitute a confiscation of our ability to maintain our economic and financial condition.

Our Management believes it has sufficient valid arguments to defend our position, and thus, we have not recorded the increase of the charge for natural gas consumption from the date of obtaining the injunction until the date of the issuance of this Annual Report. In the event this injunction had not been obtained, we estimate the impact of the Resolutions as of December 31, 2014, assuming that we were able to recover the charge in the sale price of product, would have resulted in an additional net expense of Ps. 182.8 million. Meanwhile, the impact on retained earnings since obtaining the injunction would have involved a reduction of Ps. 372.2 million.

d) Recovery action of VAT and income tax payments

On October 9, 2008, we signed the 2008 Transitional Agreement with UNIREN that contemplated a tariff increase of 20%, which would be retroactively applicable to September 1, 2008. On December 3, 2009, the Executive Branch ratified this transitional agreement through Decree No. 1,918/09. By means of this decree, we will be able to bill the tariff increase to our clients as soon as ENARGAS publishes the new tariffs schedule and sets the methodology to bill the retroactive effect. Finally, this administrative act did not become effective and therefore in September 2010 we filed an *acción de amparo* (a summary proceeding to guarantee constitutional rights). Due to the passing of time since the enactment of Decree No. 1,918/09, on December 16, 2010 our Board of Directors resolved to discontinue the recognition of the tariff increase revenue and to reverse the credit provision of the tariff increase revenue already accrued in the year ended December 31, 2009. The reversal of the tariff increase does not imply any resignation to the Company's right resulting from the Decree No. 1,918/09.

On May 24, 2013, we filed a tax recovery appeal with respect to the income tax and VAT credits generated by the reversal of the tariff increase credit mentioned above. Our claim was not heard after three months, so on October 9, 2013, we filed an appeal before the Federal Tax Bureau. As of the date of this Annual Report, the case is in evidence stage.

The total amount claimed by us amounted to Ps. 69.4 million plus compensatory interests. The outstanding balance of this credit has been valued at its amortized cost and it has been included in "Other non-current credits."

***Other Litigation***

a) Tariff renegotiation

As discussed above under "Item 4. Our Information—B. Business Overview— Gas Transportation—Regulatory Framework," we are involved in the process of renegotiating our public service contracts with UNIREN.

b) Others

In addition to the matters discussed above, we are a party to certain lawsuits and administrative proceedings which involve taxation, labor claims, social security, administrative and others arising in the ordinary course of business. Our Management and our legal advisors estimate that the outcome of these differences will not have significant adverse effects on our financial position or results of operations. As of December 31, 2014 the total amount of provisions, relating to these matters amounted Ps. 8.3 million.

c) Environmental matters

We are subject to extensive environmental regulations in Argentina. Our management believes that our current operations are in material compliance with applicable environmental requirements, as currently interpreted and enforced. We have not incurred in any material environmental liabilities as a result of our operations to date. As of December 31, 2014, the total amount of these provision amounted Ps. 0.1 million.

## Dividend Distribution Policy

Our Board of Directors does not have a formal, written dividend distribution policy. Each year, our Board evaluates whether to submit a distribution proposal to the shareholders' meeting. In making this evaluation, the Board of Directors considers our financial results, our liquidity, our future financing needs and other information, including economic and financial projections for both TGS and the economy as a whole. See "Item 3. Key Information—A. Selected Financial Data—Dividends."

### B. Significant Changes

No undisclosed significant change has occurred since the date of our Financial Statements.

## Item 9. The Offer and Listing

### A. Offer and Listing Details

The table below shows the high and low market prices of the Class B Shares on the BASE, stated in historical Argentine pesos and of the ADRs on the NYSE, stated in U.S. dollars, for each of the last five fiscal years.

Years	NYSE (in US\$)		BASE (in Ps.)	
	High	Low	High	Low
2010	6.19	2.71	4.72	2.02
2011	6.24	2.70	3.83	2.37
2012	3.08	1.23	3.02	1.80
2013	2.77	1.55	5.23	2.22
2014	3.80	1.83	10.40	3.65

The table below shows the high and low market prices of the Class B Shares on the BASE, stated in historical Argentine pesos and of the ADRs on the NYSE, stated in U.S. dollars, for each full quarterly period within the two most recent fiscal years.

Quarters	2014				2013			
	NYSE (in US\$)		BASE (in Ps.)		NYSE (in US\$)		BASE (in Ps.)	
	High	Low	High	Low	High	Low	High	Low
First Quarter	2.40	1.83	4.61	3.65	1.96	1.55	3.11	2.22
Second Quarter	3.26	2.37	7.03	4.68	1.86	1.61	3.40	2.60
Third Quarter	3.43	2.70	10.40	5.50	2.23	1.74	4.20	2.58
Fourth Quarter	3.80	2.93	9.40	6.90	2.77	2.07	5.23	3.70

The table below shows the high and low market prices of the Class B Shares on the BASE, stated in historical Argentine pesos and of the ADRs on the NYSE, stated in U.S. dollars, within the six most recent months.

Months	NYSE (in US\$)		BASE (in Ps.)	
	High	Low	High	Low
November 2014	3.80	3.38	9.30	8.25
December 2014	3.71	3.10	9.00	6.90
January 2015	3.50	3.01	8.40	7.55
February 2015	3.85	3.07	9.10	7.60
March 2015	5.94	3.84	14.10	9.10
April 2015 (through to April 28, 2015)	5.62	4.92	13.45	11.60

## B. Plan of Distribution

Not Applicable.

## C. Markets

***The Argentine Securities Market.*** In Argentina, the oldest and largest exchange is the BASE, founded in 1854. The BASE is the exchange on which the majority of equity trades in Argentina are executed. As of December 31, 2014, the market capitalization of shares of the 95 companies (excluding mutual funds) listed on the BASE was approximately Ps. 3,892,851 million. At the end of December 2014, the top 10 listed securities, representing 93.5% of the total trading in securities listed on an exchange, were traded through the *Mercado de Valores* (“**Stock Market**”), affiliated with the BSE.

Securities may also be listed and traded through over-the-counter market brokers who are linked to an electronic reporting system. The activities of such brokers are controlled and regulated by the Mercado Abierto Electrónico S.A. (the “**MAE**”), an electronic over-the-counter market reporting system that functions independently from the *Mercado de Valores de Buenos Aires S.A.* (the “**MERVAL**”) and the BASE. Under an agreement between the BASE and the MAE, trading in equity and equity-related securities is conducted exclusively on the BASE and trading in corporate debt securities is conducted on both the BASE and the MAE. Trading in Argentine government securities, which are not covered by the agreement, may be conducted on either or both of the BASE and the MAE. The agreement does not extend to other Argentine exchanges.

Changes to the legal framework of securities trading have been introduced, permitting issuance and trading of new, non-bank financial products in the Argentine capital markets, including commercial paper, new types of corporate bonds, futures and options. The Argentine government deregulated brokerage fees and eliminated transfer and stamp taxes on securities transactions in November 1991.

The Capital Market Law, enacted in December 2012, sets out the rules to govern capital markets, its players, and the securities traded therein subject to the CNV regulation and monitoring.

Almost all the provisions of the former Executive branch Decree No. 677/2011 (the “Transparency Decree”) have been incorporated in the Capital Market Law. The Capital Market Law provides rules and provisions guided by the following goals and principles:

- Promoting the participation of small investors, union associations, industry groups and trade associations, professional associations and all public savings entities in the capital market, particularly encouraging mechanisms designed to promote domestic savings and channel such funds towards the development of production;
- Strengthening mechanisms for the protection of and prevention of abuses against small investors and for the protection of consumers’ rights;
- Promoting access of small and medium-sized companies to the capital market;
- Fostering the creation of a federally integrated capital market through mechanisms designed to achieve an interconnection of computer systems from different trading markets, with the use of state-of-the-art technology;
- Encouraging simpler trading procedures available to users to attain greater liquidity and competitiveness in order to provide the most favorable conditions for the implementation of transactions.

The CNV is a self-administered agency of the Government with jurisdiction covering the territory of Argentina, governed by the provisions contained in Capital Market Law, and the CNV Regulations among other related statutory regulations. The relationship of the CNV and the Argentine Executive is maintained through the MEF, which shall hear any appeals filed against decisions made by the CNV, notwithstanding any other legal actions and remedies contemplated in the Capital Market Law.

The CNV supervises and regulates the authorized markets in which the securities and the collective investment products are traded, the corporations authorized in the public offer regime, and all the other players authorized to operate in the public offer regime, as the registered agents, the trading agents, the financial advisors, the underwriters and distributors, the brokers, the settlement and clearing agents, the managers of collective investment products, the custodians of collective investment products, the collective depositories, and the risk rating agencies, among others.

**The Merval.** Pursuant to the new Capital Market Law, the CNV has authorized 9 stock markets since September 2014. According to this law, the BASE has been authorized to operate as a qualified entity, under the appointment of the Merval. Merval is a private entity incorporated whose stock capital is composed of publicly traded shares. Merval's main functions comprise Trading as well as performing as a Clearing House and Central Counterparty (CCP) in the settlement and monitoring of transactions carried out through its Trading Systems.

Merval's main functions granted by the new Capital Market Law are as follows:

- a) To issue regulations that allow stock brokers and brokerage firms authorized by the CNV to perform their duties;
- b) To authorize, suspend and cancel the listing and/or trading of negotiable securities pursuant to the provisions set forth in its bylaws;
- c) To issue regulations that ensure veracity in the record of prices and trades;
- d) To issue the regulations and policies deemed necessary to ensure transparency in the trades conducted by member stock brokers;
- e) To fix the margins that member brokers are to comply with for each type of trade Merval guarantees; and
- f) To set up Arbitration Tribunals.

The above mentioned powers may be exercised by Merval or delegated, in whole or in part, to other qualified entities. Accordingly, Merval has entered into an agreement with BASE to enforce items b) and f).

Investors in the Argentine securities market are primarily individuals, companies and institutional investors consisting of a limited number of mutual funds. Certain information regarding the Argentine equities market is set forth in the table below.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Market capitalization (US\$ in billions)	477.9	374.4	471.0	514.6	455.2
Average daily trading volume (US\$ in millions)	14.5	12.9	8.4	12.1	20.3
Number of listed companies	107	105	107	105	101

*Source:* Data published by the Buenos Aires Stock Market.

#### **D. Selling Shareholders**

Not applicable.

#### **E. Dilution**

Not applicable.

#### **F. Expenses of the Issue**

Not applicable.

## **Item 10. Additional Information**

### **A. Share Capital**

Not applicable.

### **B. Memorandum and Articles of Association**

Information contained in Item 14 of TGS's Registration Statement on Form F-1 (Registration No. 33-85178) is hereby incorporated by reference.

#### *2014 By-laws amendments*

The Ordinary and Extraordinary Shareholders Meeting held on April 30, 2014 approved certain amendments of our by-laws. The purpose of these amendments was to provide our administration with greater flexibility to manage as well as adapt the By-laws to the requirements of the Capital Market Law. Below you will find a description of the amendments to our By-laws:

- Subject to the approval of the Annual Shareholders Meeting, the number of members of the Board of Directors may vary between nine and eleven directors and an equal number of alternate directors.
- The board of directors meetings may be held not only with the members present, but also with the members communicating remotely. Under our By-laws, all members will have the same power to vote on a proposal and will be considered to constitute a quorum.
- The Audit Committee duties, which are in line with those requirements stipulated in the Capital Market Law, were incorporated to our By-laws. For additional information regarding Audit Committee duties, see "Item 6. C. Board Practices. Audit Committee."

The amended By-laws as approved by the Ordinary and Extraordinary Shareholders Meeting held on April 30, 2014 is incorporated in this Annual Report as Exhibit 1.2.

### **C. Material Contracts**

#### **Debt Obligations**

##### **2007 Notes**

On May 14, 2007, we issued the 2007 Notes in aggregate principal amount of US\$ 500,000,000 under our 2007 Program. The Program provides for the issuance of up to a maximum principal amount of US\$ 650 million in notes, and was authorized by resolutions of an extraordinary meeting of shareholders dated December 21, 2006, and by resolutions of our Board of Directors adopted on January 4, 2007, March 30, 2007 and April 20, 2007. The program was also authorized by the CNV on January 18, 2007.

The scheduled maturity date of the 2007 Notes is May 14, 2017. The 2007 Notes accrue interest at an annual fixed rate of 7.875%, payable semi-annually. Principal amortization payments are required commencing on May 14, 2014 with the following schedule: 25% on May 14, 2014, 25% on May 14, 2015, 25% on May 14, 2016 and 25% on May 14, 2017. Between August 2008 and August 2010, we cancelled 2007 Notes with a nominal value of US\$ 125,976,000, which were purchased by us on market, at prices lower than their nominal value. On January 10, 2014, we launched the Exchange Offer to exchange any and all outstanding 2007 Notes for 2014 Notes. On February 11, 2014, we settled the Exchange Offer, and 67% of the 2007 notes were tendered, representing US\$ 250,741,000 aggregate principal amount of the 2007 notes.



Taking into account these purchases and cancellations and the Exchange Offer mentioned above, the total amount of 2007 Notes outstanding as of the date of this Annual Report is US\$123,283,000. Based on the aggregate 2007 Notes currently outstanding, the amount for each scheduled amortization payment will be US\$ 30,820,750, with the first amortization payment due on May 14, 2014.

The 2007 Notes are redeemable, in whole but not in part, prior to maturity at our option any time after May 14, 2012 at a redemption price as set forth in the table below, together with accrued interest thereon and any additional amounts to the redemption date.

<u>During the 12 Months Beginning</u>	<u>Applicable Percentage</u>
On May 14, 2012 .....	103.938%
On May 14, 2013 .....	101.969%
On May 14, 2014 .....	100.984%
On May 14, 2015 and thereafter .....	100.000%

We are also permitted to redeem the 2007 Notes in whole, but not in part, at a price equal to 100% of the principal amount outstanding if, as a result of any change in, or amendment to, the laws or regulations of Argentina or any governmental authority thereof or therein having power to tax or as a result of any change in the application or official interpretation of such laws or regulations, we become obligated to pay additional amounts with respect to the 2007 Notes and we cannot avoid such obligation by taking reasonable measures available to us.

In the event that the Republic of Argentina, directly or indirectly, through any one or more controlled entities, comes to own shares representing more than 50% of the voting power of all our shares, holders of the 2007 Notes are entitled to require us to purchase all or a portion of the 2007 Notes at price in cash equal to 101% of the principal amount of the 2007 Notes so purchased. The 2007 Notes are general, direct, unsecured and unsubordinated obligations and rank at all times *pari passu* in all respects, without any preference among themselves, with all of our other present and future unsecured and unsubordinated obligations, other than obligations preferred by statute or by operation of law.

*Covenants*

We are subject to several restrictive covenants under the terms of the 2007 Notes, which include, among others, the following:

- limitations on our ability to terminate our License or take any action that, in our reasonable opinion, would result in the termination of the License. We may not agree to amend or waive any terms of the License unless such amendment or waiver would not, in our reasonable opinion, adversely affect (i) our ability to meet our obligations under the 2007 Notes on a timely basis or (ii) any material rights or interest of the trustee or the holders under the indenture or the 2007 Notes;
- a requirement that we not enter into or consent to any amendment, restatement or modification of the Technical Assistance Service Agreement or any successor agreement thereto, other than an amendment, restatement or modification that is not materially adverse to us and our subsidiaries, taken as a whole;
- a limitation on our and our subsidiaries' ability to create liens on our property, assets or revenues, other than certain permitted liens;
- a limitation on our and our subsidiaries' ability to incur additional indebtedness unless we meet certain financial ratios and no event of default exists, other than certain permitted indebtedness;
- a limitation on our and our subsidiaries' ability to pay dividends and make certain other restricted payments and investments with respect to any fiscal year or fiscal semester unless: (i) no event of default or potential event of default shall have occurred and be continuing and (ii) immediately after giving effect to such restricted payment, we would be able to incur at least US\$1.00 of additional indebtedness pursuant to the limitation on indebtedness covenant;

- limitations on our and our subsidiaries' ability to enter into sale-leaseback transactions;
- limitations on our and our subsidiaries' ability to enter into a transaction with an affiliate, unless such transaction is on terms that are not materially less favorable to us or our subsidiary than we or such subsidiary would obtain in a comparable arm's-length transaction with a non-affiliate;
- a limitation on our and our subsidiaries' ability to sell our assets; and
- a limitation on our and our subsidiaries' ability to enter into a merger, consolidation or similar transaction.

#### *Events of Default*

The 2007 Notes contain the following events of default, among others:

- default in the payment of principal, interest or any other amount due under the terms of the 2007 Notes after a specified grace period;
- breach of obligations contained in the 2007 Notes after a specified cure period;
- the occurrence of an event of default under our other debt obligations;
- the occurrence of certain bankruptcy events or enforcement proceedings;
- enforcement by any creditor of any mortgage, charge, pledge, lien or other encumbrance created or assumed by us or one of our subsidiaries exceeding US\$10 million;
- failure to obtain certain required governmental authorizations when required or if any such authorizations are rescinded, terminated, lapse or cease to be in full force and effect; and
- the occurrence of certain material adverse events with respect to our License, such as the revocation, suspension for a period of greater than 120 days or termination of the License.

#### **2014 Notes**

On February 11, 2014, we issued the 2014 Notes in aggregate principal amount of US\$255,451,506 under our 2014 Program in exchange for a portion of the outstanding 2007 Notes. The Program provides for the issuance of up to a maximum principal amount of US\$ 400 million in notes, and was authorized by resolutions of an extraordinary meeting of shareholders dated April 25, 2013, and by resolutions of our Board of Directors adopted on July 23, 2013 and December 23, 2013. The program was also authorized by the CNV on January 3, 2014.

The scheduled maturity date of the 2014 Notes is May 14, 2020. The 2014 Notes accrue interest at an annual fixed rate of 9.625%, payable semi-annually. Principal amortization payments are required commencing on May 14, 2014 with the following schedule: 25% on May 14, 2014, 25% on May 14, 2018, 25% on May 14, 2019 and 25% on May 14, 2020.

We are also permitted to redeem the 2014 Notes in whole, but not in part, at a price equal to 100% of the principal amount outstanding if, as a result of any change in, or amendment to, the laws or regulations of Argentina or any governmental authority thereof or therein having power to tax or as a result of any change in the application or official interpretation of such laws or regulations, we become obligated to pay additional amounts with respect to the 2014 Notes and we cannot avoid such obligation by taking reasonable measures available to us.

In the event that the Republic of Argentina, directly or indirectly, through any one or more controlled entities, comes to own shares representing more than 50% of the voting power of all our shares, holders of the 2014 Notes are entitled to require us to purchase all or a portion of the 2014 Notes at price in

cash equal to 101% of the principal amount of the 2014 Notes so purchased. The 2014 Notes are general, direct, unsecured and unsubordinated obligations and rank at all times *pari passu* in all respects, without any preference among themselves, with all of our other present and future unsecured and unsubordinated obligations, other than obligations preferred by statute or by operation of law.

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- a requirement that we not enter into or consent to any amendment, restatement or modification of the Technical Assistance Service Agreement or any successor agreement thereto, other than an amendment, restatement or modification that is not materially adverse to us and our subsidiaries, taken as a whole;
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- failure to obtain certain required governmental authorizations when required or if any such authorizations are rescinded, terminated, lapse or cease to be in full force and effect; and
- the occurrence of certain material adverse events with respect to our License, such as the revocation, suspension for a period of greater than 120 days or termination of the License.

The following summary includes only the terms and conditions of the 2014 Notes and the 2007 Notes that differ in substantive respects. This summary does not purport to be a complete description of all of the terms and conditions of the 2014 Notes or the 2007 Notes that may be important.

	2007 Notes	2014 Notes																														
<b>Issuer</b> .....	TGS	TGS																														
<b>Guarantor</b> .....	None	None																														
<b>Interest Rate</b> .....	7.875% per annum	9.625% per annum																														
<b>Amortization</b> .....	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;"></th> <th style="width: 33%; text-align: center;">Percentage of Scheduled Payment Date</th> <th style="width: 33%; text-align: center;">Percentage of Original Principal Amount Payable</th> </tr> </thead> <tbody> <tr> <td>May 14, 2014</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> <tr> <td>May 14, 2015</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> <tr> <td>May 14, 2016</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> <tr> <td>May 14, 2017</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> </tbody> </table>		Percentage of Scheduled Payment Date	Percentage of Original Principal Amount Payable	May 14, 2014	25%	25%	May 14, 2015	25%	25%	May 14, 2016	25%	25%	May 14, 2017	25%	25%	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;"></th> <th style="width: 33%; text-align: center;">Percentage of Scheduled Payment Date</th> <th style="width: 33%; text-align: center;">Percentage of Original Principal Amount Payable</th> </tr> </thead> <tbody> <tr> <td>May 14, 2014</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> <tr> <td>May 14, 2018</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> <tr> <td>May 14, 2019</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> <tr> <td>May 14, 2020</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">25%</td> </tr> </tbody> </table>		Percentage of Scheduled Payment Date	Percentage of Original Principal Amount Payable	May 14, 2014	25%	25%	May 14, 2018	25%	25%	May 14, 2019	25%	25%	May 14, 2020	25%	25%
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May 14, 2018	104.813%	104.813%																														
May 14, 2019	102.406%	102.406%																														
<b>Interest Payment Frequency</b> .....	Semi-annually, payable on May 14 and November 14 of each year.	Semi-annually, payable on May 14 and November 14 of each year.																														
<b>Maturity</b> .....	May 14, 2017	May 14, 2020																														
<b>Certain Covenants</b> .....	<b><i>Purchase of Notes by the Company</i></b> Nothing in the Indenture shall limit in any way the Company from purchasing 2007 Notes at any time in the open market or on an exchange or by tender or by private agreement at any price. Any 2007 Note so purchased by us shall not be reissued or resold and the Company shall surrender any such Old Note to the Trustee for cancellation no later than 30 days after the date of such repurchase.	<b><i>Purchase of Notes by the Company</i></b> Nothing in the Indenture shall limit in any way the Company from purchasing 2014 Notes at any time in the open market or on an exchange or by tender or by private agreement at any price. Any 2014 Note so purchased by us shall not be reissued or resold.																														

## **Loan Agreement with Pampa**

On October 5, 2011, we granted a US\$ 26 million loan to Pampa. Proceeds from the loan were used by Pampa to exercise the option contained in the Call Option Agreement. Additionally, to guarantee compliance with its obligations, Pampa created a pledge on the rights that correspond to the arbitration actions of Ponderosa Assets LP and Enron Creditors Recovery Corp. against Argentine the Government acquired upon exercise of the option mentioned above.

After several extensions of the maturity, on May 7, 2013, our Board of Directors approved amendments to certain terms and conditions of the loan granted to Pampa, among others:

- i) The expiration date was on October 6, 2014, with the option to automatically renew for an additional one-year period. This option was automatically exercised, and the new expiration date will be October 6, 2015.
- ii) The loan must be paid or prepaid compulsorily by the assignment to us of all rights and obligations assigned to Pampa, Ponderosa Assets LP and Enron Creditors Recovery Corp against Argentina in the event that, on or before the due date: (a) the 20% effective increase on the tariff schedule has been granted to us, under the provisions of the 2008 Transitional Agreement approved by Presidential Decree No. 1918/09 or (b) we are granted: (x) the tariff adjustment as provided by the Adjustment Agreement approved by our Board of Directors meeting held on October 5, 2011, or (y) any other compensatory arrangements implemented by any mechanism or system of tariff revision to replace those currently in force under the Emergency Law with an equivalent economic effect on us.
- iii) The current interest rate is equivalent to 6.8% annually plus VAT and, if the loan is extended, the interest rate will be modified to the market rate to be determined for the next annual period, beginning October 6, 2014 until the date of full payment of the amount due under the loan.

Prior to the entry into this loan agreement and after each amendment, in accordance with the Capital Market Law, the Audit Committee analyzed and concluded that said financial transaction can be considered under ordinary and regular market conditions, based on the opinion of an external specialist.

### *Events of Default*

If any of the following events shall occur and be continuing, we shall be entitled to provide for acceleration of the term, and to demand the prompt and full payment of any amount of principal, compensatory interest and penalty interest, plus any payments for adjustments/shortages, commissions, legal fees, costs, charges and other resultant expenses, as well as any payment of amounts that for any cause or concept, are to be paid or delivered to TGS (“the Lender”) under the terms hereunder:

- (A) (i) Pampa (“the Borrower”) shall admit in writing its inability to pay its debts as they become due, or shall take any action relating to its own bankruptcy, insolvency or relief of debtors, or there shall be commenced by a creditor any proceeding seeking to adjudicate it as bankrupt or insolvent, and (i) that proceeding remains undismissed or refused within 30 (thirty) working days of procedural time since the date the Borrower had been summoned to give explanations or (ii) the Borrower has not paid the credit that originated the petition for bankruptcy, submitting to the Lender evidence of true payment, as appropriate; or
- (ii) The Borrower shall enter into any insolvency proceedings under the terms of sections 78 and 79 of Law 24.522; or
- (iii) Any person who is a member, along with the Borrower, of an economic unit under the terms of section 65 et seq. of Law 24.522, shall submit a petition for a reorganization proceeding in a case of grouping/assembly, or if the board of directors or stockholders’ meeting of the Borrower or of any person member with the Borrower of an economic unit under the terms of section 65 et seq. of Law 24.522, shall resolve that the Borrower must file a petition for commencement of its own bankruptcy or insolvency proceedings or if

such person who is a member, along with the Borrower of an economic unit shall petition for commencement of insolvency proceedings in case of grouping/assembly, as provided under the terms of section 65 et seq. of Law 24.522;

- (B) The Borrower's stockholders' meeting or any competent court shall issue an order for the liquidation, dissolution, or some other winding up of the Borrower;
- (C) The Borrower shall (i) not keep in force its corporate existence, and any other appropriate registrations necessary to maintain such corporate existence; (ii) substantially amend the current corporate purpose as of this date; or (iii) not perform any reasonable action to maintain in force any and all rights, concessions, permits, authorizations, contracts, agreements, insurances, powers, prerogatives, franchises, recordings, licenses and the like, that are deemed essential for the normal conduct of its activities, business or operations and compliance with its obligations, provided in each case that any such action, as determined by the Lender would substantially and adversely affect compliance with any of the obligations of the Borrower hereunder;
- (D) The Borrower breaches any of the relevant obligations undertaken hereunder, or;
- (E) (i) If within seven (7) business days following the disbursement of the loan by us, the Borrower had not credited to the Lender (x) the use of the US\$ 25,000,000 (twenty-five U.S. million dollars) amount in the exercise of the option referred to as "ICSID Call Option" under the Call Option Agreement, and the acquisition of rights that the Borrower is granted under the exercise of such ICSID Call Option in accordance with the terms and conditions of the ICSID Agreement, and (y) the submittance by the actors/relevant parts of the agreement of a request for suspension of the Resubmitted Request for Arbitration (as such term is defined in the ICSID Agreement) (the "Arbitration") for a six (6) month period, or (ii) if the Borrower had not informed us about the procedural steps and courses of action adopted by the actors in the Arbitration within five (5) working days from occurrence thereof, or had not consulted and negotiated in good faith with us as to the renewal of the suspension or otherwise, prior to the expiration of each period of suspension granted and prior to adopting its decision regarding the expected course of action intended to be followed with regard to Arbitration.

Should any of the above mentioned events occur, the term for payment of principal shall be considered automatically lapsed, and all outstanding principal plus any compensatory interest and penalty interest, plus any other relevant amount, shall be considered immediately due and payable by the Borrower to us. As of the date of this Annual Report, no event of default has occurred.

For more information, see "Item 3. Key Information—Risks Relating to Our Business— *Our results of operations may be adversely affected because our License is subject to renegotiation pursuant to the Public Emergency Law.*"

#### **D. Exchange Controls**

Since the end of 2001, the Government has imposed controls on the foreign exchange market and the movement of capital. All transactions involving the purchase of foreign currency must be settled through the MULC where the BCRA supervises the purchase and sale of foreign currency. Under Decree No. 260/2002, the Government set up an exchange market through which all foreign currency exchange transactions are made. Such transactions are subject to the regulations and requirements imposed by the BCRA.

Additionally, prior to the application for purchasing foreign currency in the MULC, in accordance to the provisions of the Resolution No. 3,417 issued by the *Administración Federal de Ingresos Públicos* ("AFIP") on December 20, 2012 we must obtain the authorization of the AFIP. According to Resolution No. 3,417, we must transact through the "Single Electronic Window of Foreign Trade", which is a new electronic tool that facilitates the transfer of commercial information about foreign trade transactions

between government bodies. The transactions listed in this resolution are, among others: interest payments made abroad for debts, profits and dividends paid abroad and payments related to services provided by foreign suppliers. Accordingly, the Argentine residents that make payments abroad in relation to such transactions shall be required to deliver such information through an electronic data transfer, with a new service called “Foreign Payment Affidavit” (*Declaración Anticipada de Pagos al Exterior* or “DAPE”) and thus, will have to obtain permits for these operations.

In June 2005, the Government established further restrictions on capital flows into Argentina, including increasing the period that certain incoming funds must remain in Argentina to 365 calendar days and requiring that 30% of such incoming funds be deposited with a bank in Argentina in a non-transferable, non-interest bearing account for 365 calendar days. Export and import financing operations, as well as primary public offerings of corporate bonds listed on self-regulated markets, among others, are exempt from the foregoing provision.

On October 28, 2011, the AFIP established an Exchange Transactions Inquiry Program (“**Inquiry Program**”) through which the entities authorized by the BCRA to deal in foreign exchange must inquire and register through an IT system the total peso amount of each exchange transaction at the moment it is closed.

All foreign exchange sale transactions, whether involving foreign currency or banknotes, irrespective of their purpose or allocation, are subject to the Inquiry Program, which determines whether transactions are “Validated” or “Inconsistent.”

In October 2011, the Executive Branch issued Decree No. 1,722/11 re-establishing foreign exchange restrictions on oil, gas and mining companies. This decree requires producers of oil derivatives and gas to enter all foreign currency received as payment from export transactions into the Argentine exchange market and convert it into local currency. As a result, since the issuance of this decree, we are obliged to enter all foreign currency funds received from our exports transactions into the Argentine exchange market.

The most important provisions currently in force that affect us are mentioned below:

- there is an obligation to enter all the funds received as payment for the export of liquids into the exchange market and to convert it into local currency within a short-time limit established by the MEF;
- principal and interest payments of financial obligations may be freely made, provided that the debt has been previously reported to the BCRA and negotiated in the local foreign exchange market.

Although the purchase of foreign currency to pay dividends is legally permitted, in practice, the payment of dividends abroad is being delayed because of restrictions imposed in practice by the BCRA. This limitation is part of several informal foreign exchange measures implemented by the Argentine Government. These exchange controls impact on our ability to transfer dividends abroad and may prevent or delay payments to ADR holders.

### ***Money Laundering***

Law No. 25,246, as amended, categorizes money laundering as a crime, defining it as the exchange, transfer, management, sale or any other use of money or other assets obtained through a crime, by a person who did not take part in such original crime, with the potential result that such original assets (or new assets resulting from such original assets) appear as if obtained through legitimate means, provided that the aggregate value of the assets involved exceed in the aggregate (through one or more related transactions) Ps. 50,000.

In addition, the Law No. 25,246 created the Financial Information Unit, which is charged with the handling and the transmission of information in order to prevent the laundering of assets originating from:

- Crimes related to illegal trafficking and commercialization of narcotics;
- Crimes related to arms trafficking;
- Crimes related to the activities of an illegal association as defined in Article 210 bis of the Penal Code;
- Illegal acts committed by illegal associations organized to commit crimes with political or racial objectives;
- Crimes of fraud against the Public Administration;
- Crimes against the Public Administration;
- Crimes of underage prostitution and child pornography; and
- Crimes related to terrorism financing.

Law No. 25,246 assigns information and control duties to certain private sector entities, such as banks, agents, stock exchanges and insurance companies, according to the regulations of the Financial Information Unit, and for financial entities, the BCRA. These regulations apply to many Argentine companies. These obligations consist mainly of maintaining internal policies and procedures aimed at preventing money laundering and financing of terrorism, especially through the application of “know your customer” policies.

On May 8, 2005, the CNV enacted Resolution No. 554, which establishes that broker-dealers and other intermediaries that are subject to its supervision can only take part in securities transactions if they are ordered or executed by parties that are registered or domiciled in jurisdictions that are not included in the list of tax havens included in Decree No. 1,344/98. Furthermore, the Resolution provides that securities transactions made by parties registered or domiciled in jurisdictions that are not included in such list, but that act as intermediaries of securities markets under the supervision of an agency similar to the CNV, are allowed only if such agency has signed a memorandum of mutual understanding with the CNV. Regarding the listed companies under the supervision of the CNV, Resolution No. 554 states that they shall identify any entity or individual (whether or not a shareholder at that time) that makes a capital contribution or a significant loan, and comply with the same obligations established in the previous paragraph for the brokers-dealers and other intermediaries.

In connection with Resolution No. 554, the BCRA issued *Comunicación “A” 4940*, as amended, which rules that non-residents of Argentina must obtain the prior approval of the BCRA in order to purchase foreign currency in the exchange market to repatriate investments when the beneficiary of such repatriation is an individual or an entity registered or domiciled in a jurisdiction listed as a tax haven in Presidential Decree No. 1,344/98.

## **E. Taxation**

### **General**

The following is a general summary of certain Argentine and United States federal income tax matters that may be relevant to the ownership and disposition of ADSs or Class B Shares. The summary describes the principal tax consequences of the ownership and disposition of ADSs or Class B Shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a holder of ADSs or Class B Shares.

The summary is based upon tax laws of Argentina and the United States and regulations thereunder as in effect on the date of this Annual Report, which are subject to change, possibly on a retroactive basis. In addition, the summary is based in part on representations of the Depositary and assumes that each obligation provided for in or otherwise contemplated by the deposit agreement or any other related document will be performed in accordance with its terms. Holders of ADSs or Class B Shares should consult their own tax advisors as to the United States, Argentine or other tax consequences of the acquisition, ownership and disposition of the ADSs or Class B Shares in their particular circumstances.



## **Argentine Taxes**

**Income tax.** Law No. 26,893, enacted on September 12, 2013 and published in the Official Gazette on September 23, 2013, introduced several changes to Income Tax Law No. 20,628, including the derogation of Section 78 of Decree No. 2,284/1991, which provided that foreign holders with no permanent establishment in Argentina were exempt from paying income tax on the capital gains arising from the sale or other disposition of Class B shares or ADSs. The scope of the law was clarified by means of the Decree No. 2,334/114.

The changes introduced by Law No. 26,893 are effective from the date of publication of such law in the Official Gazette and are applicable to taxable events consummated from September 23, 2013 onwards.

**Taxation of Dividends.** Until Law No. 26,893 became effective, dividends of our cash, property or capital stock paid or distributed to holders of Class B Shares or ADSs were generally not subject to income tax withholding. However, according to Law No. 25,063, published on December 30, 1998, the portion of cash or other type of dividend distribution, exceeding our accumulated net income at year end (if any) is subject to a 35% withholding tax as a sole and definite payment.

In addition, as of the effective date of Law No. 26,893, the gross amount of dividends we distribute (other than stock dividends) in respect of Class B Shares or ADSs are subject to tax at a rate of 10%. This tax is imposed on dividends distributed to overseas beneficiaries through withholding.

**Taxation of Capital Gains.** Under Law No. 26,893, any income originating from the sale, exchange, disposition or transfer of Class B Shares or ADSs is generally taxable, as described below. However, income to resident individuals from the sale, exchange, disposition or transfer of Class B Shares or ADSs that are listed on securities exchanges or markets and/or authorized to be offered to the public, is exempt from such tax.

### Resident individuals

Capital gains obtained by resident individuals from the sale of Class B Shares or ADSs not listed on securities exchanges or markets or not authorized to be offered to the public are subject to tax at a rate of 15%.

Losses arising from the sale, exchange or other disposition of Class B Shares or ADSs can be applied only to offset such capital gains arising from the sale, exchange or other disposition of these securities.

### Foreign holders

As of the effective date of Law No. 26,893 on September 23, 2013, a non-resident holder who sells, exchanges or otherwise disposes of Class B Shares or ADSs is subject to a capital gains tax at a rate of 15%. This tax is assessed, at the option of the seller, on either (i) 90% of the gross proceeds of such sale, exchange or disposition, or (ii) the net gain from such sale, exchange or disposition, as calculated under the relevant income tax law. However, when both the purchaser and the seller of Class B Shares or ADSs are non-residents, the purchaser of the shares or ADSs is liable for payment of this tax. Accordingly, when both the purchaser and the seller of Class B Shares or ADSs are non-residents, the purchaser is required to pay the capital gains tax in addition to the purchase price of the Class B Shares or ADSs. There is currently no guidance under Argentine law with respect to how a seller of Class B Shares or ADSs may determine the residence of the purchaser.

Holders are urged to consult their tax advisors regarding the applicability of Law No. 26,893 to the sale or acquisition of Class B Shares or ADSs.

### Argentine entities

Capital gains obtained by Argentine entities (generally entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non-Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina) derived from the

sale, exchange or other disposition of Class B Shares or ADSs are subject to income tax at the rate of 35%.

Losses arising from the sale, exchange or other disposition of Class B Shares or ADSs can be applied only to offset such capital gains arising from the sale, exchange or other disposition of these securities.

**Tax on Personal Property (Individuals).** The Argentine Tax authority has introduced some amendments to the personal property tax law. In accordance with the Law No. 25,585, the personal tax corresponding to the ownership of securities issued by entities domiciled in Argentina, whose direct owners are individuals domiciled in Argentina or abroad and entities domiciled abroad, will be liquidated and deposited by the entity that has issued such securities. The applicable rate is 0.50% on the equity value according to the last Financial Statements as of each respective fiscal year. Law No. 25,585 presumes that securities whose holders are entities domiciled or located abroad indirectly belong to individuals domiciled abroad.

We are responsible for depositing such tax and have the right to recover such amount from holders, even withholding and/or liquidating the securities which caused such tax payment. This Amendment was effective starting fiscal year 2002.

**VAT.** The sale, exchange or other disposition of ADSs or Class B Shares and the distribution of dividends are exempted from VAT.

**Transfer Taxes.** The sale, exchange or other disposition of ADSs or Class B Shares is not subject to transfer taxes.

**Purchase or Sale of Foreign Currency.** There is no tax on the purchase or sale of foreign currency.

**Deposit and Withdrawal of Class B Shares in Exchange of ADSs.** No Argentine tax is imposed on the deposit or withdrawal of Class B Shares in exchange for ADSs.

**Other Taxes.** There are no Argentine inheritance or succession taxes applicable to the ownership, transfer or disposition of ADSs or Class B Shares. There are no Argentine stamp, issue, registration or similar taxes or duties payable by holders of ADSs or Class B Shares.

**Tax Treaties.** Argentina has entered into tax treaties with several countries. There is currently no tax treaty or convention in effect between Argentina and the United States.

## **United States Taxes**

**General.** This discussion relating to certain U.S. federal income tax consequences applies only to a U.S. holder (as defined below) who holds our Class B Shares or ADSs. It applies to holders only if he or she holds our Class B Shares or ADSs as capital assets for tax purposes and is not a member of a special class of holders subject to special rules, including: a dealer in securities; a trader in securities that elects to use a mark-to-market method of accounting for his or her securities holdings; a tax-exempt organization; a life insurance company; a person liable for alternative minimum tax; a person that actually or constructively owns 10% or more of our voting stock; a person that holds Class B Shares or ADSs as part of a hedging or straddle or conversion transaction; a person that purchases or sells Class B Shares or ADSs as part of a wash sale for tax purposes; or a person whose functional currency is not the U.S. dollar.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, and the laws of Argentina all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

If a partnership holds Class B Shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner

in a partnership holding Class B Shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of an investment in Class B Shares or ADSs.

A holder is a U.S. holder if such holder is a beneficial owner of Class B Shares or ADSs and such holder is: a citizen or resident of the United States; a domestic corporation or other entity taxable as such; an estate whose income is subject to U.S. federal income tax regardless of its source; or a trust, if a US court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

In general, and taking into account the earlier assumptions, for U.S. federal income tax purposes, a holder of ADRs evidencing ADSs will be treated as the owner of the underlying Class B Shares represented by those ADSs, and exchanges of Class B Shares for ADRs, and ADRs for Class B Shares, will not be subject to U.S. federal income tax.

This discussion does not generally address any aspects of U.S. taxation other than federal income taxation. Holders of Class B Shares or ADSs are urged to consult their tax advisors regarding the US federal, state and local tax consequences of owning and disposing of the Class B Shares or ADSs in their particular circumstances.

**Taxation of Dividends.** Under the United States federal income tax laws, and subject to the passive foreign investment company (“PFIC”) rules discussed below, a US holder must include in his or her gross income the gross amount of any dividend that we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). If the holder is a non-corporate U.S. holder, dividends that constitute qualified dividend income will be taxable at the preferential rates applicable to long-term capital gains provided that the Class B Shares or ADSs are held for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and certain other holding period requirements are met. Dividends that are paid with respect to the ADSs that are readily tradable on an established securities market in the United States are qualified dividend income. Under this rule, we expect that the dividends we pay with respect to the ADSs will be qualified dividend income. Because the Class B Shares are not readily tradable on an established securities market in the United States, it is unclear whether dividends paid with respect to the Class B Shares will also be qualified dividend income.

The holder must include any Argentine tax withheld from the dividend payment in this gross amount even though the holder does not in fact receive it. The holder must include the gross amount of dividends in income when the holder, in the case of Class B Shares, or the depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of a holder's basis in the Class B Shares or ADSs and thereafter as capital gain.

The amount of the dividend distribution that a holder must include in his or her income will be the U.S. dollar value of the Argentine peso payments made, determined at the spot Argentine peso/U.S. dollar rate on the date such dividend distribution is includable in such holder's income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date a holder includes the dividend payment in income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

For foreign tax credit purposes, the dividend will generally be income from sources outside the United States. Dividends will, depending on the holder's circumstances, generally be either “passive” or “general” income, for purposes of computing the foreign tax credit allowable to the holder. No U.S. foreign tax credit will be allowed to U.S. holders of Class B Shares or ADSs in respect of any personal property or similar tax imposed by Argentina (or any taxing authority thereof or therein). Subject to certain limitations, the Argentine tax withheld and paid over to Argentina will be creditable or deductible against your U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates.

**Taxation of Capital Gains.** Subject to the PFIC rules discussed below, a U.S. holder that sells or otherwise disposes of Class B Shares or ADSs will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and his or her tax basis (determined in U.S. dollars) in such Class B Shares or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the holder has a holding period greater than one year. The gain or loss generally will be income or loss from sources within the U.S. for foreign tax credit limitation purposes.

As discussed above under “Argentine Taxes—Taxation of Capital Gains”, it is possible that a U.S. holder who sells or purchases the Class B Shares or ADSs may be subject to Argentine tax upon such sale or acquisition. If the seller is legally liable for the tax and the seller pays this tax, then the seller should be able to claim a foreign tax credit for U.S. federal income tax purposes in an amount equal to the amount of the tax, subject to generally applicable limitations. However, because the gain from a sale or other disposition of Class B Shares or ADSs will be U.S. source income, such seller would need a sufficient amount of other foreign source income that is untaxed, or that is taxed at a tax rate that is sufficiently lower than the U.S. tax rate applicable to such seller, in order to be able to claim this foreign tax credit. Additionally, if an Argentine tax is withheld on the sale or other disposition of Class B Shares or ADSs, then the seller must include the amount of such tax withheld in the amount realized upon the sale or disposition, even though the seller does not in fact receive it. If the purchaser is legally liable for the tax, then the purchaser will likely not be entitled to receive any tax credit in the United States in respect of the payment of any such taxes.

**PFIC Rules.** We believe the Class B Shares or ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to be treated as a PFIC, unless a U.S. holder elects to be taxed annually on a mark-to-market basis with respect to the Class B Shares or ADSs, gain realized on the sale or other disposition of the shares or ADSs would in general not be treated as capital gain. Instead, the U.S. holder would be treated as if he had realized such gain and certain “excess distributions” ratably over the holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, Class B Shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during the holding period of a U.S. holder. In addition, dividends received from us will not be eligible for the special tax rates applicable to qualified dividend income if we are treated as a PFIC with respect to a U.S. holder either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statement by Experts**

Not applicable.

#### **H. Documents on Display**

We are subject to the informational requirements of the CNV and the BASE and file reports and other information relating to our business, financial condition and other matters with the CNV and the BASE. You may read such reports, statements and other information, including our publicly-filed Financial Statements, at the public reference facilities of the CNV and BASE maintained in Buenos Aires. We are also required to file annual and special reports and other information with the SEC. You may read and copy any documents filed by us at the SEC’s public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC will also be available to the public at the offices of the NYSE, 11 Wall Street, New York, New York 10005.

We have appointed The Bank of New York Mellon to act as depositary for our ADRs. For so long as our ADRs are deposited with the depositary, we will furnish the depositary with our annual reports and

summaries of all notices of general meetings of shareholders and other reports and communications that are made generally available to our shareholders.

The depositary will, as provided in the deposit agreement, arrange for the mailing of summaries in English of such reports and communications to all record holders of our ADRs. Any record holder of ADRs may read such reports, notices, or summaries thereof, and communications at the depositary's office. The depositary's office is located at 111 Wall Street, New York, NY 10043.

Whenever a reference is made in this Annual Report to a contract or other document of ours, please be aware that such reference is not necessarily complete and that you should refer to the exhibits that are a part of the Annual Report for a copy of the contract or other document. You may review a copy of the Annual Report at the SEC's public reference room in Washington, D.C.

## I. Subsidiary Information

Not applicable.

## Item 11. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our consolidated financial position, results of operations or cash flows due to adverse changes in financial market prices and interest rates. We are exposed to market risk in the areas of interest rates and foreign currency exchange. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors. Uncertainties that are either non-financial or non-quantifiable, such as political, economic, tax, other regulatory or credit risks, are not included in the following assessment of our market risks.

### Interest Rate Risk

Our interest rate risk arises from long-term borrowings. Borrowings issued at floating rates expose us to cash flow interest rate risk. Borrowings issued at fixed rates expose us to fair value interest rate risk.

Currently, our exposure to cash flow interest rate risk is limited due to the fact that 100% of our outstanding financial indebtedness bears fixed interest rates. Therefore, our exposure to market risk associated with changes in interest rates is limited to our financial assets which bear variable interest rate. Most of our financial assets bear fixed rate interests.

We place our cash and current investments in high quality financial institutions in Argentina, the United States of America and Europe. Our policy is to limit exposure with any one institution. Our temporary investments primarily consist of money market mutual funds, fixed-term deposits and public and private notes.

The following table provides information regarding our assets and liabilities as of December 31, 2014 according to its interest rate:

	<b>Financial assets <sup>(1)</sup></b>	<b>Financial liabilities <sup>(2)</sup></b>
Fixed interest rate	661,126	2,457,044
Variable interest rate	54,014	-
<b>Total</b>	<b>715,140</b>	<b>2,457,044</b>

<sup>(1)</sup> Includes time deposits, bank accounts, trade receivables and the loan granted to Pampa which bears interest at 6.8% plus VAT. Trade receivables do not bear interest except for Ps. 53,294 which bears CER plus a spread of 8%.

<sup>(2)</sup> Includes loans, excluding issuance expenses.

## **Foreign Exchange Exposure**

Our primary market risk exposure is associated with changes in the foreign currency exchange rates since most of our debt is denominated in U.S. dollars. As of December 31, 2014, our net monetary liability position that is subject to exchange rate fluctuations amounted to US\$ 229.0 million.

As discussed herein, the Argentine government has adopted various economic measures, including the repeal of the Convertibility Law and the pesification of our gas transportation revenues, that have significantly increased our foreign exposure. As a result, our results of operations are very susceptible to changes in the peso/U.S. dollar exchange rate because a significant portion of our annual revenues, Ps. 1,301.0 million for 2014, are denominated in pesos while substantially all our liabilities are denominated in U.S. dollars.

In September 2014, we entered into forward purchase transactions of U.S. dollars to cover the risk exposure associated with exchange rates derived from our financial debt for an aggregate amount of US\$ 44.0 million. These forward contracts settled on March 31, 2015. The weighted average exchange rate was set at Ps. 9.82 per \$1. The fair value of the outstanding derivative financial instruments as of December 31, 2014 is Ps. 28.8 million (liability).

## **Sensitivity Analysis Disclosure to Interest Rates and Exchange Rates**

In view of the nature of our financial assets which bear variable interest, an immediate 100 basis points decrease in the interest rate curve would not have a significant impact on the total value of them.

The potential financial expense loss (before income tax) in our net monetary liability position held as of December 31, 2014, that would have resulted from a hypothetical, instantaneous and unfavorable 10% change in the peso/U.S. dollar exchange rates would have been Ps. 196.7 million. This sensitivity analysis provides only a limited view of the market risk sensitivity of certain of our financial instruments. The actual impact of market foreign exchange rate changes on our financial instruments may differ significantly from the impact shown in the sensitivity analysis.

Our indebtedness accrue interest at a fixed rate. Therefore, we do not currently have an exposure to changes in interest rates, except as noted above with respect to the financial assets at variable interest rate. The following table provides information presented in our reporting currency, Argentine pesos, with respect to our foreign exchange exposure. For debt obligations, the table presents principal cash flows and interest rates by expected maturity dates after the giving effect to the settlement of the Exchange Offer. For further information see “Item 10. C. Additional Information. Material Contracts. Debt Obligations”:

	Expected maturity date					Total <sup>(6)</sup>	Fair value <sup>(2)</sup>
	2015	2016	2017	2018	Thereafter		
	(in millions of pesos) <sup>(1)</sup>						
<b>Debt denominated in U.S. dollars<sup>(1)(5)</sup></b>							
Fixed rate	315.4	294.7	273.9	-	-	884.0	809.4
Interest rate <sup>(3)</sup>	7.875%	7.875%	7.875%	-	-	-	-
Fixed rate	157.7	157.7	157.7	677.5	1,197.3	2,347.9	1,629.7
Interest rate <sup>(3)</sup>	9.625%	9.625%	9.625%	9.625%	9.625%	-	-
<b>Debt denominated in pesos<sup>(4)</sup></b>							
Fixed rate	23.3	13.8	1.5	-	-	38.6	-
Interest rate	15.01%- 15.25%	15.01%- 15.25%	15.01%- 15.25%	-	-	-	-

<sup>(1)</sup> Converted at the exchange rate as of December 31, 2014: Ps. 8.551 = US\$1.00.

<sup>(2)</sup> Based on the quoted market prices of our 2007 and 2014 Notes.

<sup>(3)</sup> For a detailed description of 2007 and 2014 Notes, see “Item 10. Additional Information—C. Material contracts—Debt Obligations.”

<sup>(4)</sup> For a detailed description of the peso denominated loans, see “Item 5. Operating and Financial Review and Prospects –B. Liquidity and Capital Resources – Description of Indebtedness.”

<sup>(5)</sup> For further information about limitations on our ability to make payments on our debt denominated in U.S. Dollars see “Item 3. D. Risk Factors. - *The Argentine economy can be adversely affected by economic developments in other markets and by more general “contagion” effects, which could have a material adverse effect on Argentina’s economic growth.*”

<sup>(6)</sup> Includes future interest payment not accrued as of December 31, 2014.

See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Currency and Exchange Rates” and “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Derivative Financial Instruments” for more information.

### Commodity Price Risk

In the liquids production and commercialization segment, we are exposed to market risk in relation to price volatility of the LPG and natural gasoline since they are subject to international prices (Mont Belvieu for the LPG and NWE ARA for the natural gasoline). Their prices have fluctuated in response to changing market forces. Based on our volume of sales in 2014, a US\$ 50 per ton change in the weighted-average sale prices of propane, butane and natural gasoline would have approximately a Ps. 69.2 million annual net comprehensive income effect, if international reference prices of propane, butane and natural gasoline are lower than US\$ 663, US\$ 648 and US\$1,028 per metric ton, respectively. If they were higher, there would be no effect as the variable export tax regime neutralizes any change in the prices of such products in excess of these levels. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Exports.”

In addition, as stated before, in December 2014 and February 2015, the Government modified the methodology for calculating the rates applicable to exports of LPG and natural gasoline. This new methodology is based on the international reference price of LPG and the price of Brent crude oil, respectively. See “Item 4. B. Business overview—Liquids Production and Commercialization.” Based on the volume of sales for the year ended December 31, 2014 and the new tax regime, a US\$ 50 per ton change in the weighted-average sale prices of LPG and natural gasoline would have approximately a Ps. 99.4 million annual net comprehensive income effect, if international reference prices of propane and butane and the IP are lower than US\$ 464, US\$478 per ton and 71 US\$/bbl, respectively. If they were higher, there would be no effect as the variable export tax regime neutralizes any change in the prices of such products in excess of these levels.

The price at which we sell ethane under our agreement with PBB is subject to adjustment based on various factors including the PPI, the natural gas price, the quality of the ethane shipped by us and the transportation tariffs and charges. We do not consider them as a significant commodity price risk.

For any given period, the liquids sales will be dependent on the international price of LPG and natural gasoline, taxes and other government take impacts and production volumes. Accordingly, changes in international prices for the mentioned products only provide a broad indicator of changes in the net income of any fiscal year.

## **Item 12. Description of Securities Other Than Equity Securities**

### **American Depositary Shares**

#### **Fees and Charges Payable by a Holder of ADRs**

Our ADSs are listed on the NYSE under the symbol “TGS”. The Bank of New York Mellon is the Depositary issuing ADSs pursuant the deposit agreement. Each ADS represents the right to receive five shares.

The Depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The charges of the Depositary payable by investors are as follows:

<b>Persons depositing or withdrawing shares must pay:</b>	<b>For:</b>
US\$5.00 (or less) per 100 ADSs	Issuance of ADRs, including issuances resulting from a distribution of shares or rights or other property
US\$0.02 (or less) per ADS	Cancellation of ADRs for the purpose of withdrawal, including if the deposit agreement terminates
	Any cash distribution to ADR registered holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADR registered holders
US\$0.02 (or less) per ADSs per calendar year	Depositary services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw shares
Expenses of the Depositary	Cable, telex and facsimile transmissions (as provided in the deposit agreement)
	Converting foreign currency to U.S. dollars
Taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary



<b>Persons depositing or withdrawing shares must pay:</b>	<b>For:</b>
Any charges incurred by the Depositary or its agents for servicing the deposited securities	As necessary

**Disclosure for Fees Incurred in Past Annual Period.** From January 1, 2014 to April 28, 2015, we received from the Depositary US\$330,000 for the expenses incurred by us related to the administration and maintenance of the ADR program and investor relation activities.

**Disclosure for Fees to be Paid in the Future.** The Depositary has agreed to reimburse us for expenses incurred by us related to the administration and maintenance of the ADR program and investor relation activities. In certain instances, the Depositary has agreed to provide additional payments to us based on any applicable performance indicators relating to the ADR facility. There are limits on the amount of expenses for which the Depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors.

## Part II

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

No events required to be reported have occurred that materially affect TGS.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

### **Item 15. Controls and Procedures.**

#### **A. Disclosure Controls and Procedures**

We carried out an evaluation under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of December 31, 2014. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

#### **B. Management’s Annual Report on Internal Control Over Financial Reporting**

Our management, including our CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with applicable generally accepted accounting principles.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of

Sponsoring Organizations of the Treadway Commission (2013). Based on this assessment, management concluded that, as of the end of fiscal year 2014, our internal control over the financial reporting was effective.

**C. Attestation Report of the Registered Public Accounting Firm**

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PwC, an independent registered public accounting firm, as stated in their report which appears on page F-1 herein.

**D. Changes in Internal Control Over Financial Reporting**

There have not been any changes in our internal control over financial reporting during 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 16. [Reserved]**

**Item 16A. Audit Committee Financial Expert**

We have at least one audit committee financial expert serving on our Audit Committee. Our Board of Directors has identified Mr. Carlos Olivieri as an audit committee financial expert. Mr. Olivieri is an independent director within the meaning of Rule 10A-3 under the Exchange Act.

**Item 16B. Code of Ethics**

We have adopted a code of ethics (the “Code of Ethics”), applicable to all employees including our principal executive, accounting and financial officers. Our Code of Ethics is available both on our website at <http://www.tgs.com.ar/gobierno-corporativo/codigo-de-conducta> and as an Exhibit to this Annual Report. For more information see, “Item 16G. Corporate Governance.”

**Item 16C. Principal Accountant Fees and Services**

**Audit and Non-Audit Fees**

Fees billed for professional services provided to us by PwC, during the year ended December 31, 2014 and 2013 in each of the following categories are:

	<u>Year ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
	(in thousands of pesos)	
Audit fees .....	4,862.3	2,663.0
Audit-related fees .....	-	-
Tax fees .....	-	-
All other fees .....	-	-
<b>Total fees .....</b>	<b><u>4,862.3</u></b>	<b><u>2,663.0</u></b>

*Audit fees.* in the above table are mainly for the audit of our annual Financial Statements, the review of our quarterly reports, services in connection with the exchange offer for our financial debt and Form 20-F.

**Audit Committee Pre-Approval Policies and Procedures**

Consistent with SEC requirements regarding auditor independence, the Audit Committee pre-approves services prior to commencement of the specified service. Before the accountant is engaged to render audit or non-audit services, the engagement must be approved by the Audit Committee and the Audit Committee must pre-approve the provision of services by our principal auditor prior to commencement of

the specified service. The Audit Committee has delegated to its President the authority to grant pre-approvals to auditors' services. The decision of the President to pre-approve a service is presented to the full Audit Committee at each of its scheduled meetings.

All audit fees, audit-related fees, tax fees and other, if any, are submitted to our audit committee for prior approval. The Audit Committee evaluates the scope of the work to be performed by our accountants and the fees for such work prior to their engagement.

Consequently, 100% of the fees rendered by our principal accountants in 2014 were approved by the Audit Committee prior to their engagement to perform such work.

#### **Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

#### **Item 16E. Purchases of Registered Equity Securities of the Issuer by the Issuer and Affiliated Purchasers**

Not applicable.

#### **Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

#### **Item 16G. Corporate Governance**

Our corporate governance practices are governed by:

- applicable Argentine law (particularly, the Commercial Companies Law),
- Capital Market Law and Decree No. 1,023/2013,
- the standards of the CNV,
- our By-laws,
- our Code of Conduct and other internal control policies and procedures, and
- certain rules of the NYSE applicable to listed foreign private issuers.

We have securities that are registered with the SEC and listed on the NYSE and, consequently, we are subject to the rules and regulations of the NYSE.

Under the Corporate Governance Standards issued by the NYSE in Section 303A of its Listed Company Manual (the "**NYSE Standards**"), non-U.S. companies are permitted, in general, to follow their home country corporate governance practices in lieu of the provisions included in such Section. However, non-U.S. companies must comply with sections 303A.06, 303A.11 and 303A.12(b) and (c).

Our Corporate Governance Guidelines are available on our website [www.tgs.com.ar](http://www.tgs.com.ar).

According to Section 303A.11 of the NYSE Standards, foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by U.S. issuers. Accordingly, the following list reflects such differences:

#### **Directors**

According to NYSE Standards, listed companies must have a majority of independent directors. Argentine law does not require a majority of independent directors, but does require at least two independent directors on the Audit Committee. At our General Annual Shareholders' Meeting held on April

30, 2014, three independent directors (meeting the independence criteria set forth in the NYSE Standards) were appointed to the Audit Committee. We also have two alternate directors who qualify as independent.

#### **Meeting of Non-Management Directors**

According to NYSE requirements, the non-management directors must meet at regularly scheduled executive sessions without management. None of Argentine law, the CNV rules or our By-laws requires that any such meetings be held. Under Argentine law, a board of directors must meet at least once every three months.

#### **Nominating/Corporate Governance Committee**

U.S. listed companies must have a nominating/corporate governance committee composed entirely of independent directors. Argentine law and regulations do not require us to have a nominating or corporate governance committee.

#### **Compensation Committee**

U.S. listed companies must have a compensation committee composed entirely of independent directors. Argentine law and regulations do not require this committee. However, our Audit Committee is required to give an opinion about the reasonableness of directors' fees and executive officers' compensation and stock option plans (if applicable), as proposed by our Board of Directors, and the fee paid to members of our Board of Directors is approved by our shareholders at their ordinary annual meeting.

#### **Audit Committee**

According to SEC regulations, listed companies must have an audit committee consisting of a minimum of three independent members. The members of the Audit Committee must be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have expertise in accounting or financial management. Also, if a member of the Audit Committee is simultaneously a member of the Audit Committee of more than three public companies, and the listed company does not limit the number of Audit Committees on which its members may serve, then, in each case the Board of Directors shall determine whether the simultaneous service would prevent such members from effectively serving on the listed company's Audit Committee, and shall disclose its decision in the annual proxy statement of the company or in the company's annual report filed with the SEC.

Argentine law requires an Audit Committee to be comprised of at least three members with a majority of independent members. Pursuant to CNV standards, Audit Committee members are required to have knowledge in business, financial or accounting matters and issues. In addition, CNV standards require the training of Audit Committee members in the practice areas that would permit them to carry out their duties on the Audit Committee. Our Audit Committee is made of three independent members. One of them qualifies as a "financial expert" within the meaning of Item 16A of the Form 20-F. See "Item 16A. Audit Committee Financial Expert." The Audit Committee's functions and duties are similar to those required by the NYSE. Furthermore, Argentine law does not limit the number of audit committees on which a member of its Audit Committee may serve.

#### **Code of Business Conduct and Ethic**

According to Section 303A.10 of the NYSE Standards, listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. In October 2005, our Board of Directors approved a "Code of Conduct" with the purpose of introducing SEC rules applicable to foreign registrants. Such code applies to all Board of Directors' members, Audit Committee members, senior management, and employees, with no exceptions. Our Code of Conduct is available to the public on our website and as an Exhibit to this Annual Report.

**CEO’s Certification**

Each listed company CEO must annually certify to the NYSE each year that he or she is not aware of any violation by the company of the NYSE’s corporate governance listing standards. There is no such requirement under Argentine law.

**Item 16H. Mine Safety Disclosure**

Not applicable.

**Part III**

**Item 17. Financial Statements**

The registrant has responded to Item 18 in lieu of responding to this Item.

**Item 18. Financial Statements**

The following Financial Statements are filed as part of this Form 20-F:

**Transportadora de Gas del Sur S.A.—**

	<u>Page</u>
Report of independent registered public accounting firm .....	F-1
Consolidated Statements of Comprehensive Income for the years ended December 31, 2014 and 2013 .....	F-3
Consolidated Statements of Financial Position as of December 31, 2014 and 2013.....	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2014 and 2013.....	F-5
Statements of Changes in Shareholders’ Equity for the years ended December 31, 2014 and 2013.....	F-6
Notes to Consolidated Financial Statements for the years ended December 31, 2014 and 2013 .....	F-7

Reference is made to pages F-1 through F-65.

**Item 19. Exhibits**

See Exhibit Index.

**SIGNATURE**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant hereby certifies that it meets all of the requirements for filing this Annual Report on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

TRANSPORTADORA DE GAS DEL SUR S.A.  
(Registrant)  
By:

/s/ Javier Gremes Cordero

Name: Javier Gremes Cordero  
Title: Chief Executive Officer

/s/ Gonzalo Castro Olivera

Name: Gonzalo Castro Olivera  
Title: Chief Financial Officer

Dated: April 29, 2015

## EXHIBIT INDEX

### Exhibit No.

- 1.1 Corporate Charter and By-laws. <sup>(1)</sup>
- 1.2 By-laws Amendments.
- 2.1 Indenture dated as of May 14, 2007, among TGS, Law Debenture Trust Company of New York, as trustee, co-registrar, principal paying agent and transfer agent, and Banco Santander Río S.A., as registrar, paying agent and transfer agent, in respect of TGS's 7.875% Notes Due 2017. <sup>(5)</sup>
- 2.2 Officers' Certificate establishing the terms of TGS' 7.875% Notes Due 2017. <sup>(2)</sup>
- 2.3 We hereby agree to furnish to the SEC, upon its request, copies of any instruments defining the rights of holders of our long-term debt (or any long-term debt of our subsidiaries for which we are required to file consolidated or unconsolidated financial statements), where such indebtedness does not exceed 10% of our total consolidated assets.
- 2.4 Indenture dated as of February 11, 2014, among TGS, Law Debenture Trust Company of New York, as trustee, co-registrar, principal paying agent and transfer agent, and Banco Santander Río S.A., as registrar, paying agent and transfer agent, in respect of TGS's 9.625% Notes Due 2020. <sup>(7)</sup>
- 2.5 Officers' Certificate establishing the terms of TGS' 9.625% Notes Due 2020. <sup>(7)</sup>
- 3.1 CIESA Shareholders' Agreement. <sup>(3)</sup>
- 3.2 CIESA's Fourth Amendment to the Restructuring Agreement. <sup>(4)</sup>
- 3.3 CIESA's Settlement Agreement <sup>(6)</sup>
- 4.1 Technical Assistance Service Agreement between TGS and Petrobras Argentina dated November 4, 2014.
- 4.2 Ethane Supply Agreement between TGS and PBB Polisor S.A. <sup>(3)</sup>
- 8.1 List of TGS's Subsidiaries.
- 11.1 Code of Ethics. <sup>(3)</sup>
- 12.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.1 Audit Committee Charter. <sup>(5)</sup>

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<sup>(1)</sup> Incorporated by reference to our Annual Report on Form 20-F filed with the Securities and Exchange Commission for the year-ended December 31, 2001 (Commission File No. 1-13396).

<sup>(2)</sup> Incorporated by reference to our Annual Report on Form 20-F filed with the Securities and Exchange Commission for the year-ended December 31, 2006 (Commission File No. 1-13396).

<sup>(3)</sup> Incorporated by reference to our Annual Report on Form 20-F filed with the Securities and Exchange Commission for the year-ended December 31, 2005 (Commission File No. 1-13396).

<sup>(4)</sup> Incorporated by reference to our Annual Report on Form 20-F filed with the Securities and Exchange Commission for the year-ended December 31, 2010 (Commission File No. 1-13396).

<sup>(5)</sup> Incorporated by reference to our Annual Report on Form 20-F filed with the Securities and Exchange Commission for the year-ended December 31, 2003 (Commission File No. 1-13396).

<sup>(6)</sup> Incorporated by reference to our Annual Report on Form 20-F filed with the Securities and Exchange Commission for the year-ended December 31, 2012 (Commission File No. 1-13396).

## EXHIBIT 1.2

### [ENGLISH TRANSLATION OF BY-LAWS OF TRANSPORTADORA DE GAS DEL SUR S.A.]

[Seal on top margin] City of Buenos Aires Notaries Public Association. Republic of Argentina.

Notarial Page Law No. 404. [The Argentine Emblem]

[Seal and signatures follow] Matías Pablo Seoane. Notary Public. License No. 4545.

[Notarial pages are numbered from No. 017638008 to No. 017638021]

[Seal] MINISTRY OF JUSTICE

FIRST COPY. NOTARIZED INSTRUMENT NUMBER 360. In the City of Buenos Aires, Capital of the Republic of Argentina, on May 27, 2014, before me, the acting Notary Public, appears Mr. Ricardo Isidro MONGE, an Argentine citizen, married, holder of I.D. (DNI) 8.557.346, domiciled at Don Bosco 3672 piso 5to in the City of Buenos Aires, of legal age and whom I personally know. He APPEARS in his capacity as President and on behalf and in the stead of TRANSPORTADORA DE GAS DEL SUR S.A., domiciled at Don Bosco 3672 in the City of Buenos Aires, registered with the Public Registry of Commerce under No. 11,668 Book 112, Volume A of Corporations (*Sociedades Anónimas*) of December 1, 1992, TIN (*C.U.I.T.*) No. 30-65786206-8, as evidenced hereunder. And Mr. Monge, in the referred capacity, and representing that his powers have not been revoked or restricted in any manner, STATES: That he comes to notarize the resolutions adopted by the Ordinary and Extraordinary General Shareholders' Meeting held on April 30, 2014, for such purpose he produced the Book of Minutes of Shareholders' Meetings No. 3 of the Corporation, authenticated by the Public Registry of Commerce on August 9, 2007 under No. 68399-07 on pages 69/79, and which transcribed herein reads as follows: "MINUTES No. 34: An Ordinary and Extraordinary Shareholders' Meeting of TRANSPORTADORA DE GAS DEL SUR S.A. was held in the City of Buenos Aires on April 30, 2014, at 10.10 a.m. at Don Bosco 3672, City of Buenos Aires. The shareholders produced their respective certificates evidencing their holdings of book-entry shares issued by Caja de Valores S.A. set forth on page 29 of Book No. 2 of Attendance to Shareholders' Meetings. The meeting was attended by four shareholders, one personally and three by proxy, the four together holding an aggregate of 720,861,226 shares representing 90.732% of outstanding shares over an aggregate of 794,495,283 issued shares. The meeting was presided over by the President of the Board of Directors, Mr. Ricardo I. Monge, and by the following directors: Hector Daniel Casal, Sonia Salvatierra, Diego Güerri and Carlos Olivieri, the members of the Statutory Supervisory Commission (*Comisión Fiscalizadora*) Mr. Héctor Rossi Camilión and Mr. Alejandro Roisentul Wuillams, and the General Manager, Mr. Javier Gremes Cordero. The meeting was also attended by the Independent Auditor of the Corporation, Mr. Carlos Néstor Martínez, representative of the firm Price Waterhouse & Co. S.R.L., the representative of the Argentine Securities Exchange Commission (*Comisión Nacional de Valores*) (CNV), Analía Mabel Torres and the representative of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) (BCBA), Nora Lavorante. The following



Directors: María Belén Franchini, Jorge Subijana, Miguel Eduardo Mirmi and Gustavo Mariani, as well as the member of the Statutory Supervisory Commission, José Abelovich, sent notice to the Corporation informing that they were unable to attend the shareholders' meeting. The President welcomed the shareholders, announced that a statutory quorum to hold a valid ordinary and extraordinary shareholders' meeting was present and that the meeting could proceed with business. The President then announced the first item of business to come before the meeting: Appointment of two (2) shareholders by the President of the Board of Directors to approve and sign the minutes. Mr. Pablo Buey Fernández informed that he attended as proxy for the company Compañía de Inversiones de Energía S.A. (CIESA) and moved for the minutes to be signed by Mrs. Susana Valuzzi, proxy for Fondo de Garantía de Sustentabilidad del Sistema Integrado Previsional Argentino (FGS) de la Administración Nacional de la Seguridad Social (ANSES), and by himself. The President submitted the motion to vote, which was approved by the majority of computable votes – resulting as follows: 720,570,541 affirmative votes, 58,100 negative votes and 232,585 abstentions. The President then announced the second item of business to come before the meeting: Amendment of Articles 20°, 24°, 26° BIS, 29° BIS and 43° BIS of the By-Laws of TGS. The Secretary informed that this item of business had to be considered by the Extraordinary Shareholders Meeting. The proxy of the shareholder CIESA took the floor and informed that the Argentine Stock Exchange Commission (*Comisión Nacional de Valores*) (“CNV”) had required the Corporation to amend Articles 24°, 26° bis, 29°bis and 43° bis of its By-Laws in order to adapt such By-Laws to the Capital Markets Law No. 26.831, to the legal provisions of CNV (N.T. 2013) in file No. 1.780/2013. On the other hand, the Board of Directors of the Corporation deemed it appropriate to take the opportunity of the required amendment of TGS's By-Laws in order to adopt a more flexible corporate management. To such end, the proxy of CIESA moved for the replacement of the referred Articles including the amendment of Article 20 of the By-Laws, in accordance with the text approved by the Board of Directors informed in due course to the market. Next, he moved for the following wording of the Articles, which includes the comments raised by the CNV in its notice dated March 24, 2014 served in the frame of File No. 1629/2014: “TRANSPORTADORA DE GAS DEL SUR SOCIEDAD ANÓNIMA. Amendment of the By-Laws. Ordinary and Extraordinary Shareholders' Meeting dated April 30, 2014, according to the prior steps taken by the Corporation before CNV and pursuant to the terms of the regulation already complied with by the Corporation: ARTICLE 20: The business of the Corporation shall be conducted and managed by a Board of Directors composed of a minimum of NINE (9) and a maximum of ELEVEN (11) Regular Directors, as the Shareholders Meeting shall decide, and an even number of Alternates, who shall replace the Regular Directors. Directors shall hold office for a term of ONE (1) and THREE (3) fiscal years, as the Shareholders' Meeting shall decide. Directors may be re-elected. ARTICLE 24: In order to guarantee faithful performance of office, the directors and managers appointed pursuant to Article 270 of the Corporations Act (*Ley de Sociedades Comerciales*) shall post a guarantee not lower than TEN THOUSAND PESOS (AR\$ 10,000) or the larger amount that the General Shareholders' Meeting may determine abiding, at

all times, by the statutory minimum amount prescribed by the regulations in force at any moment, either in Argentine legal tender or its equivalent in foreign currency, or public bonds deposited with financial institutions or Caja de Valores S.A., at the order of the Corporation; or by way of sureties, bank guarantees, insurance or civil liability bonds in favor of the Corporation, the cost thereof shall be borne by each director and manager. The guarantee shall provide for a period of THREE (3) years calculated from the date of termination of office of the director and/or manager during which such guarantee cannot be disposed of. At no event may the guarantee be posted by direct deposit of cash with the Corporation's corporate account. Article 26° BIS: (This article shall be renumbered 27°): The Board of Directors may hold meetings either by members in physical attendance thereat or by communication among themselves by other means of simultaneous transmission of sound, images and words, the relevant minutes of the meeting shall record the capacity of the members in attendance, specifying who attend physically and who by other means of communication, as well as the place where they are located, the technical means used for such purpose and all the transmission data. Members communicated by any of the referred means shall have a right to speak and vote, and shall also be computed for quorum purposes. The members of the Statutory Supervisory Commission (*Comisión Fiscalizadora*) in attendance at the meeting held by communication means shall leave record specifying whether the decisions were properly adopted. The minutes shall be prepared within FIVE (5) business days as from the date the meeting was held by the members in attendance and the representative of the supervisory body. Article 29° BIS: (This Article shall be renumbered 31°): The Corporation shall have an Audit Committee (*Comité de Auditoría*) composed of THREE (3) or more members of the Board of Directors elected by a majority vote. The majority of the members of the Audit Committee (*Comité de Auditoría*) must necessarily be independent in accordance with the criteria specified by the CNV. The Audit Committee shall be subject to the regulations of these By-Laws and all the provisions applicable to the Board of Directors. The Audit Committee shall have the following duties and authority: a) Issue its opinion as to the Board of Director's proposal for the designation of external auditors to be retained by the Corporation and oversee their independence; b) Oversee the operation of the internal control systems and the accounting-administrative system as well as the reliability thereof and of all the financial information and other significant events to be submitted to the CNV and the markets in compliance with the applicable reporting system; c) Oversee the application of the reporting policies as regards risk management of the Corporation; d) Provide full information to the market regarding operations involving a conflict of interests with the members of the corporation bodies or controlling shareholders; e) Issue its opinion as to the reasonableness of the proposals of fees and stock options formulated by the Board of Directors for the directors and managers of the Corporation; f) Issue its opinion as to the compliance with legal requirements and on the reasonableness of the terms of issue of stock and securities convertible into stock, in the case of a capital increase that involves a limitation or exclusion of preemptive rights; g) Oversee compliance with the rules of conduct, specifically those contained in the Corporations' Code of Conduct; and h) Issue a grounded opinion as regards transactions

with affiliates in cases established by law. Issue a grounded opinion and inform it to the markets in the manner prescribed by the CNV whenever a conflict of interests exists or may exist. Annually prepare an action plan for the fiscal year and inform it to the Board of Directors and the Statutory Supervisory Commission (*Comisión Fiscalizadora*). The Audit Committee (*Comité de Auditoría*) shall have access to any and all information and documentation it may deem necessary for the performance of its duties. In addition to the Articles of these By-Laws, the Internal Rules of the Audit Committee and the regulations in force on the matter shall be applicable. Article 43° BIS: The proposal recommends its repeal. Finally, he moves for the amendment of the by-laws, including the increase in the number of directors, become immediately effective and valid as against shareholders and the Corporation as from its approval by the shareholders at this Shareholders Meeting. The President submits the motion and it is approved by a majority of computable votes, namely: 712.136.616 affirmative votes, 7.270.255 negative votes and 1.454.355 abstentions. Next, the President announced the third item of business to come before the meeting: Consolidated Version of the By-Laws of TGS. The Secretary informed that this item of business must be considered at the Meeting held as an Extraordinary Meeting. The proxy of CIESA took the floor and moved for the consolidation of the By-Laws of TGS in order to have a consecutively numbered version. Thus, he moved for keeping the correlative numbering of the by-laws in the current order of the articles with the amendments approved hereat, suppressing the number repetition with the adjective "bis". The President submitted the motion to consideration, which was approved by a majority of computable votes; namely 712.032.491 affirmative votes, 7.376.245 negative votes and 1.452.490 abstentions. With the approval of the fourth item of business the General Extraordinary and Ordinary Shareholders' Meetings are deemed adjourned at 11:30 am. Three illegible signatures follow." I certify that this is a TRUE COPY of its original. And Mr. Monge STATES: 1) That in compliance with the decision adopted by the company that he represents, this notarized instrument AMENDS Articles 20°, 24°, 26°bis, 29°bis and 43°bis of the By-Laws which in the future shall read as follows: *ARTICLE 20°: The business of the Corporation shall be conducted and managed by a Board of Directors composed of a minimum of NINE (9) and a maximum of ELEVEN (11) Regular Directors, as the Shareholders Meeting shall decide, and an even number of Alternates, who shall replace the Regular Directors. Directors shall hold office for a term of ONE (1) and THREE (3) fiscal years, as the Shareholders' Meeting shall decide. Directors may be re-elected. ARTICLE 24: In order to guarantee faithful performance of office, the directors and managers appointed pursuant to Article 270 of the Corporations Act (Ley de Sociedades Comerciales) shall post a guarantee not lower than TEN THOUSAND PESOS (AR\$ 10,000) or the larger amount that the General Shareholders' Meeting may determine abiding, at all times, by the statutory minimum amount prescribed by the regulations in force at any moment, either in Argentine legal tender or its equivalent in foreign currency, or public bonds deposited with financial institutions or Caja de Valores S.A., at the order of the Corporation; or by way of sureties, bank guarantees, insurance or civil liability bonds in favor of the Corporation, the cost thereof shall be borne by each director and manager. The guarantee shall provide for a*

period of THREE (3) years calculated from the date of termination of office of the director and/or manager during which such guarantee cannot be disposed of. At no event may the guarantee be posted by direct deposit of cash with the Corporation's corporate account. Article 26° BIS: (This article shall be renumbered 27°): The Board of Directors may hold meetings either by members in physical attendance thereat or by communication among themselves through other means of simultaneous transmission of sound, images and words, the relevant minutes of the meeting shall record the capacity of the member in attendance, specifying who attend physically and who by other means of communication, as well as the place where they are located, the technical means used for such purpose and all the transmission data. Members communicated by any of the referred means shall have a right to speak and vote at the meeting,, and shall also be computed for quorum purposes. The members of the Statutory Supervisory Commission (Comisión Fiscalizadora) in attendance at the meeting held by communication means shall leave record specifying whether the decisions were properly adopted. The minutes shall be prepared within FIVE (5) business days as from the date the meeting was held by the members in attendance and the representative of the supervisory body. Article 29° BIS: (This Article shall be renumbered 31°): The Corporation shall have an Audit Committee (Comité de Auditoría) composed of THREE (3) or more members of the Board of Directors elected by a majority vote. The majority of the members of the Audit Committee (Comité de Auditoría) must necessarily be independent in accordance with the criteria specified by the CNV. The Audit Committee (Comité de Auditoría) shall be subject to the regulations of these By-Laws and all the provisions applicable to the Board of Directors. The Audit Committee (Comité de Auditoría) have the following duties and authority: a) Issue its opinion as to the Board of Director's proposal for the designation of external auditors to be retained by the Corporation and oversee their independence; b) Oversee the operation of the internal control systems and the accounting-administrative system as well as the reliability thereof and of all the financial information and other significant events to be submitted to the CNV and the markets in compliance with the applicable reporting system; c) Oversee the application of the reporting policies as regards risk management of the Corporation; d) Provide full information to the market regarding operations involving a conflict of interests with the members of the corporation bodies or controlling shareholders; e) Issue its opinion as to the reasonableness of the proposals of fees and stock options formulated by the Board of Directors for the directors and managers of the Corporation; f) Issue its opinion as to the compliance with legal requirements and on the reasonableness of the terms of issue of stock and securities convertible into stock, in the case of a capital increase that involves a limitation or exclusion of preemptive rights; g) Oversee compliance with the rules of conduct, specifically those contained in the Corporations' Code of Conduct; and h) Issue a grounded opinion as regards transactions with affiliates in cases established by law. Issue a grounded opinion and inform it to the markets in the manner prescribed by the CNV whenever a conflict of interests exists or may exist. Annually prepare an action plan for the fiscal year and inform it to the Board of Directors and the Statutory Supervisory Commission (Comisión Fiscalizadora). The Audit Committee (Comité de Auditoría) shall have access to any and all

information and documentation it may deem necessary for the performance of its duties. In addition to the Articles of these By-Laws, the Internal Rules of the Audit Committee and the regulations in force on the matter shall be applicable. Article 43 bis: Proposal is made to repeal this Article. 2) That in order to CONSOLIDATE THE effective BY-LAWS of the Corporation that represents the resolutions adopted by the Shareholders Meeting mentioned above, Mr. Monge requests me to transcribe the whole text thereof, which including the amendments introduced, shall read as follows: TITLE I: CORPORATE NAME, LEGAL REGIME, DOMICILE AND TERM OF DURATION. ARTICLE 1: This corporation is incorporated under the name "TRANSPORTADORA DE GAS DEL SUR S.A.", pursuant to, and governed by, the legal provisions prescribed by Law No. 19,550 and the decree of its incorporation. ARTICLE 2: The corporation has its legal domicile in the CITY OF BUENOS AIRES. It may set up branches, agencies, delegations or representations within or without Argentina. ARTICLE 3: The term of duration of the corporation shall be of NINETY-NINE (99) years, calculated as from the date of registration of these By-Laws with the Public Registry of Commerce. By resolution adopted by a Shareholders' Extraordinary Meeting, the corporate term may be extended or, prior authorization of the Natural Gas Regulatory Agency (*Ente Nacional Regulador del Gas*) or any successor thereof, reduced. **TITLE II: CORPORATE PURPOSE.** ARTICLE 4: The purpose of the corporation is to render the public service of natural gas transportation, either for its own account or for the account of third parties or associated with third parties, in Argentina. In furtherance of such purpose the corporation may engage in any and all supplementary and subsidiary activities related to its corporate purpose, including those involving the separation of gas liquids for such purpose, the corporation having full legal capacity to acquire rights and undertake obligations and to perform any and all actions not prohibited by the law or these By-Laws, including the performance of agencies and commissions, rendering gas pipeline maintenance services and technical assistance, work construction and any other activity accessory or related to natural gas transportation. The corporation may also conduct any kind of financial transaction, in general, excluding those prescribed in the Law of Financial Institutions (*Ley de Entidades Financieras*) and to incorporate and hold interests in corporations making any necessary capital investment for such purpose. **TITLE III: CAPITAL STOCK AND SHARES.** ARTICLE 5: The capital stock and its evolution shall be recorded in the balance sheets of the corporation as it may result from the capital increases registered with the Public Registry of Commerce and shall be divided into common class A, B and C shares. The capital stock may be increased by decision of the shareholders' meeting without any limitation and without the need to amend the by-laws. Shares shall be issued in book-entry form, of One (1) Peso nominal value each and carrying One (1) vote each. Class C shares shall be maintained under a Employee Stock Ownership Program (*Programa de Propiedad Participada*) as prescribed by Chapter III of Law No. 23,696. Class C shares, that have been fully paid up by their buyer, may be converted into Class B shares at the request of their holders upon expiration of a three-year term as from the incorporation of the company. ARTICLE 6: The issue of common shares pertaining to future capital increases must abide by the following proportions: FIFTY ONE PER

CENT (51%) of the aggregate of Class A shares and FORTY NINE PER CENT (49%) of Class B and C shares, these two classes of shares must keep the same ratio existing as of the date when the respective issue was decided. Class A, B and C shareholders shall be entitled to preemptive rights in the subscription for new shares to be issued by the Corporation, within their same Class and in proportion of their respective holdings, and they shall be entitled to additional preemptive rights pursuant to Article 194 *et seq.* of Law No. 19,550. Should any balance of unsubscribed for shares remain, such shares may be offered to third parties. Whenever Class C shares are issued and called for subscription, they shall be paid in within the statutory maximum period. ARTICLE 7: Shares shall be uncertificated, issued in book-entry form in accounts carried in the name of their holders in the corporation and/or commercial banks and/or investment banks and/or authorized securities depositories (*caja de valores*), as the Board of Directors may decide. Global share certificates may be issued of paid-up shares in compliance with the requirements prescribed by laws in force; when global certificates are recorded in global depository regimes they shall be deemed final, negotiable and divisible. Once the Employee Stock Ownership Program has been established, the Board of Directors shall exchange and register the new shares in favor of the respective beneficiaries. ARTICLE 8: Shares are indivisible. In case of co-ownership, representation of such co-owned shares must be consolidated into one holder in order to exercise rights and comply with obligations. Any limitations and restrictions on the ownership and transfer of shares shall be recorded in the certificates of the depository entity. ARTICLE 9: PREFERRED shares may be issued, granting the economic preferences specified below, as determined by the Shareholders' Meeting that resolved the issue of such shares: a) they shall be entitled to a fixed or variable dividend, with or without additional and cumulative participation for one or more fiscal years, a minimum and maximum dividend may be established; b) they may be fully or partially redeemable, and convertible or non-convertible into common shares; c) they may be entitled to preference in the devolution of the amount paid-in upon dissolution of the Corporation; d) they may participate in the capitalization of reserves or special funds and in similar proceedings whereby paid-in shares are delivered; e) they may be issued in the currency and under the adjustment clauses that the laws in force may allow; f) they shall not carry any votes. Notwithstanding the foregoing, Preferred Shares shall carry one vote per share in the following cases: 1) if the Corporation is in arrears in payment of any amount payable under the preferred share; 2) whenever the shareholders' meeting transacts any item of special business provided in the last part of Article 244 of Law No. 19,550. The holders of common shares shall be entitled to preemptive rights in the subscription of preferred shares, on a *pro-rata* basis of their respective holdings and without any class distinction. ARTICLE 10: In case of arrears in payment of shares when due, the Corporation shall be authorized to act in accordance with the provisions of Article 193 of Law 19,550. ARTICLE 11: Common Class A Shares may only be transferred prior approval of the Natural Gas Regulatory Agency (*Ente Nacional Regulador del Gas*) or any successor thereof. **TITLE IV: DEBT SECURITIES AND PARTICIPATION BONDS.** ARTICLE 12: The Corporation may borrow funds either through public or private loans, by the issue of debentures or notes

(*obligations negociables*) and any other kind of debt security to be placed within or without Argentina and in the currency to be established. Debentures may be issued with floating, special or common guarantee, denominated in domestic or foreign currency and whether convertible or not into stock pursuant to the terms of the issue program. ARTICLE 13: In the frame of the Employee Stock Ownership Program (*Programa de Propiedad Participada*) referred to under Article 5 hereof, the Corporation shall issue, in favor of its employees of all hierarchies under an employer-employee relationship, ESOP Participation Bonds pursuant to Article 230 of Law No. 19,550 (Consolidated Text Decree No. 841/84), so as to provide for the distribution among beneficiaries of a percentage of income of the fiscal year, after taxes, equivalent to ZERO POINT TWENTY FIVE PERCENT (0.25%). The participation under the bonds shall be paid out to the beneficiaries at the time when dividends are paid. The Corporation shall deliver the certificates of the ESOP Participation Bonds to their respective holders. Such ESOP Participation Bonds shall be personal and non-transferable and the holding thereof shall terminate upon termination of the employment relationship, regardless of its cause, such circumstance not giving rise to any additional preemptive rights for the other bondholders. The Corporation shall issue a certificate to each holder, specifying the number of bonds actually held. Such certificate shall be the necessary title to exercise any bondholder's rights. Each and every payment under the Bond shall be recorded in such certificate. The terms of issues of the bonds may only be amended by a Class Shareholders' Meeting convened pursuant to Articles 237 and 250 of Corporations Law No. 19,550. Participations held by the bondholders shall be recorded as an expense and shall be enforceable in the same manner a dividends. In the case of any issue of shares under future capital increases where Class C shares have not been fully paid-up, up to 50% of the interest of each Class C shareholder may be allocated to pay-up any such outstanding balance. **TITLE V: SHAREHOLDERS' MEETINGS.** ARTICLE 14: Ordinary and/or Extraordinary Shareholders Meetings shall be convened by the Board of Directors or the Statutory Auditor (*Síndico*) in the cases provided by law, or whenever any one of them deem it necessary or upon request of shareholders of any Class holding no less than FIVE PER CENT (5%) of the capital stock. In the latter case the notice shall specify the items of business to be transacted and the Board of Directors or the Statutory Auditor (*Síndico*) shall convene the Shareholders' Meeting to be held within a maximum FORTY (40) day term as from the date of receipt of the notice. If the Board of Directors or the Statutory Auditor (*Síndico*) would fail to do so, the shareholders' meeting may be convened by the supervisory agency or the court. Shareholders' Meetings shall be convened by notices made in advance within a minimum TEN (10) day period and a maximum THIRTY (30) day period published during FIVE (5) days in the Official Bulletin and in ONE (1) leading newspaper of general circulation in ARGENTINA. The notice must specify the nature of the Shareholders' Meeting and the date, time and place of the meeting as well as the Agenda of Items of Business. Shareholders' Meetings on second call shall be held within THIRTY (30) days following failure to obtain a quorum on first call and EIGHT (8) day minimum advance notices shall be published during THREE (3) days. First and second call notices cannot be made simultaneously. ARTICLE 15. Whenever the Shareholders' Meeting must adopt resolutions

affecting the rights of one Class of shares, the consent or ratification of such Class shall be given at a Class Meeting governed by the rules established in these by-laws for Ordinary Shareholders' Meetings. ARTICLE 16: Ordinary Shareholders' Meetings shall be validly held on first call with the attendance of shareholders representing a majority of voting shares, and on second call with the attendance of any number of voting shares present. Action shall be adopted in both cases by an absolute majority of voting shares present that may be casted on the respective decision. ARTICLE 17: Extraordinary Shareholders' Meetings shall be validly held on first call with the attendance of shareholders representing SIXTY-ONE PERCENT (61%) of the voting shares and on second call with the attendance of whatever number of voting shares. Action in both cases shall be taken with the absolute majority of votes present that may be cast in the respective decision, except for the case provided under the last paragraph of Article 244 of Law No. 19,550 and Article 18 herein. ARTICLE 18: For a minimum period of TWO (2) years calculated as from the date of transfer of the aggregate Class A shares to the awardee of this Corporation in the International Public Tender for the privatization of GAS DEL ESTADO SOCIEDAD DEL ESTADO or until the Federal State has transferred its aggregate Class B shares, whatever occurs first, any amendment to the by-laws of the Corporation and any capital increase must obtain the affirmative vote of the shares of such class held by the Federal State. Upon expiration of such two-year term or upon occurrence of such event, any amendment of Articles 2 and 3 (as regards term reduction), 4, 5, 6, 7, 11, 13, 18 and 32 shall require the prior authorization of the Natural Gas Regulatory Agency (*Ente Nacional Regulador del Gas*) or any successor thereof. ARTICLE 19: In order to attend any Shareholders' Meeting, the shareholders must give to the Corporation THREE (3) business day prior notice to the date fixed for the Shareholders' Meeting informing their will to attend so that such attendance is recorded in the Book of Attendance to Shareholders' Meetings. Shareholders may be represented by proxy pursuant to Article 239 of Law No. 19,550. **TITLE VI: MANAGEMENT AND DIRECTION.** ARTICLE 20: The business of the Corporation shall be conducted and managed by a Board of Directors composed of a minimum of NINE (9) and a maximum of ELEVEN (11) Regular Directors, as the Shareholders Meeting shall decide, and an even number of Alternates, who shall replace the Regular Directors. Directors shall hold office for a term of ONE (1) and THREE (3) fiscal years, as the Shareholders' Meeting shall decide. Directors may be re-elected. ARTICLE 21: Directors and their alternates whose term of office has expired shall remain in office until their replacements are designated. ARTICLE 22: In their first meeting after the Shareholders' Meeting that designates the Board of Directors, the Board of Directors shall appoint amongst their members one (1) President and one (1) Vice-President. ARTICLE 23: If the number of vacancies in the Board of Directors would prevent the holding of a valid meeting, even after all Alternates have been incorporated, the Statutory Supervisory Commission (*Comisión Fiscalizadora*) shall designate the substitutes who shall hold office until the election of the new directors by an ordinary shareholders' meeting to be convened to such effect within TEN (10) days after the substitutes have been designated by the Statutory Supervisory Commission. ARTICLE 24: In order to guarantee faithful performance of office, the directors and managers appointed pursuant to Article 270 of the Corporations Act (Ley de



Sociedades Comerciales) shall post a guarantee not lower than TEN THOUSAND PESOS (AR\$ 10,000) or the larger amount that the General Shareholders' Meeting may determine, at all times, abiding by the statutory minimum amount prescribed by the regulations in force at any moment, either in Argentine legal tender or its equivalent in foreign currency, or public bonds deposited with financial institutions or Caja de Valores S.A., at the order of the Corporation; or by way of sureties, bank guarantees, insurance or civil liability bonds in favor of the Corporation, the cost thereof shall be borne by each director and manager. The guarantee shall provide for a period of THREE (3) years calculated from the date of termination of office of the director and/or manager during which such guarantee cannot be disposed of. At no event may the guarantee be posted by direct deposit of cash with the Corporation's corporate account. ARTICLE 25: The Board of Directors shall meet, at least, ONCE (1) quarterly. The President or whoever replaces him pursuant to the by-laws may convene a meeting whenever he may deem it appropriate or whenever requested by any Director in office or the Statutory Supervisory Commission. Notice of the meeting shall be given within FIVE (5) days of receipt of the request thereof; upon failure to do so, the meeting may be convened by any of the Directors. Board of Directors' meetings shall be convened by written notice given at the domicile reported by the Director, specifying date, time and place of meeting, at least THREE (3) days prior to the date of the meeting, and including the agenda of the meeting. Items of business not included in the notice may be transacted if all the directors attend the meeting and the action is taken by a unanimous vote of the Regular Directors. ARTICLE 26: An absolute majority of Directors shall constitute a quorum to hold valid meetings, and actions shall be validly taken by a majority of votes present. In the case of a tie-end, the President or whoever replaces him shall have a casting vote. ARTICLE 27: The Board of Directors may hold meetings either by members in physical attendance thereat or by communication among themselves through other means of simultaneous transmission of sound, images and words, the relevant minutes of the meeting shall record the capacity of the member in attendance, specifying who attend physically and who by other means of communication, as well as the place where they are located, the technical means used for such purpose and all the transmission data. Members communicated by any of the referred means shall have a right to speak and vote at the meeting,, and shall also be computed for quorum purposes. The members of the Statutory Supervisory Commission (*Comisión Fiscalizadora*) in attendance at the meeting held by communication means shall leave record specifying whether the decisions were properly adopted. The minutes shall be prepared within FIVE (5) business days as from the date the meeting was held by the members in attendance and the representative of the supervisory body. ARTICLE 28: The Vice-President shall replace the President in case of resignation, death, incapacity, inability, removal or temporary or permanent absence of the President, a new President shall be elected within TEN (10) days following the occurrence of the vacancy. ARTICLE 29: The attendance of the Vice-President to any administrative, judicial or corporate action that requires the attendance of the President shall bind the corporation, the delegation must be evidenced by resolution of the Board of Directors. ARTICLE 30: The Board of Directors is vested with the broadest powers and authority for the

direction, organization and management of the Corporation, with no other restrictions than those resulting from the Law and these By-Laws. ARTICLE 31: The Corporation shall have an Audit Committee (*Comité de Auditoría*) composed of THREE (3) or more members of the Board of Directors elected by a majority vote. The majority of the members of the Audit Committee must necessarily be independent in accordance with the criteria specified by the CNV. The Audit Committee shall be subject to the regulations of these By-Laws and all the provisions applicable to the Board of Directors. The Audit Committee have the following duties and authority: a) Issue its opinion as to the Board of Director's proposal for the designation of external auditors to be retained by the Corporation and oversee their independence; b) Oversee the operation of the internal control systems and the accounting-administrative system as well as the reliability thereof and of all the financial information and other significant events to be submitted to the CNV and the markets in compliance with the applicable reporting system; c) Oversee the application of the reporting policies as regards risk management of the Corporation; d) Provide full information to the market regarding operations involving a conflict of interests with the members of the corporation bodies or controlling shareholders; e) Issue its opinion as to the reasonableness of the proposals of fees and stock options formulated by the Board of Directors for the directors and managers of the Corporation; f) Issue its opinion as to the compliance with legal requirements and on the reasonableness of the terms of issue of stock and securities convertible into stock, in the case of a capital increase that involves a limitation or exclusion of preemptive rights; g) Oversee compliance with the rules of conduct, specifically those contained in the Corporations' Code of Conduct; and h) Issue a grounded opinion as regards transactions with affiliates in cases established by law. Issue a grounded opinion and inform it to the markets in the manner prescribed by the CNV whenever a conflict of interests exists or may exist. Annually prepare an action plan for the fiscal year and inform it to the Board of Directors and the Statutory Supervisory Commission (*Comisión Fiscalizadora*). The Audit Committee (*Comité de Auditoría*) shall have access to any and all information and documentation it may deem necessary for the performance of its duties. In addition to the Articles of these By-Laws, the Internal Rules of the Audit Committee and the regulations in force on the matter shall be applicable. ARTICLE 32: The remunerations of the members of the Board of Directors shall be fixed by the Shareholders' Meeting, in compliance with Article 261 of Law No. 19.550. ARTICLE 33: The President, the Vice-President and the Directors shall be personally and jointly and severally liable for the improper performance of their duties. Those who did not participate in the deliberation or resolution and those who having participated in the deliberation or resolution, o having been aware thereof, recorded and informed in writing their disagreement to the Statutory Supervisory Commission, shall be exempt from liability. **TITLE VII: ARTICLE 34**: The supervision of the Corporation shall be exercised by a Statutory Supervisory Commission (*Comisión Fiscalizadora*) composed of THREE (3) Statutory Auditors (*Síndicos*) who shall hold office for ONE (1) fiscal year. Three (3) Alternate Statutory Auditors shall be designated to replace the regular statutory auditors in the cases provided by Article 291 of Law No. 19.550. The Statutory Auditors and their Alternates, whose term of office has expired shall remain in

office until their replacements have been appointed. Two Statutory Auditors and their respective alternates shall be chosen by the holders of common Class A shares and the remaining Statutory Auditor and his/her alternate shall be chosen by the rest of the holders of common shares. ARTICLE 35: The remunerations of the members of the Statutory Supervisory Commission shall be fixed by the Shareholders' Meeting in compliance with Article 261 of Law No. 19.550. ARTICLE 36: The Statutory Supervisory Commission shall hold at least ONE (1) monthly meeting; meetings may be also held at the request of any of its members within FIVE (5) days as from the request thereof made to the President of the Statutory Supervisory Commission or of the Board of Directors, as the case may be. Notice of all meetings shall be given by written notice served at the domicile that each Statutory Auditor (*Síndico*) specified at the time of taking office. Meetings and resolutions of the Statutory Supervisory Meeting shall be recorded in a Book of Minutes, which shall be signed by the Statutory Auditors in attendance at the meeting. The Statutory Supervisory Commission shall hold valid meetings with the attendance of THREE (3) members and shall take valid actions by a majority vote, notwithstanding the rights conferred by Law to any dissenting Statutory Auditor. Meetings shall be presided over by one of the Statutory Auditors chosen by a majority vote at the first meeting held each year. At such time, an alternate shall also be chosen to fill in any vacancy in case of absence. Such President shall represent the Statutory Supervisory Commission before the Board of Directors. **TITLE VIII: BALANCE SHEETS AND ACCOUNTS.** ARTICLE 37: The fiscal year shall close on December 31, each year. As of such date, the Inventory, Balance Sheet, Statement of Income, Statement of Retained Earnings, Annexes and Table I and the Board of Directors' Annual Report shall be prepared in accordance with applicable statutory rules, by-law provisions and technical regulations. ARTICLE 38: Liquid and realized profits shall be allocated in the following manner: a) At least FIVE PER CENT up to TWENTY PER CENT (20%) of the subscribed capital shall be set aside as statutory reserve; b) to pay the remuneration of the members of the Board of Directors and Statutory Supervisory Commission (*Comisión Fiscalizadora*); c) the relevant amount to pay any cumulative dividend in arrears payable to preferred shares; d) the amount to pay the fixed dividend of preferred shares; e) payment of any participation payable to ESOP Bonds; f) to set aside or to increase any voluntary or contingency reserves that a Shareholders' Meeting may resolve; g) the outstanding balance shall be allocated to the payment of dividends on common stock, without any Class distinction. ARTICLE 39: Dividends shall be paid to the shareholders in proportion of their respective paid-in amounts within thirty (30) days from the approval of such dividends by the respective shareholders' meeting. ARTICLE 40: Dividends in cash approved by the Shareholders' Meeting which remain unclaimed for three (3) years calculated as from the date established for payment thereof shall be forfeited to the Corporation. In this case, they shall be allocated to a special reserve to be used as the shareholders' meeting may decide. ARTICLE 41: The right to collect shares pertaining to dividends payable in shares and to the capitalization of reserves and balance of reassessments shall be forfeited to the Corporation within the same time period of limitation stipulated in the above clause. In this case, the shares shall be put up for sale and the rest of the shareholders

shall be entitled to preemptive rights on such shares in proportion of their holdings and in relation to the class of shares they hold. Shareholders shall also be entitled to additional preemptive rights, whenever the rest of the shareholders fail to exercise their preemptive rights. The Board of Directors shall establish the time periods and terms and conditions for the exercise of this right, duly publicizing such procedure. The proceeds from the sale shall be allocated to the special reserve mentioned in the above Article. The rights carried by non-collected shares shall remain suspended until the Corporation has recorded their sale. ARTICLE 42: The last paragraph of the above Article is also applicable to those cases when the Corporation resolves to exchange any outstanding securities, for those holders who fail to claim the new shares. **TITLE IX: LIQUIDATION OF THE CORPORATION.** ARTICLE 43: The liquidation of the Corporation, regardless of the grounds thereof, shall be governed by Chapter I, Section XIII, Articles 101 to 112 of Law No. 19,550. ARTICLE 44: The winding-up of the Corporation shall be vested upon the Board of Directors or the liquidators designated by the Shareholders' Meeting, under the surveillance of the Statutory Supervisory Commission (*Comisión Fiscalizadora*). ARTICLE 45: The proceeds of the liquidation, after payment of all of the debts and obligations, including the liquidation expenses, shall be distributed amongst all shareholders, without any distinction on terms of classes or categories, *a pro rata* of their holdings, as follows: a) payment of the amounts respectively paid-in on preferred shares with preference, b) payment of the amounts paid-in on common shares and the rest of the preferred shares; c) payment of fixed cumulative dividends of preferred shares outstanding to date; d) the outstanding balance shall be distributed among the shareholders *a pro rata* of their holdings. 3) VEST POWER UPON MATIAS PABLO SEOANE, OLGA UDALOVA, and/or AGUSTINA UDALOVA so that jointly or severally any one of them may conduct the necessary formalities to secure the registration of the by-laws' amendment with the following agencies: *Comisión Nacional de Valores* and/or *Inspección General de Justicia - Sector Registro Público de Comercio*, to such end they are empowered to accept, reject and/or execute the amendments and requirements made, filing any and all relevant presentations, publish notices and carry out any other step and formalities as may be necessary to obtain the administrative consent and registration. I, the Acting Notary Public, certify that Mr. Monge evidences his capacity to represent the Corporation by means of the following: a) the Notarized Articles of Incorporation of the corporation executed in Notarized Instrument No. 273 of November 24, 1992 recorded on page 1304 before the Notary Public Mr. Natalio Pedro Etchegaray, Holder of Notarial Registry of the Federal Government. The Articles of Incorporation were registered with the Public Registry of Commerce under No. 11668, of Book 112, Volume A of Corporations (*Sociedades Anónimas*) on December 1, 1992; b) the change of corporate domicile executed by private instrument dated December 29, 1992 and registered with the Public Registry of Commerce under No. 936, Book 112, Volume A of Corporations dated February 10, 1993; c) the amendment of the by-laws executed by Notarial Instrument No. 433 dated January 20, 1993 recorded on page 2851 of the Registry No. 282 of the City of Buenos Aires, that was recorded in the Public Registry of Commerce under No. 8480, Book 113, Volume A of Corporations (*Sociedades Anónimas*) of September 7, 1993; d) the capital

increase executed in private instrument dated March 24, 1994, registered with the Public Registry of Commerce under No. 3317, Book 114, Volume A of Corporations, dated April 13, 1994; e) the amendment of the by-laws executed by private instrument dated June 24, 1994, registered with the Public Registry of Commerce under No. 9563, Book 115, Volume A of Corporations (*Sociedades Anónimas*), dated September 20, 1994; f) the Consolidated By-Laws executed on Notarial Instrument No. 132 dated July 15, 1996 on Page 383 before the Notary Public Mr. Eduardo Federico Reyes, Holder of Notarial Registry No. 1317 of the City of Buenos Aires, registered with the Public Registry of Commerce under No. 7633, Book 119, Volume A of Corporations on August 12, 1996. g) the amendment of the by-laws executed by Notarial Instrument No. 44 dated April 16, 2004 on Page 111 before the Notary Public Eduardo Federico Reyes, Holder of Registry No. 1317 of the City of Buenos Aires, recorded in the Public Registry of Commerce under No. 15380, Book 26, Volume of Corporations, on December 1, 2004. Authenticated copies of all the above mentioned documents have been attached hereto and to page 903 of Notarial Protocol No. 2013; h) the Board of Directors Minutes No. 441 dated March 20, 2014 recorded on pages 12/14 of the Book of Minutes of the Board of Directors No. 18 of the corporation that convenes the shareholders' meeting; i) the minutes of the ordinary general shareholders' meeting No. 34 dated April 30, 2014, recorded on pages 69/79 of the Book of Minutes of Shareholders' Meetings No. 3 that designated the Board of Directors; j) the Board of Directors Minutes No. 446 dated May 6, 2014 recorded on pages 37/38 of the Book of Board of Directors Minutes No. 18 of the corporation, that distributed offices in the board of directors. Duly authenticated copies of the documents listed under items h), i) and j) above have been attached to page 897 of Notarial Protocol 2014; k) the roll of attendance to General Ordinary Shareholders' Meetings dated April 30, 2014, recorded on page 31 of the Book of Deposit of Stock and Registry of Attendance to General Shareholders' Meetings No. 2, recorded under No. 18840-03, dated March 14, 2003 which reads as follows: "GENERAL ORDINARY SHAREHOLDERS MEETING dated April 30, 2014, Order No. DATE Year 2014, Day, Month, SHAREHOLDER: First and Last Name, ID No., PROXY: First and Last Name, ID No., NUMBER OF SHARES OR CERTIFICATES, SHARE CERTIFICATE NO., CAPITAL AR\$, Number of Votes, SIGNATURES, 1, 24, 04, CIA. DE INVERSIONES DE ENERGÍA S.A., Don Bosco 3672 P.5, CITY OF BUENOS AIRES, N°12, 484 L°112 T°A de S .A. dated December 21, 1992, Pablo A. Buey Fernandez, ID No. (DNI) 13.305.819. Don Bosco 3672, piso 5, CITY OF BUENOS AIRES, Class "A", 405.192.594, Share Certificates Nos. 000150, 405.192.594, 405.192.594, An illegible signature follows, 2,24,04, THE BANK OF NEW YORK MELLON ADRS, BARCLAY STREET 101, New York, USA, Leonardo Agustín Perez, ID No. (DNI) 24.678.547, Bme. Mitre 480 5°, CITY OF BUENOS AIRES, Class "B", 132.000.00 0, Share Certificate No. 000151, 132.000.000, 132.000.000, An illegible signature follows, 3, 24, 04, FERNANDEZ JORGE OSCAR Y/O MARIN DE FERNANDEZ LUISA SARA, GELLY Y OBES 2279 P.8° B, CITY OF BUENOS AIRES, Jorge Oscar Fernandez, ID No. (DNI) 4.873.126, Gelly y Obes 2279 8°, CITY OF BUENOS AIRES, Class "B", 50.000, Share Certificate No. 66658, 50.000, 50.000, An illegible signature follows, 4,24,04, BANCO DE VALOR S.A. TAVELLI PLUS FCI, Sarmiento

310 CITY OF BUENOS AIRES, AUSENTE, Class "B", 10, Certificate No. 66536, 10, 10, -, 5,24,04, LOLLA GUILLERMO A. and/or LOLLA SUSANA B. TAGES DE, Sarmiento 412 3°, CITY OF BUENOS AIRES, AUSENTE, Class "B", 10, Share Certificate No. 66509, 10, 10, -, 6, 26, 04, ANSES FGS LEY 26425, Tucumán 500, CITY OF BUENOS AIRES, Susana María Valussi, ID No. (DNI) 31.340.689, Hipólito Yrigoyen 250 8° 819 CITY OF BUENOS AIRES, Class "B", 183.618.632, Share Certificate No. 66668, 183.618.632, 183.618.632, An illegible signature follows. This register is closed on April 24, 2014 at 6:00 pm with an aggregate of six (6) shareholders recorded, with an aggregate of 720,861,246 shares, representing 90.732% of the shares and votes and with AR\$720,861,246 capital and carrying 720,861,246 votes. An illegible signature follows. This registry is closed on April 30, 2004 at 10:10 am, with an aggregate of four (4) shareholders in attendance, with an aggregate of 720,861,226 shares, representing 90.7319 % of the shares and votes, and AR\$720,861,226 capital and carrying 720,861,226 votes.- An illegible signature follows.-" I CERTIFY THAT THIS IS A TRUE COPY of the original. I read this Notarial Instrument to Mr. Monge and after rendering his consent he signed before me. A signature follows, RICARDO ISIDRO MONGE, before me, NOTARY PUBLIC MATIAS PABLO SEOANE, I stamp my seal. THIS NOTARIAL INSTRUMENT is an authenticated copy of the Original Notarial Instrument before me on page 904 of my Notarial Registry No. 2089 a mi cargo. I issue this First Copy for the Corporation, composed of fourteen notarial pages correlatively numbered N017638008 to N017638021 which I certify, seal and sign on the date and place stated above. [Signed] MATIAS PABLO SEOANE- NOTARY PUBLIC- Notarial License 4545.

[THE ARGENTINE EMBLEM]

Ministry of Justice and Human Rights

Office of Corporations (*Inspección General de Justicia*)

- 2014- Year of Homage to Admiral William Brown  
in the Bicentennial of the Sea Battle of Montevideo

Page 1

IGJ Registration No. 1566044

CORPORATION (SOCIEDAD ANÓNIMA)

**Corporate Name:** TRANSPORTADORA DE GAS DEL SUR

**(Formerly):** [in blank]

**Filing No.:** 7223557

**Code of Filing/Description:** 01370 AMENDMENT OF BY-LAWS

**Notarial Instrument:** 360

Recorded in this Registry under No. 19962 of Book 71, Volume of Corporations (SOCIEDADES ANÓNIMAS)

Buenos Aires, October 14, 2014

[Signature] MAXIMILIANO DONDERO- Head of the Registry Department of the Office of Corporations

**EXHIBIT 4.1**

**Technical Assistance Service Agreement between TGS and Petrobras Argentina  
dated November 4, 2014.**

Autonomous City of Buenos Aires, November 24, 2014

Messrs  
PETROBRAS ARGENTINA S.A.  
Maipú 1  
Autonomous City of Buenos Aires

*Re: Technical Assistance Service Agreement*

Dear Sirs,

We are pleased to address you in our capacity as attorneys in fact for Transportadora de Gas del Sur S.A. ("TGS") to request from Petrobras Argentina S.A. ("Petrobras") the provision of a Technical Assistance Service to TGS, during a three (3) years term as from next December 28, under the terms and conditions set out in the Annex.

To that end, we inform you that TGS avails of the *Ente Regulador del Gas* authorization for Petrobras to continue to be the Technical Operator of TGS, as expressed in NOTA ENRG GAL/GDyE/GT/I No. 13093 dated 10/24/14 under File ENRG 27402/14, and with TGS Board of Directors' authorization dated 10/28/14 to proceed consequently.

This letter shall be deemed tacitly accepted by you upon the issue of an invoice in an amount of ARG\$1.000 as an advance payment for provision of the service as requested.

Without any further notice, we remain,

Very truly yours,

Alejandro Basso

Attorney in fact

Nicolás M. Mordeglia

Attorney in fact



**EXHIBIT 8.1**  
**SUBSIDIARIES**

The following are our subsidiaries:

Company Name	Country of incorporation	Proportion of Ownership Interest
Telcosur S.A.....	Argentina	99.98%

**EXHIBIT 12.1**

**CERTIFICATION**

I, Javier Gremes Cordero, certify that:

1. I have reviewed this annual report on Form 20-F of Transportadora de Gas del Sur S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
  - 1) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - 1) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2015

/s/ Javier Gremes Cordero  
Javier Gremes Cordero  
Chief Executive Officer

**EXHIBIT 12.2**

**CERTIFICATION**

I, Gonzalo Castro Olivera, certify that:

1. I have reviewed this annual report on Form 20-F of Transportadora de Gas del Sur S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2015

/s/ Gonzalo Castro Olivera  
Gonzalo Castro Olivera  
Chief Financial Officer

**EXHIBIT 13.1**

**CERTIFICATION**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Transportadora de Gas del Sur S.A. (“**the Company**”), herby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2014 (the “**Report**”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2015

/s/ Javier Gremes Cordero  
Javier Gremes Cordero  
Chief Executive Officer

## EXHIBIT 13.2

### CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Transportadora de Gas del Sur S.A. (the “**Company**”), hereby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2014 (the “**Report**”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2015

/s/ Gonzalo Castro Olivera

Gonzalo Castro Olivera  
Chief Financial Officer

## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of  
Transportadora de Gas del Sur S.A.

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of comprehensive income, of changes in equity and of cash flow present fairly, in all material respects, the financial position of Transportadora de Gas del Sur S.A. and its subsidiary (“the Company”) at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 15 to the Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audits of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PRICE WATERHOUSE & Co. S.R.L.

by /s/ Carlos N. Martínez (Partner)  
Carlos N. Martínez

Buenos Aires, Argentina  
April 29, 2015

**TRANSPORTADORA DE GAS DEL SUR S.A.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
(Stated in thousands of pesos as described in Note 3 except for weighted average of outstanding shares  
and basic and diluted earnings per share)

	<b>Notes</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Revenue from sales	7	4,303,971	2,864,986	2,574,968
Cost of sales	8.h.	<u>(2,565,535)</u>	<u>(1,595,319)</u>	<u>(1,351,734)</u>
<b>Gross profit</b>		1,738,436	1,269,667	1,223,234
Administrative expenses	8.i.	(163,484)	(117,725)	(94,268)
Selling expenses	8.i.	(647,359)	(457,364)	(423,233)
Other operating income	8.k.	<u>4,921</u>	<u>12,054</u>	<u>(3,966)</u>
<b>Operating profit</b>		932,514	706,632	701,767
<b>Net financial results</b>				
Financial income	8.j.	463,151	309,672	105,746
Financial expenses	8.j.	<u>(1,228,801)</u>	<u>(842,401)</u>	<u>(448,174)</u>
<b>Total</b>		(765,650)	(532,729)	(342,428)
Share of profit / (loss) from associates	10	2,890	(516)	205
<b>Net income before income tax</b>		169,754	173,387	359,544
Income tax expense	13	(64,766)	(65,881)	(126,797)
<b>Total comprehensive income for the year</b>		<u>104,988</u>	<u>107,506</u>	<u>232,747</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company		104,983	107,504	232,747
Non-controlling interests		<u>5</u>	<u>2</u>	<u>-</u>
		<u>104,988</u>	<u>107,506</u>	<u>232,747</u>
Weighted average of outstanding ordinary shares		794,495,283	794,495,283	794,495,283
Basic and diluted earnings per share		0.13	0.14	0.29

The accompanying notes are an integral part of these consolidated financial statements.



**TRANSPORTADORA DE GAS DEL SUR S.A.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2014 AND 2013**  
(Stated in thousands of pesos as described in Note 3)

<b>ASSETS</b>	<b>Notes</b>	<b>2014</b>	<b>2013</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	4,082,071	3,966,908
Loans granted to related parties	19	-	194,154
Investments in associates	9	3,429	3,596
Other financial assets at fair value through profit or loss	8.l	26,620	19,155
Deferred income tax assets		-	69
Other receivables	8.a.	56,180	47,829
Trade receivables	8.b.	47,157	38,136
<b>Total non-current assets</b>		<b>4,215,457</b>	<b>4,269,847</b>
<b>Current assets</b>			
Other receivables	8.a.	315,608	205,078
Inventories		29,131	7,356
Trade receivables	8.b.	411,362	418,583
Derivative financial instruments		-	26,500
Loans granted to related parties	19	268,111	-
Other financial assets at fair value through profit or loss	8.l	145,331	251,734
Cash and cash equivalents	8.c.	789,420	893,812
<b>Total current assets</b>		<b>1,958,963</b>	<b>1,803,063</b>
<b>Total Assets</b>		<b>6,174,420</b>	<b>6,072,910</b>
<b>EQUITY</b>			
Common stock		1,345,300	1,345,300
Legal Reserve		242,254	236,879
Future dividends reserve		-	202,239
Future capital expenditures reserve		175,000	140,000
Accumulated retained earnings		104,983	98,661
Non-controlling interests		6	3
<b>Total equity</b>		<b>1,867,543</b>	<b>2,023,082</b>
<b>LIABILITES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		513,997	527,958
Advances from customers	8.d.	380,349	311,905
Loans	12	2,160,405	1,862,231
Other payables	8.e.	372	-
<b>Total non-current liabilities</b>		<b>3,055,123</b>	<b>2,702,094</b>
<b>Current liabilities</b>			
Provisions	14	150,347	143,412
Advances from customers	8.d.	27,202	25,344
Other payables	8.e.	40,608	5,779
Taxes payables	8.f.	44,169	48,485
Income tax payable		24,100	27,759
Payroll and social security taxes payable		87,322	67,020
Loans	12	305,284	644,996
Derivative financial instruments		28,810	-
Trade payables	8.g.	543,912	384,939
<b>Total current liabilities</b>		<b>1,251,754</b>	<b>1,347,734</b>
<b>Total liabilities</b>		<b>4,306,877</b>	<b>4,049,828</b>
<b>Total equity and liabilities</b>		<b>6,174,420</b>	<b>6,072,910</b>

**TRANSPORTADORA DE GAS DEL SUR S.A.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
(Stated in thousands of pesos as described in Note 3)

	Shareholders Contributions			Retained Earnings					Subtotal	Total	Non-Controlling interests	Total
	Common stock	Inflation adjustment to common stock	Total common stock	Legal reserve	Voluntary Reserve	Future Dividends Reserve	Future Capital Expenditures Reserve	Accumulated retained earnings				
<b>Balances at January 1, 2012</b>	794,495	550,805	1,345,300	213,384	164,128	-	-	228,307	605,819	1,951,119	1	1,951,120
Resolutions of the Ordinary Shareholders' Meeting held on April 12, 2012												
Legal Reserve	-	-	-	11,534	-	-	-	(11,534)	-	-	-	-
Future Dividends Reserve	-	-	-	-	(164,128)	268,291	-	(104,163)	-	-	-	-
Future Capital Expenditures Reserve	-	-	-	-	-	-	114,982	(114,982)	-	-	-	-
Resolution of the Ordinary Shareholders' Meeting held on December 6, 2012												
Cash dividends	-	-	-	-	-	(150,000)	-	-	(150,000)	(150,000)	-	(150,000)
Comprehensive income for the year	-	-	-	-	-	-	-	232,747	232,747	232,747	-	232,747
<b>Balances at December 31, 2012</b>	794,495	550,805	1,345,300	224,918	-	118,291	114,982	230,375	688,566	2,033,866	1	2,033,867
Resolution of the Board of Directors' Meeting held on March 18, 2013												
Cash dividends	-	-	-	-	-	(118,291)	-	-	(118,291)	(118,291)	-	(118,291)
Resolutions of the Ordinary Shareholders' Meeting held on April 25, 2013												
Derecognition of the Future Capital Expenditures Reserve	-	-	-	-	-	-	(114,982)	114,982	-	-	-	-
Legal Reserve	-	-	-	11,961	-	-	-	(11,961)	-	-	-	-
Future Dividends Reserve	-	-	-	-	-	202,239	-	(202,239)	-	-	-	-
Future Capital Expenditures Reserve	-	-	-	-	-	-	140,000	(140,000)	-	-	-	-
Comprehensive income for the year	-	-	-	-	-	-	-	107,504	107,504	107,504	2	107,506
<b>Balances at December 31, 2013</b>	794,495	550,805	1,345,300	236,879	-	202,239	140,000	98,661	677,779	2,023,079	3	2,023,082
Cash dividends to non-controlling interest <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Resolutions of the Ordinary Shareholders' Meeting held on April 30, 2014												
Derecognition of the Future Capital Expenditures Reserve	-	-	-	-	-	(202,239)	(140,000)	342,239	-	-	-	-
Legal Reserve	-	-	-	5,375	-	-	-	(5,375)	-	-	-	-
Future Dividends Reserve	-	-	-	-	-	260,525	-	(260,525)	-	-	-	-
Future Capital Expenditures Reserve	-	-	-	-	-	-	175,000	(175,000)	-	-	-	-
Resolution of the Board of Directors' Meeting held on November 26, 2014												
Cash dividends	-	-	-	-	-	(260,525)	-	-	(260,525)	(260,525)	-	(260,525)
Comprehensive income for the year	-	-	-	-	-	-	-	104,983	104,983	104,983	5	104,988
<b>Balances at December 31, 2014</b>	794,495	550,805	1,345,300	242,254	-	-	175,000	104,983	522,237	1,867,537	6	1,867,543

The accompanying notes are an integral part of these consolidated financial statements.

<sup>(1)</sup> Dividends distributed by Telcosur to the non-controlling interest in May 2014.

**TRANSPORTADORA DE GAS DEL SUR S.A.**  
**CONDOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**  
(Stated in thousands of pesos as described in Note 3)

	2014	2013	2012
<b>Cash flows provided by operating activities</b>			
Total comprehensive income for the year	104,988	107,506	232,747
<b>Reconciliation of total comprehensive income to cash flows provided by operating activities:</b>			
Depreciation of property, plant and equipment	254,311	242,917	233,670
Consumption of materials	3,916	3,891	2,696
Share of (loss) / profit from associates	(2,890)	516	(205)
Increase / (decrease) in allowances and provisions	19,966	(382)	13,374
Interest expense accrual	285,307	210,579	178,083
Interest income on Other financial assets other than Cash and cash equivalents	(43,764)	(15,585)	(6,665)
Income tax	64,766	65,881	126,797
Derivative financial instrument results	103,497	(38,025)	-
Foreign exchange loss	539,425	504,951	179,235
<b>Changes in assets and liabilities:</b>			
Trade receivables	(39,689)	(870)	(127,589)
Other receivables	(118,926)	(49,044)	(49,982)
Inventories	(21,775)	46,926	(46,694)
Trade payables	141,771	1,504	68,435
Payroll and social security taxes	20,302	13,799	157
Taxes payables	(15,586)	2,251	16,831
Income tax	(64,804)	(20,730)	(44,493)
Other payables	1,693	226	(3,249)
Provisions	(13,238)	(18,547)	(84)
Interest paid	(205,413)	(168,806)	(136,769)
Income tax paid	(17,469)	(62,570)	(119,747)
Derivative financial instruments	(48,187)	11,525	-
Advances from customers	70,750	33,048	(6,810)
<b>Cash flows provided by operating activities</b>	<u>1,018,951</u>	<u>870,961</u>	<u>509,738</u>
<b>Cash flows used in investing activities</b>			
Additions to property, plant and equipment	(350,559)	(235,374)	(202,185)
Other financial assets other than Cash and cash equivalents	156,143	(249,260)	-
<b>Cash flows used in investing activities</b>	<u>(194,416)</u>	<u>(484,634)</u>	<u>(202,185)</u>
<b>Cash flows used in financing activities</b>			
Proceeds from loans	-	30,000	20,000
Payment of loans	(769,932)	(4,444)	-
Dividends paid to the Company's shareholders	(212,459)	(263,659)	-
Dividends paid to non-controlling interest	(2)	-	-
<b>Cash flows used in financing activities</b>	<u>(982,393)</u>	<u>(238,103)</u>	<u>20,000</u>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(157,858)</u>	<u>148,224</u>	<u>327,553</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>893,812</u>	<u>693,044</u>	<u>346,652</u>
<b>Foreign exchange gains on Cash and cash equivalents</b>	<u>53,466</u>	<u>52,544</u>	<u>18,839</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>789,420</u></u>	<u><u>893,812</u></u>	<u><u>693,044</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

For supplemental cash flow information see Note 6.

## TRANSPORTADORA DE GAS DEL SUR S.A.

Notes to the Consolidated Financial Statements as of December 31, 2014 and comparative information  
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

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### 1. BUSINESS DESCRIPTION

Transportadora de Gas del Sur S.A. ("TGS") is one of the companies created as a result of the privatization of Gas del Estado S.E. ("GdE"). TGS commenced operations on December 29, 1992 and it is engaged in the Transportation of Natural Gas and Production and Commercialization of natural gas Liquids ("Liquids"). TGS's pipeline system connects major gas fields in southern and western Argentina with gas distributors and industries in those areas and in the greater Buenos Aires area. The natural gas transportation license to operate this system was exclusively granted to TGS for a period of thirty-five years ("the License"). TGS is entitled to a one-time extension of ten years provided that it has essentially met the obligations imposed by the License and by the *Ente Nacional Regulador del Gas* (National Gas Regulatory Body or "ENARGAS"). The General Cerri Gas Processing Complex (the "Cerri Complex"), where TGS processes natural gas by extracting liquids, was transferred from GdE along with the gas transmission assets. TGS also provides midstream services, which mainly consist of gas treatment, removal of impurities from the natural gas stream, gas compression, wellhead gas gathering and pipeline construction, operation and maintenance services. Also, telecommunications services are provided through the subsidiary Telcosur S.A. These services consist of data transmission services through a network of terrestrial and digital radio relay.

TGS's controlling shareholder is Compañía de Inversiones de Energía S.A. ("CIESA"), which holds 51% of the common stock. Local and foreign investors hold the remaining ownership of TGS's common stock. CIESA is under co-control of: (i) Petrobras Argentina S.A. ("Petrobras Argentina") and a subsidiary (jointly "Petrobras Argentina Group"), which altogether hold 50% of CIESA's common stock and (ii) CIESA Trust (whose trustee is The Royal Bank of Scotland N.V. Sucursal Argentina) ("the Trust") who has a trust shareholding of 40%. The remaining 10% is held by EPCA S.A. ("EPCA") – belonging to Pampa Energía S.A. ("Pampa Energía") – which exercises significant influence in CIESA.

The current ownership of CIESA's common stock is the result of the first stage of the Master Settlement and Mutual Release Agreement, signed on April 16, 2004 by Petrobras Argentina Group and subsidiaries of Enron Corp. ("Enron") as of such date. The shareholding exchange was carried out on August 29, 2005, after ENARGAS approval by Note No. 4,858 issued in July 2005. At that time, Enron subsidiaries transferred 40% of the outstanding share capital of CIESA to the Trust; and Petrobras Argentina Group transferred its TGS class "B" common shares (representing 7.35% of the outstanding share capital of TGS) to Enron subsidiaries. Later, and within the framework of a settlement agreement entered into among CIESA, Petrobras Argentina Group, Inversiones Argentina I, Pampa Inversiones S.A. (both related companies of Pampa Energía) and Pampa Energía, owner of the total amount of the financial indebtedness of CIESA as of July 13, 2012, CIESA transferred 34,133,200 TGS Class B common shares –representing 4.2962% in TGS- to Pampa Energía. It was agreed that upon obtaining the governmental approval, Pampa Group will receive shares representing 40% of CIESA's capital stock which are held in the Trust. As of the date of issuance of these Financial Statements, ENARGAS has expressed no objections to the transfer of share, remaining pending the approval by the *Comisión Nacional de Defensa de la Competencia*.

### 2. CONSOLIDATED FINANCIAL STATEMENTS

TGS presents its consolidated financial statements for the years ended December 31, 2014 and 2013 in compliance with the provisions of Title IV, Chapter I, Section I, Article b.1) of the Rules of the *Comisión Nacional de Valores* ("CNV") ("New Text 2013" or "NT 2013") adopted by General Resolution No. 622/13. In these consolidated financial statements as of December 31, 2014, TGS and Telcosur S.A., its consolidated subsidiary, are jointly referred to as "the Company".

### 3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the International Financial Interpretations Committee ("IFRIC").

## TRANSPORTADORA DE GAS DEL SUR S.A.

Notes to the Consolidated Financial Statements as of December 31, 2014 and comparative information  
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

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NT 2013 mandates the application of Technical Resolution (“TR”) N° 26 and TR N° 29 approved by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (“FACPCE”). Both TRs establish that certain Argentine companies which are subject to the Argentine Public Offering Regime (Law No. 26,831) should adopt IFRS issued by the IASB.

Therefore, the Company fully adopted IFRS for the first time from January 1, 2012. All IFRS effective at the date of the preparation of these financial statements were applied.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting fiscal year. Estimates are used when accounting for the allowance for doubtful accounts, income taxes, provisions for legal claims and others, impairment of property, plant and equipment, and present value of long term receivables. Actual results could be significantly different from such estimates.

The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. The assets and liabilities are those expected to be recovered or settled within twelve months after the end of the reporting period under review, and those held for sale. The fiscal year begins on January 1 and ends on December 31 of each year. The economic and financial results are presented on a fiscal year basis.

The consolidated financial statements are stated in thousands of Argentine pesos (“Ps.” or “pesos”), the functional currency of the Company and its subsidiary, unless otherwise stated. For further information, see Note 4.c.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **a) New accounting standards**

##### **New standards and interpretations issued by the IASB effective for the periods beginning on or after January 1, 2014 adopted by the Company**

Below is a description of the standards, amendments and interpretations to existing standards that have been issued and were mandatory for the Company’s fiscal periods beginning on or after January 1, 2014:

##### IAS 32 "Financial Instruments - Presentation"

In December 2011, the IASB has issued an amendment to the application guidance in IAS 32 “Financial Instruments - Presentation”, to clarify some of the requirements for offsetting financial assets and liabilities on the statements of financial positions. This amendment do not change the current offsetting model in IAS 32, which requires an entity to offset a financial asset and financial liability in the statement of financial position only when the entity currently has a legally enforceable right of set-off and intends either to settle the asset and liability on a net basis or to realize the asset and settle the liability simultaneously. The amendment disclosures will require more extensive disclosures than are currently required under IFRS.

The amendment does not have impact in the Company’s financial position and results of operations.

##### IFRIC 21 "Levies"

IFRIC 21 provides guidance for the accounting for an obligation to pay a levy by government that is not income tax, both for levies that are accounted for in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and those where the timing and amount of the levy is certain. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized.

The application of this interpretation has had no material impact on Company’s financial position and result of operations.

## TRANSPORTADORA DE GAS DEL SUR S.A.

Notes to the Consolidated Financial Statements as of December 31, 2014 and comparative information  
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

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### **New standards and interpretations issued by the IASB not effective for the periods beginning on January 1, 2014 and that have not been earlier adopted by the Company**

Below is a description of the standards, amendments and interpretations to existing standards that have been issued and are mandatory for the Company's fiscal periods beginning on or after January 1, 2015 or later and which have not been early adopted by the Company:

#### Annual improvements to IFRSs 2010 – 2012 Cycle

The annual improvement to IFRSs 2010 – 2012 Cycle include six amendments to IFRSs issued by the IASB, among them: IFRS 8 "Segment Reporting" and IAS 24 "Related Party Disclosures". These amendments added new disclosures to be included in the financial statements.

These amendments will be applicable for annual periods beginning on or after July 2014, with earlier application permitted.

The Company is currently analyzing the impact of the new disclosure requirements.

#### Annual improvements to IFRSs 2011 – 2013 Cycle

The annual improvement to IFRSs 2011 – 2013 Cycle include three amendments to IFRSs issued by the IASB, among them IFRS 13 "Fair Value Measurement. IFRS 13 shall apply to all other pronouncements that require or allow measurement at fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability. The standard provides a three-level hierarchy of methods for arriving at fair value.

These amendments will be applicable for annual periods beginning on or after July 2014, with earlier application permitted.

The Company is currently analyzing the impact of the new disclosure requirements.

#### IFRS 15 Revenue from contracts with customers

In May 2014, IFRS 15 was issued which establishes a single model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation. IFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The new revenue recognition model established in IFRS 15 is applicable to all contracts with customers, except lease contracts, insurance contracts and financial instruments. The recognition of interest and dividends are not under the scope of this standard.

IFRS 15 will be applicable for annual periods beginning on or after January 1, 2017, with earlier application permitted.

The Company is currently analyzing the impact of IFRS 15 requirements.

#### IFRS 9 Financial instruments

In July 2014 a new revised version of IFRS 9 was issued. The complete version of IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. There is now a new expected

## TRANSPORTADORA DE GAS DEL SUR S.A.

Notes to the Consolidated Financial Statements as of December 31, 2014 and comparative information  
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

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credit losses model that replaces the incurred loss impairment model used in IAS 39. Also, new requirements to classify and measure financial assets were included in this version.

IFRS 15 will be applicable for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The Company is yet to assess IFRS 9's full impact.

### Annual improvements to IFRSs 2012 – 2014 Cycle

The annual improvement to IFRSs 2012 – 2014 Cycle include four amendments to IFRSs issued by the IASB, among them IAS 34 "Interim financial reporting". The standard requires new disclosures to be included in the interim financial statements.

These amendments will be applicable for annual periods beginning on or after July 2016, with earlier application permitted.

The Company is currently analyzing the impact of the new disclosure requirements.

### Amendments to IAS 1 "Presentation of financial statements".

In December 2014, the IASB issued amendments to IAS 1. The amendments aim is to clarify the guidance included in IAS 1 for the presentation of financial statements. Amendments to IAS 1 make the following changes:

- Introduced modifications to the guidance included in IAS 1 regarding materiality considerations.
- The amendment add additional examples of possible ways of ordering the notes to clarify that understandability and comparability

These amendments will be applicable for annual periods beginning on or after January 2016, with earlier application permitted.

The Company is currently analyzing the impact of the new disclosure requirements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

## **b) Consolidation**

### **Subsidiary**

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Furthermore, Telcosur is the only consolidated subsidiary of the Company and its financial statements as of December 31, 2014 have been used for consolidation purposes. Detailed data reflecting subsidiary control as of December 31, 2014 and 2013 is as follows:

## TRANSPORTADORA DE GAS DEL SUR S.A.

Notes to the Consolidated Financial Statements as of December 31, 2014 and comparative information  
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

<b>Company</b>	<b>% of shareholding and votes</b>	<b>Country</b>	<b>Closing date</b>	<b>Main activity</b>
Telcosur S.A.	99.98	Argentina	December 31	Telecommunication Services

### Associates

Associates are entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Company accounted for the investments in its associates, on the basis on the financial statements as of September 30, 2014 of Link, Transporte y Servicios de Gas en Uruguay SA ("TGU") and Emprendimientos de Gas del Sur S.A. ("EGS"). The Company's management is not aware of any significant subsequent events which affected the financial statements as of September 30, 2014 of Link, TGU and EGS, from this date to December 31, 2014.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognized in the Company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Furthermore, as of December 31, 2014, investment in Gas Link S.A. ("Link") has been reduced to zero in the extent that it recorded a shareholder's equity below zero. As of the date of issuance of these financial statements, has not incurred in any legal or constructive obligation or made payments on behalf of the associate. As of December 31, 2013, the investment in Link has been adjusted by Ps. 3,500 due to the elimination of the unrealized intercompany gains.

Dilution gains and losses arising in investments in associates are recognized in the statements of comprehensive income.

In the table below, associates are disclosed, together with the percentage of shareholding and voting as of December 31, 2014 and 2013:



## TRANSPORTADORA DE GAS DEL SUR S.A.

Notes to the Consolidated Financial Statements as of December 31, 2014 and comparative information  
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

<u>Company</u>	<u>% of shareholding</u>	<u>Country</u>	<u>Main activity</u>	<u>Closing date</u>
TGU	49.00	Uruguay	Pipeline Maintenance	December 31
EGS	49.00	Argentina	Pipeline exploitation and construction	December 31
Link	49.00	Argentina	Pipeline exploitation and construction	December 31

### c) Foreign currency translation

#### Functional and presentation currency

Items included in the financial statements of each of the Company's entities (TGS and Telcosur) are measured using the Argentine Pesos, which is the currency of the primary economic environment in which these entities operate ('the functional currency'). The consolidated financial statements are presented in Argentine Pesos, which is the Company's presentation currency.

These consolidated financial statements have been prepared under the historical cost convention in nominal currency according to IFRS, the applicable criterion for non-hyperinflationary economies. In this sense, these consolidated financial statements have been prepared in accordance with IAS 29.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss for the year.

Foreign exchange gains and losses are presented in the statement of comprehensive income within financial income and financial expenses, as appropriate.

#### Associates

One of the associates, TGU has a functional currency other than the Argentine peso. Assets, liabilities and results were converted into Argentine pesos at the exchange rate prevailing at the end of each fiscal year, and its common stock and retained earnings at its historical exchange rate.

### d) Financial instruments

#### Classification

Financial assets are classified into the following categories:

1. Financial assets at fair value through profit or loss: Includes financial assets held for trading or selling in the near future. The Company includes in this category balances in mutual funds and public and private bonds, which are valued at fair value at each closing date.
2. Financial assets held to maturity: Within this category, TGS includes non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the intent and ability to hold to maturity. The Company includes in this category fixed term deposits.
3. Loans and other receivables. Within this category the Company includes financial assets with fixed or determinable payments that are not quoted in an active market. Current assets are included, except those whose maturity exceeds twelve months, which are included as non-current assets. The Company

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includes in this category bank accounts and cash on hand, the loan granted to Pampa Energía, trade receivables and other receivables.

4. Financial assets available for sale. Financial assets available for sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. At December 31, 2014 and 2013, there are no instruments classified in this category.

Financial liabilities are classified into the following categories:

1. Financial liabilities at fair value through profit or loss: Includes financial liabilities held for trading. At December 31, 2014 and 2013, there are no instruments classified in this category.
2. Other financial liabilities: Within this category the Company includes financial liabilities with fixed or determinable payments that are not quoted in an active market. Current liabilities are included, except those whose maturity exceeds twelve months, which are included as non-current liabilities. The Company includes in this category trade payables, loans, payroll payables, derivative financial instruments and other payables except for investing in associates.

The classification of the financial instruments depends on the nature and purpose of the financial assets and liabilities and is determined at the time of initial recognition.

### Recognition and measurement

Financial assets are initially measured at fair value, net of transaction costs except for those financial assets classified at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at their fair value recognizing the corresponding interest charge. Financial assets available for sale and financial assets at fair value through profit or loss are subsequently recorded at fair value. Loans and receivables and financial assets held to maturity are subsequently recorded at amortized cost in accordance with the method of the effective rate of interest, less, if applicable, impairment losses.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Financial Income' in the period in which they arise.

Financial liabilities at fair value through profit or loss are initially and subsequently recorded at fair value. Other financial liabilities, including loans, are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate, recognizing the corresponding interest charge.

### **Impairment of financial assets at amortized cost**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired and if so, an impairment charge is recorded. Impairment losses are incurred if there is objective evidence of impairment as a result of one or more events occurring after initial recognition of the asset and that event (or events) has a negative impact on the estimated future projected cash flows of the financial asset or group of financial assets that can be reliably estimated. For this, the Company evaluates several factors, including the credit risk of customers, historical trends and other available information.

The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognized in the statement of comprehensive income at the time it occurs. If in subsequent periods, the amount of the impairment loss decreases, the reversal is also recorded in the statement of comprehensive income.

### **Offsetting of financial instruments**

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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### e) Derivative financial instruments

Derivative financial instruments are recognized at their fair value at inception and subsequently measured at their fair value and disclosed as assets or liabilities depending if it is gain or loss. The results of derivative financial instruments are classified under "Financial expenses" in the statement of comprehensive income.

Derivative financial instruments have been measured in accordance with IFRS 13.

The Company manages exposures to foreign exchange risks using hedging instruments that provide the appropriate economic outcome. The hedging instruments used include currency forward contracts. The Company does not use derivative financial instruments for speculative purposes.

As of December 31, 2014, the Company entered into currency forward agreements with major financial institutions for the purchase of U.S. dollars, which are disclosed under "derivative financial instruments" in the statement of financial position. A decrease of financial expenses for the fiscal year 2014 is recognized in the statement of comprehensive income within "derivative financial instruments result".

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument or not and, according to the nature of the item being hedged. As of the date of the issuance of these financial statements, the Company has not applied hedge accounting in any of its outstanding derivative financial instruments.

### f) Inventories

Inventories consist of natural gas (in excess of the "Line Pack" classified as property, plant and equipment) in the Company's pipeline system, and the liquids obtained from natural gas processing at the Cerri Complex.

Inventories are measured at the lower of cost or net realizable value. Cost is determined using the weighted average price method. The cost of inventories includes expenditure incurred in purchasing and production and other necessary costs to bring them to their existing location and condition.

The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs to make the sale.

The assessment of the recoverable value of these assets is made at each reporting date, and the resulting loss is recognized in the statement of comprehensive income when the inventories are overstated.

### g) Trade receivables, other receivables and trade payables

Trade receivables and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for trade receivables.

An allowance for trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments, including the customers' credit risk, historical trends and other relevant information are considered indicators that such receivables are impaired. Such evaluation may require future adjustments if economic conditions substantially differ from the assumptions made.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income within selling expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the statement of comprehensive income.

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Tax credits (income tax and value added tax -“VAT”) recorded as a result of the reversion of the tariff increase (Note 16.a.) have been valued at the discounted value of the amounts expected to be collected using a market interest rate.

Trade payables have been initially valued at their fair values and subsequently at their amortized cost, using the effective interest method.

### **h) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank accounts, fixed term deposits and other short-term highly liquid investments with original maturities of three months or less.

### **i) Other financial assets at fair value through profit or loss**

The Other financial assets at fair value through profit or loss consist of public and private bonds and mutual funds not considered as cash equivalents.

Initially they were recognized at fair value and subsequently measured at fair value through profit or loss.

Results from Other financial assets at fair value through profit or loss are recognized in the Statement of Comprehensive Income as "Financial Income".

### **j) Property, plant and equipment**

The Company elected to measure items of property, plant and equipment at price-adjusted values in accordance with previous GAAP as "deemed cost" as of the transition date to IFRSs. Property, plant and equipment are recorded at cost, less accumulated depreciation and impairment losses, if any. Historical cost comprises the purchase price and any costs directly attributable to the acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income when they are incurred.

Property, plant and equipment (“PP&E”) are comprised as follows:

- Assets transferred from the privatization of GdE: The value of these assets was determined based on the price paid for the acquisition of 70% of the Company's common stock, which amounted to US\$ 561.2 million. This price was the basis to determine a total value of common stock of US\$ 801.7 million, which, when added to the debt assumed under the Company's privatization agreement (the “Transfer Agreement”) of US\$ 395.0 million, resulted in a total value for property, plant and equipment of US\$ 1,196.7 million. Such value, converted at the exchange rate in effect as of the date of the Transfer Agreement, has been restated for the effects of inflation.
- Line pack: It represents the natural gas in the transportation system that is necessary to keep the system at operating capacity, valued at acquisition cost and restated for the effects of inflation.
- Additions: They have been valued at acquisition cost restated for the effects of inflation. The Company has capitalized all the investments stipulated as mandatory in the License during the first five-year period, in order to achieve system integrity and public safety equal to those required by international standards. Such investments included, among others, the costs of survey programs related to internal and external pipeline inspection, cathodic protection and pipeline replacement and recoating. Additionally, Resolutions No. 1,660 and No. 1,903 issued by ENARGAS include definitions prescribing which costs should be considered improvements and which costs should be considered maintenance expenses. Repair and maintenance costs have been expensed as incurred.

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- Capitalization of foreign exchange loss: Resolutions No. 3/2002 and No. 87/03 issued by the CPCECABA established that exchange losses arising from the devaluation of the peso from January 6, 2002 to July 28, 2003, to the extent that they were related to foreign currency liabilities existing at the first date, may be added to the cost basis of assets acquired or constructed with direct financing by such foreign currency liabilities.

Accumulated depreciation related to natural gas transportation assets is computed under the straight-line method over the estimated useful lives of the specific assets, which are lower than the maximum useful lives established by ENARGAS through Resolutions No. 1,660 and No. 1,903.

For depreciation of all other property, plant and equipment, the Company uses the straight-line method of depreciation and applies the annual depreciation rates disclosed in Note 11.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of comprehensive income.

Capitalized foreign exchange loss is depreciated over the remaining useful lives of the assets that led to such capitalization.

In accordance with IAS 23, the Company capitalizes financial expense on long term construction projects. Financial expense capitalized was Ps. 10,409, Ps. 7,245 and 5,924 for the years ended December 31, 2014, 2013 and 2012.

### **Impairment of non-financial assets**

At each statement of financial position date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss (e.g. significant decreases in the market value of assets, in the prices of the main products sold by the Company, as well as changes in the regulatory framework for the Company's activities, significant increases in operating expenses, or evidence of obsolescence or physical damage). If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of income.

Where an impairment loss subsequently reverses the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. To such end, the Company makes estimates and assumptions of the economic conditions that will prevail throughout the useful life of the assets. As a result of the factors mentioned above, actual cash flows and values could vary significantly from projected cash flows and the values derived from the discounting techniques used.

As of December 31, 2014 and 2013 the carrying value of PP&E does not exceed their recoverable value.

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### k) Loans granted to related companies

They were initially measured at fair value and subsequently the loan to Pampa Energía is measured at amortized cost.

Loans to related parties consist of the balance of the loan granted to Pampa Energía (for further information see Note 19).

### l) Loans

Loans have been initially recorded at the amount received. Subsequently, loans are valued at their amortized cost.

### m) Income tax and deferred income tax

Income tax includes current tax and deferred income tax. The current income tax is calculated on the basis of tax regulations in force at each year-end. Management periodically evaluates positions taken in tax returns with respect to situations in which tax regulations are subject to interpretation and establishes provisions if applicable. As of December 31, 2014 and 2013, there are no provisions for this concept.

The Company has calculated their respective income tax charges using the deferred tax method, which considers the effect of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

To estimate deferred tax assets and liabilities, the tax rate expected to be in effect at the time of utilization was applied to identify temporary differences based on the legal requirements effective at the date of preparation of these consolidated financial statements.

A deferred tax is recognized on the temporary differences arising from investments in subsidiaries and associates, except for deferred tax liabilities where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to offset recognized amounts and when deferred tax assets and liabilities relate to income tax levied by the same tax authority on the same taxable entity or different taxable entities that intend to settle tax assets and liabilities on a net basis. Current and deferred tax assets and liabilities have not been discounted. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

### n) Asset tax

The Company is subject to the *Impuesto a la Ganancia Mínima Presunta* (the Asset Tax Law). The asset tax is calculated on an individual entity basis at the statutory tax rate of 1%, and is based upon the taxable assets of each Argentine entity as of the end of the year. This tax is complementary to income tax and the Company is required to pay the greater of the income tax or the asset tax. Any excess of the asset tax over the income tax may be carried forward and recognized as a payment on account of any excess of income tax over asset tax occurring within the subsequent ten years.

As of December 31, 2014 and 2013, the Company has not recorded any provision in respect of the asset tax because the determined amounts do not exceed what has been estimated for the income tax.

### o) Provisions

The Company has recorded provisions related to legal actions, judicial court, claims and administrative proceedings, including those of legal and regulatory nature.

Provisions for legal claims and/or claims by third parties ("legal claims and others") are recorded when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be

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required to settle the obligation; and the amount has been reliably estimated. Estimates are reviewed and adjusted, as the Company obtains additional information.

### p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and/or services supplied. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

Tax on exports and turnover tax are disclosed as Selling Expenses.

Natural Gas transportation services includes: (i) firm natural gas transportation, whose revenues are recognized when the capacity is reserved and paid for regardless of actual usage by the customer and (ii) interruptible natural gas transportation whose revenues are recognized at the inception of the rendering of the service.

Liquids Production and Commercialization services includes: (i) Liquids production and commercialization for its own account and on behalf of third parties, whose revenues are recognized at the time of the delivery of the liquids to the customers, and (ii) Other Liquids services, which corresponds mainly to the receipt, storage and dispatch from facilities located in Puerto Galván, and whose sales revenues are recognized when the service is provided.

Services from Other Services segment primarily consist of the treatment, removal of impurities and natural gas compression, as well as inspection and maintenance of pipelines and compressor plants and services of steam generation for electricity production.

Also, TGS provides telecommunications services provided through Telcosur. Revenues in this segment are recognized when the service is provided.

### q) Advances from customers

Mainly consist of pre-payments for the transportation of natural gas services made by customers in order to finance pipeline expansion works. Advances from customers are recognized initially at their fair value. Subsequent to initial recognition, advances from customers are measured at their amortized cost which is higher than the cost of rendering the gas transportation services that will cancel said advances.

### r) Equity accounts

The activity in the Equity accounts reflects resolutions adopted by Shareholders in their meetings, or the effects of the laws or regulations in force.

#### Common stock

The common stock consists of contributions made by shareholders represented by shares and comprises outstanding shares at their nominal value.

#### Adjustment to common stock

Common stock accounts were restated in constant currency in accordance with previously applicable accounting standards in Argentina to the implementation of IFRS. Common stock account was kept at nominal value and the adjustment arising from such restatement is shown under "Inflation Adjustment to common stock".

Common stock adjustment is not distributable in cash or in kind but may be capitalized through issuance of shares. In addition, this balance may be used to compensate accumulated losses in accordance with the compensation method specified under "Accumulated Retained earnings".

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### Legal Reserve

Pursuant to the provisions of the Argentine Business Association Law and the CNV, the Company is required to set up a legal reserve by providing at least 5% of the aggregate amount of net income for the year, prior year adjustments, transfers of other comprehensive income to retained earnings and accumulated losses of prior years, when this aggregate amount exceeds zero until the legal reserve equals 20% of the sum of Capital stock and Adjustment to capital stock balances.

### Future dividends reserve

Corresponds to the remaining balance of the appropriation made by the General Annual Shareholders' Meeting held on April 30, 2014, for which a specific amount was intended to constitute a special future dividends reserve.

In addition, the Shareholders delegated on the Company's Board of Directors the determination of the date and amount of the dividend distribution until the following Ordinary Shareholders' Meeting that will approve the financial statements as of December 31, 2014.

### Future Capital Expenditures Reserve

The Company's Shareholders' Meeting allocates a specific amount to establish a special Reserve to develop the Company's investment activities.

### Distribution of dividends

The cash dividend is recognized as a liability in the Company's financial statements in the year in which they are approved by the shareholders of the Company or the Board of Directors according to the powers delegated by the Shareholders' Meeting, as appropriate.

### Retained earnings

Until December 2011, the outstanding balance of retained earnings includes accumulated gains or losses which were not allocated to a specific purpose reserve and, when positive, may be distributed pursuant to the decision of the Shareholders provided these retained earnings are not subject to legal restrictions, as mentioned above "Legal reserve".

General Resolution N° 593/2011 issued by the CNV provided that Shareholders in the Meetings at which they should decide upon the approval of financial statements in which the Retained earnings account has a positive balance, should adopt an express resolution as to the allocation of such balance, whether to dividend distribution, capitalization, setting up of reserves or a combination of these.

### **s) Basic and diluted earnings per share**

Basic earnings per share as of December 31, 2014 and 2013 were calculated by dividing the amount of income or loss attributable to Shareholders of the Company by the weighted average number of ordinary shares outstanding during the fiscal year (794,495,283 shares). Since the Company does not have preferred shares or debt convertible into shares, basic and diluted earnings per share are the same.

### **t) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The Company's CODM is the Board of Directors. Business segment information is provided in note 7 below.



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### u) Dividend distribution

The cash dividend is recognized as a liability in the Company's financial statements in the year in which they are approved by the shareholders of the Company or the Board of Directors according to the powers delegated by the Shareholders' Meeting, as appropriate.

Dividends distributed during years ended December 31, 2014, 2013 and 2012 amounted to Ps. 260,525 (Ps. 0.33 per share), Ps. 118,291 (Ps. 0.15 per share) and Ps. 150,000 (Ps. 0.189 per share), respectively.

As of the date of issuance of these financial statements, Telcosur has distributed cash dividends. On May 16, 2014, according to resolutions of the Ordinary Shareholders Meeting of Telcosur, payment of cash dividends to TGS was Ps. 10,152.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting policies are those that are most important to the portrayal of the Company's financial condition, results of operations and cash flows, and require management to make difficult, subjective or complex judgments and estimates about matters that are inherently uncertain. Management bases its estimates on various factors, including past trends, expectation of future events regarding the outcome of events and results and other assumptions that it believes are reasonable.

Actual results could differ from estimates used in employing the critical accounting policies and these could have a material impact on the Company's results of operations. The Company's critical accounting policies are discussed below:

### *(a) Impairment of property, plant and equipment*

The Company considers each of its business segments to be a single cash generating unit. Accordingly, the Company evaluates the carrying value of its property, plant and equipment on a segment-by-segment basis at the end of each fiscal year. In addition, the Company periodically evaluates the carrying value of its property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The calculation of the value in use is based on the definition of discounted future cash flows. The projected cash flows are prepared taking into account: (i) projections of the price of liquids and purchase cost of natural gas used as raw material associated with the Liquids and Commercialization segment, (ii) estimates relating to the timing, type and amount of the tariff increase and the recognition of cost adjustments for the Natural Gas Transportation segment, (iii) projections of the future costs to be incurred by the Company, (iv) the use of certain macroeconomic variables such as interest rates, inflation, foreign exchange rates. The discount rate is the weighted average cost of capital ("WACC").

The Company recorded no impairment losses of components of property, plant and equipment at December 31, 2014 and 2013.

Due to the uncertainties surrounding the tariff renegotiation process as describes in Note 16.a), estimates of future tariff adjustments are highly uncertain and there is a substantial risk that these estimates could prove to be materially different from actual future tariffs. For this reason the Company performed probability-weighted analysis as to the cash flow assumptions considered in performing an impairment test of its natural gas transportation business segment at the end of each year. TGS considered two different scenarios:

- a) Scenario 1: the Company is able to reach an agreement with the Argentine government regarding a tariff increase ("Scenario 1"); and
- b) Scenario 2: the Company is unable to reach an agreement with the Argentine government, resulting in no tariff increase during the remaining term of our License, including the entire extension period ("Scenario 2").

As of December 31, 2014, TGS assigned a probability of occurrence of 95% to Scenario 1, and a probability of occurrence of 5% to Scenario 2.

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In performing the analysis for Scenario 1, because the terms of an agreement with the Argentine government are also uncertain, TGS developed three different projected cash flow streams based on the timing, type and amount of the tariff increase based on the renegotiation process with the Argentine government, namely a) the base case, b) the optimistic case, and c) the pessimistic case and assigned a portion of the overall probability of occurrence of 95% to each projected cash flow: 50%, 10% and 35%, respectively. Specific details of each cash flow streams as of December 31, 2014 were based on: (a) the status of the negotiations with the Argentine government, (b) the status of the legal actions initiated by TGS in order to obtain the implementation of the tariff increase included in the 2008 Transitional Agreement and upheld by the Decree No. 1,918/09, (c) the current regulatory framework, (d) recent experiences and renegotiation agreements signed by other gas and electricity utility peers and (e) management's expectations regarding other measures that management believes are likely to be taken by the Argentine government to deal with the present economic situation of gas and electricity utilities. Each of these cash flow scenarios included assumptions related to: (i) the implementation of an initial tariff increase as contemplated by the Decree No. 1,918/09, (ii) the enactment of the License Renegotiation Agreement with the UNIREN, which was accepted by TGS (but has not been executed) and which contemplates different magnitudes and timings of the tariff review, and (iii) the magnitude and timing of the semi-annual tariff review mechanism that would permit adjustment in the tariff to reflect movements in general cost indices.

Based on those estimations, the estimated discounted cash flows were higher than the carrying amount of such assets as of December 31, 2014.

Up to 60% increase in the weighted probability of the pessimistic case (from 35% to 95%) and a similar reduction in the probability of occurrence of the optimistic case and base case being it equal to zero would not generate adjustment for impairment.

### *(b) Allowances for doubtful accounts*

The Company provides for doubtful accounts relating to its accounts receivables. The allowance for doubtful accounts is based on management's evaluation of various factors, including the credit risk of customers, historical trends and other information. While management uses the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluations. Management has considered all events and/or transactions that are subject to reasonable and normal methods of estimation, and the consolidated financial statements reflect that consideration.

### *(c) Provisions for legal claims and others*

The Company has certain liabilities with respect to existing court or out-of-court claims, lawsuits and other proceedings, including those involving legal and regulatory matters. The Company records liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such provisions are based on developments known at the date of the issuance of these consolidated financial statements, estimates of the outcome of these matters and the experience of its legal counsel in contesting, litigating and settling other matters. As the scope of the liabilities become better defined, there will be changes in the estimates of future costs, which could have a material effect on the Company's future results of operations and financial condition or liquidity.

## **6. SUPPLEMENTAL CASH FLOW INFORMATION**

For purposes of the consolidated statement of cash flows, the Company considers all highly liquid temporary investments with an original maturity of three months or less at the time of purchase to be cash equivalents. The cash flow statement has been prepared using the indirect method, which requires a series of adjustments to reconcile net income for the period to net cash flows from operating activities.

Cash and cash equivalents at the end of the year ended December 31, 2014 and 2013 are as follows:

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	2014	2013	2012
Acquisition of property, plant and equipment through an increase in Trade payable	44,159	31,738	8,672
Financial charges capitalization	10,409	7,245	5,923

### 7. CONSOLIDATED BUSINESS SEGMENT INFORMATION

IFRS 8 “Operating Segments” requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance. The Company’s CODM is the Board of Directors.

The CODM evaluates the business based on the differences in the nature of the Company’s products and services. The business segment information is reported consistently with the information reviewed by the Board of Directors. The amount reported for each segment item is the measure reported to the CODM for these purposes. This measure is the operating profit / deficit.

Operating segments identified are disclosed as reportable segments if they meet any of the following quantitative thresholds:

- Reported revenues of the operating segments are 10% or more of the combined revenue, internal and external, of all operating segments;
- The absolute amount of reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- Assets are 10 per cent or more of the combined assets of all operating segments

As well as this, the operating segments that do not meet any of the quantitative thresholds can be considered as reportable segments if the management estimates that this information could be useful for the users of the financial statements.

If, after determining reportable segments in accordance with the preceding quantitative thresholds, the total external revenue attributable to those segments amounts to less than 75% of the total Company’s consolidated external revenue, additional segments are identified as reportable segments, even if they do not meet the thresholds described above, until at least 75% of the Company’s consolidated external revenue is included in reportable segments.

Segment information has been prepared and classified according to different types of businesses in which the Company conducts its activities. The four reportable segments under IFRS 8 are as follows:

- Natural Gas Transportation: revenues of this business segment are derived mainly from firm contracts, under which pipeline capacity is reserved and paid for regardless of actual usage by the customer. The Company also provides interruptible natural gas transportation services subject to available pipeline capacity. In addition, TGS renders operation and maintenance services of the Natural Gas Transportation facilities, which belong to certain gas trusts (fideicomisos de gas) created by the Argentine Government to expand the capacity of the Argentine natural gas transportation pipeline system. This business segment is subject to ENARGAS regulation.
- Production and Commercialization of Liquids: Liquids production and commercialization activities are conducted at Cerri Complex, which is located, near the city of Bahía Blanca in the Province of Buenos Aires. In the Cerri Complex, ethane, LPG and natural gasoline are extracted from the natural gas, which arrives through three main pipelines from the Neuquén and Austral natural gas basins. TGS sells its production of liquids in the domestic and the international markets. TGS sells part of its production of propane and butane to liquids marketers in the domestic market. The remainder of these products and all

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of its natural gasoline are exported at current international market prices. Ethane is entirely sold in the domestic market to PBB-Polisur S.A. at agreed prices.

- **Other services:** Midstream services include natural gas treatment, separation, and removal of impurities from the natural gas stream, as well as natural gas compression, rendered at the wellhead typically for natural gas producers. In addition, TGS provides services related to pipeline and compression plant construction, operation and maintenance of pipelines and compressor plants services, as well as steam generation for electricity production.
- **Telecommunications:** Telecommunication services are rendered through Telcosur, a company controlled by TGS. Telcosur provides services as an independent carrier of carriers to leading telecommunication operators and corporate customers located in its service area.

During 2014, in accordance with the quantitative thresholds, reportable segments were modified. The comparative information as of and for the year ended December 31, 2013 presented has been adjusted retrospectively for the sake of comparability.

Detailed information on each business segment for the years ended December 31, 2014 and 2013 is disclosed below:

Year ended December 31, 2014					
	Production and				Total
	Natural Gas Transportation	Commercialization of Liquids	Other Services	Telecommunications	
Revenue from sales <sup>(1)</sup>	744,089	3,243,299	256,716	59,867	4,303,971
Cost of sales	(626,658)	(1,828,312)	(90,439)	(20,126)	(2,565,535)
Administrative expenses	(121,994)	(30,814)	(8,532)	(2,144)	(163,484)
Selling expenses	(35,339)	(574,501)	(32,148)	(5,371)	(647,359)
Other operating (expenses) / income	(2,509)	7,192	232	6	4,921
<b>Operating profit</b>	<b>(42,411)</b>	<b>816,864</b>	<b>125,829</b>	<b>32,232</b>	<b>932,514</b>
Depreciation of property, plant and equipment	(189,524)	(48,112)	(16,675)	-	(254,311)

<sup>(1)</sup> Revenues from sales from Production and Commercialization of Liquids segment includes Ps. 85,945 of National Government subsidies.

Identifiable assets	5,069,464	739,076	314,616	51,264	6,174,420
Identifiable Liabilities	3,494,144	602,655	189,031	21,046	4,306,877

	Production and				Total
	Natural Gas Transportation	Commercialization of Liquids	Other Services	Telecommunications	
External market	-	1,490,853	-	-	1,490,853
Local market	744,089	1,752,446	256,716	59,867	2,813,118

Year ended December 31, 2013					
	Production and				Total
	Natural Gas Transportation	Commercialization of Liquids	Other Services	Telecommunications	
Revenue from sales <sup>(1)</sup>	661,023	2,065,321	109,153	29,489	2,864,986
Cost of sales	(521,893)	(994,714)	(64,351)	(14,361)	(1,595,319)
Administrative expenses	(95,641)	(16,978)	(3,372)	(1,734)	(117,725)
Selling expenses	(28,606)	(404,599)	(21,466)	(2,693)	(457,364)
Other operating income / (expenses)	14,569	(2,127)	(317)	(71)	12,054
<b>Operating profit</b>	<b>29,452</b>	<b>646,903</b>	<b>19,647</b>	<b>10,630</b>	<b>706,632</b>
Depreciation of property, plant and equipment	(179,646)	(47,039)	(16,232)	-	(242,917)

<sup>(1)</sup> Revenues from sales from Production and Commercialization of Liquids segment includes Ps. 53,467 of National Government subsidies.

Identifiable assets	4,974,062	783,159	287,265	28,424	6,072,910
Identifiable Liabilities	3,410,823	470,740	155,253	13,012	4,049,828

	Production and				Total
	Natural Gas Transportation	Commercialization of Liquids	Other Services	Telecommunications	
External market	-	1,135,147	-	-	1,135,147
Local market	661,023	930,174	109,153	29,489	1,729,839

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Year ended December 31, 2012					
	Production and				
	Natural Gas	Commercialization of	Other	Telecommunications	Total
	Transportation	Liquids	Services		
Revenue from sales <sup>(1)</sup>	603,355	1,835,738	109,409	26,466	2,574,968
Cost of sales	(473,413)	(791,110)	(74,974)	(12,237)	(1,351,734)
Administrative expenses	(79,040)	(13,330)	(331)	(1,567)	(94,268)
Selling expenses	(23,589)	(383,246)	(13,383)	(3,015)	(423,233)
Other operating income / (expenses)	(4,343)	355	18	4	(3,966)
<b>Operating profit</b>	<b>22,970</b>	<b>648,407</b>	<b>20,739</b>	<b>9,651</b>	<b>701,767</b>
Depreciation of property, plant and equipment	(173,338)	(44,918)	(15,414)	-	(233,670)

<sup>(1)</sup> Revenues from sales from Production and Commercialization of Liquids segment includes Ps. 45,338 of National Government subsidies.

Identifiable assets	4,503,166	733,414	298,242	17,903	5,552,725
Identifiable Liabilities	2,956,157	454,641	97,413	10,647	3,518,858

	Production and				
	Natural Gas	Commercialization of	Other	Telecommunications	Total
	Transportation	Liquids	Services		
External market	-	1,044,733	-	-	1,044,733
Local market	603,355	791,005	109,409	26,466	1,530,235

**8. SUMMARY OF SIGNIFICANT STATEMENT OF FINANCIAL POSITION AND STATEMENT OF COMPREHENSIVE INCOME ITEMS**

a) Other receivables

	2014		2013	
	Current	Non Current	Current	Non Current
Tax credits <sup>(1)</sup>	102,824	48,124	28,761	40,013
Prepaid expenses	14,008	-	13,453	-
Advances to suppliers	136,663	-	99,435	-
Subsidies receivables	50,527	-	32,939	-
Easements to be recovered	-	3,690	-	3,690
Others	11,586	4,366	30,490	4,126
<b>Total</b>	<b>315,608</b>	<b>56,180</b>	<b>205,078</b>	<b>47,829</b>

<sup>(1)</sup> As of December 31, 2014 and 2013, includes Ps. 44,977 and Ps. 36,866, respectively of income tax and VAT credits generated by the reversion of the tariff increase credit (see Note 16.a).

The breakdown of other receivables based on its currency of origin is the following:

	2014		2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	225,158	56,180	142,305	47,829
U.S. Dollars	81,848	-	44,051	-
Euros	8,602	-	18,722	-
<b>Total</b>	<b>315,608</b>	<b>56,180</b>	<b>205,078</b>	<b>47,829</b>

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b) Trade receivables

	2014		2013	
	Current	Non Current	Current	Non Current
<b>Commons</b>				
Natural Gas Transportation	108,235	-	79,129	-
Production and Commercialization of Liquids	172,379	-	241,900	-
Other services	73,935	47,157	43,584	38,136
<b>Related parties</b>				
Natural Gas Transportation	6,562	-	3,335	-
Production and Commercialization of Liquids	33,211	-	44,930	-
Other services	18,429	-	9,826	-
Allowance for doubtful accounts	(1,389)	-	(4,121)	-
<b>Total</b>	<b>411,362</b>	<b>47,157</b>	<b>418,583</b>	<b>38,136</b>

The breakdown of trade receivables based on its currency of origin is the following:

	2014		2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	282,502	41,288	197,399	38,136
U.S. Dollars	128,860	5,869	221,184	-
<b>Total</b>	<b>411,362</b>	<b>47,157</b>	<b>418,583</b>	<b>38,136</b>

The movement of the allowance for doubtful accounts is as follows:

<b>Balances as of January 1, 2012</b>	<b>31,173</b>
Additions <sup>(1)</sup>	127
Applications	-
Decreases	-
<b>Balances as of December 31, 2012</b>	<b>31,300</b>
Additions	-
Applications	(8,892)
Decreases <sup>(1)</sup>	(18,287)
<b>Balances as of December 31, 2013</b>	<b>4,121</b>
Additions	-
Applications	(2,525)
Decreases <sup>(2)</sup>	(207)
<b>Balances as of December 31, 2014</b>	<b>1,389</b>

<sup>(1)</sup> Included in Other operating expenses

<sup>(2)</sup> Included in Selling expenses

c) Cash and cash equivalents

	2014	2013
Cash and banks	334.873	112.297
Time deposits	445.310	778.218
Mutual funds	8.517	2.746
Bank account	720	551
<b>Total</b>	<b>789.420</b>	<b>893.812</b>

The breakdown of cash and cash equivalents based on its currency of origin is the following:

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	2014	2013
Argentine Pesos	554,643	826,325
U.S. Dollars	234,777	67,487
<b>Total</b>	<b>789,420</b>	<b>893,812</b>

d) Advances from customers <sup>(1)</sup>

	2014		2013	
	Current	Non Current	Current	Non Current
Aluar Aluminio Argentino S.A.C.I. ("Aluar")	6,742	158,464	6,742	165,206
Fideicomiso de Gas	-	-	5,852	-
Total Austral S.A. ("Total Austral")	4,770	5,565	4,770	10,335
YPF S.A. ("YPF")	2,262	11,728	-	13,498
Pan American Sur S.A. ("PAS")	3,180	3,710	3,180	6,890
Pan American Energy L.L.C. ("PAE")	2,182	62,817	-	64,821
PBB Polisor S.A. ("Polisor")	2,187	132,917	-	45,559
Otros	5,879	5,148	4,800	5,596
<b>Total</b>	<b>27,202</b>	<b>380,349</b>	<b>25,344</b>	<b>311,905</b>

<sup>(1)</sup> They are mainly related to the financing of TGS pipeline system expansion works for the rendering of firm transportation services contracted by such clients. The advance will be settled with the effective rendering of firm transportation service.

Advances from customers are denominated in pesos.

e) Other payables

	2014		2013	
	Current	Non Current	Current	Non Current
Dividends payable	36,796	-	-	-
Negative investment in associate	-	-	3,058	-
Provision for compensation for the Board of Directors and Supervisory Committee	1,574	-	1,077	-
Others	2,238	372	1,644	-
<b>Total</b>	<b>40,608</b>	<b>372</b>	<b>5,779</b>	<b>-</b>

Other payables are denominated in pesos.

f) Taxes payables

	2014		2013	
	Current	Non Current	Current	Non Current
Tax on exports	13,341	-	34,539	-
Turnover tax	3,745	-	3,332	-
Income tax	6,490	-	5,243	-
Others	20,593	-	5,371	-
<b>Total</b>	<b>44,169</b>	<b>-</b>	<b>48,485</b>	<b>-</b>

Taxes payables are denominated in pesos.

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g) Trade payables

	2014		2013	
	Current	Non Current	Current	Non Current
Suppliers	496,242	-	309,521	-
Customers (credit balances)	9,366	-	48,032	-
Related companies	38,304	-	27,386	-
<b>Total</b>	<b>543,912</b>	<b>-</b>	<b>384,939</b>	<b>-</b>

The breakdown of trade payables based on its currency of origin is the following:

	2014		2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	262,507	-	316,612	-
U.S. Dollars	281,405	-	68,327	-
<b>Total</b>	<b>543,912</b>	<b>-</b>	<b>384,939</b>	<b>-</b>

h) Cost of sales

	2014	2013	2012
Inventories at the beginning of the year	7,356	54,282	7,588
Natural gas purchases	1,591,315	744,249	681,768
Operating costs (Note 8.i)	995,995	804,144	716,660
Inventories at the end of the year	(29,131)	(7,356)	(54,282)
<b>Total</b>	<b>2,565,535</b>	<b>1,595,319</b>	<b>1,351,734</b>



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i) Expenses by nature – Information required under art. 64 paragraph I, clause B) Commercial Companies Law

Accounts	2014					
	Total	Operating expenses		Administrative expenses	Selling expenses	Financial expenses
		Regulated Activities	Non Regulated Activities			
Salaries, wages and other contributions	416,968	224,727	84,138	82,777	25,326	-
Social security taxes	74,640	37,074	15,027	17,136	5,403	-
Compensation to Directors and Supervisory Committee	4,595	-	-	4,595	-	-
Professional services fees	22,094	1,238	2,239	17,539	1,078	-
Technical operator assistance fees	69,966	3,000	66,966	-	-	-
Materials	26,597	11,079	15,518	-	-	-
Third parties services	41,059	15,650	20,567	4,842	-	-
Telecommunications and post expenses	3,543	252	690	2,461	140	-
Rents	1,802	411	122	1,092	177	-
Transports and freight	15,647	11,059	4,261	325	2	-
Easements	14,832	14,832	-	-	-	-
Offices supplies	1,669	560	208	820	81	-
Travels expenses	6,142	3,056	1,008	1,431	647	-
Insurance	19,125	11,386	6,853	841	45	-
Property, plant and equipment maintenance	113,011	79,984	29,713	2,718	596	-
Depreciation of property, plant and equipment	254,311	175,461	64,787	14,063	-	-
Taxes and contributions	686,707	47,016	17,320	8,825	613,546 <sup>(1)</sup>	-
Advertising	136	-	-	-	136	-
Doubtful accounts	(207)	-	-	-	(207)	-
Banks expenses	1,155	-	-	1,083	72	-
Interests expense	300,334	-	-	-	-	300,334
Foreign exchange loss	777,514	-	-	-	-	777,514
Other financial charges	47,456	-	-	-	-	47,456
Derivative financial instruments results	103,497	-	-	-	-	103,497
Costs of services rendered to third parties	18,740	-	18,740	-	-	-
Transactions among business segments	-	(17,299)	17,299	-	-	-
Other expenses	14,306	6,908	4,145	2,936	317	-
<b>Total 2014</b>	<b>3,035,639</b>	<b>626,394</b>	<b>369,601</b>	<b>163,484</b>	<b>647,359</b>	<b>1,228,801</b>

<sup>(1)</sup> Includes tax on exports of Ps. 511,600 for the year ended December 31, 2014.

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2013						
Accounts	Operating expenses					
	Total	Regulated Activities	Non Regulated Activities	Administrative expenses	Selling expenses	Financial expenses
Salaries, wages and other contributions	305,657	169,043	60,064	58,276	18,274	-
Social security taxes	55,159	27,184	10,736	13,290	3,949	-
Compensation to Directors and Supervisory Committee	2,957	-	-	2,957	-	-
Professional services fees	15,321	355	862	13,527	577	-
Technical operator assistance fees	52,952	6,425	46,527	-	-	-
Materials	18,790	5,886	12,904	-	-	-
Third parties services	30,706	11,140	14,801	4,765	-	-
Telecommunications and post expenses	2,847	474	595	1,569	209	-
Rents	1,354	310	95	882	67	-
Transports and freight	10,694	7,634	2,875	178	7	-
Easements	18,172	18,172	-	-	-	-
Offices supplies	1,068	362	131	444	131	-
Travels expenses	3,981	2,190	636	836	319	-
Insurance	15,733	9,099	5,491	1,117	26	-
Property, plant and equipment maintenance	83,193	54,970	25,807	2,025	391	-
Depreciation of property, plant and equipment	242,917	166,326	63,271	13,320	-	-
Taxes and contributions	488,549	43,793	10,904	784	433,068 <sup>(1)</sup>	-
Advertising	45	-	-	-	45	-
Banks expenses	1,050	-	-	1,007	43	-
Interests expense	230,807	-	-	-	-	230,807
Foreign exchange loss	626,979	-	-	-	-	626,979
Other expenses and financial charges	22,640	-	-	-	-	22,640
Derivative financial instruments results	(38,025)	-	-	-	-	(38,025)
Costs of services rendered to third parties	16,571	-	16,571	-	-	-
Transactions among business segments	-	(6,603)	6,603	-	-	-
Other expenses	11,517	5,148	3,363	2,748	258	-
Year ended December 31, 2013	<u>2,221,634</u>	<u>521,908</u>	<u>282,236</u>	<u>117,725</u>	<u>457,364</u>	<u>842,401</u>

<sup>(1)</sup> Includes tax on exports of Ps. 363,435 for the year ended December 31, 2013.

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Rubro	2012					
	Total	Operating expenses		Administrative expenses	Selling expenses	Financial expenses
		Regulated Activities	Non Regulated Activities			
Salaries, wages and other contributions	241,779	135,693	45,275	46,331	14,480	-
Social security taxes	43,260	21,574	8,131	10,196	3,359	-
Compensation to Directors and Supervisory Committee	2,322	-	-	2,322	-	-
Professional services fees	14,564	700	553	12,787	524	-
Technical operator assistance fees	52,046	25,370	26,676	-	-	-
Materials	14,389	4,722	9,667	-	-	-
Third parties services	24,873	8,332	12,087	4,454	-	-
Telecommunications and post expenses	2,434	371	665	1,286	112	-
Rents	1,230	288	180	709	53	-
Transports and freight	9,051	6,395	2,517	139	-	-
Easements	15,605	15,605	-	-	-	-
Offices supplies	977	287	93	491	106	-
Travels expenses	3,662	2,013	775	634	240	-
Insurance	13,486	8,186	4,857	422	21	-
Property, plant and equipment maintenance	75,068	50,354	22,915	1,524	275	-
Depreciation of property, plant and equipment	233,670	163,293	60,332	10,045	-	-
Taxes and contributions	443,464	31,863	7,946	477	403,179 <sup>(1)</sup>	-
Advertising	545	-	-	-	545	-
Doubtful accounts	127	-	-	-	127	-
Banks expenses	799	-	-	764	35	-
Interests expense	185,294	-	-	-	-	185,294
Foreign exchange loss	239,121	-	-	-	-	239,121
Other expenses and financial charges	23,759	-	-	-	-	23,759
Derivative financial instruments results	-	-	-	-	-	-
Costs of services rendered to third parties	32,381	-	32,381	-	-	-
Transactions among business segments	-	(6,101)	6,101	-	-	-
Other expenses	8,428	4,468	2,096	1,687	177	-
Year ended December 31, 2012	<u>1,682,334</u>	<u>473,413</u>	<u>243,247</u>	<u>94,268</u>	<u>423,233</u>	<u>448,174</u>

<sup>(1)</sup> Includes tax on exports of Ps. 357,409 for the year ended December 31, 2012.

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j) Net financial results

	2014	2013	2012
<b>Financial income</b>			
Interest income	219,392	141,453	29,067
Fair value gains on financial instruments through profit or loss	24,829	9,238	6,589
Foreign exchange gain	218,931	158,981	70,090
<b>Subtotal</b>	<b>463,152</b>	<b>309,672</b>	<b>105,746</b>
<b>Financial expenses</b>			
Interest expense	(310,484)	(230,807)	(190,288)
Foreign exchange loss	(777,773)	(626,979)	(239,121)
Derivative financial instrument results	(103,497)	38,025	-
Other financial charges	(47,456)	(29,885)	(24,689)
<i>Less: Amounts capitalised on qualifying assets</i>	10,409	7,245	5,924
<b>Subtotal</b>	<b>(1,228,801)</b>	<b>(842,401)</b>	<b>(448,174)</b>
<b>Total</b>	<b>(765,649)</b>	<b>(532,729)</b>	<b>(342,428)</b>

k) Other operating expenses

	2014	2013	2012
Net (increase) / decrease in provisions	(1,641)	16,916	(6,163)
Others	6,562	(4,862)	2,197
<b>Total</b>	<b>4,921</b>	<b>12,054</b>	<b>(3,966)</b>

l) Other financial assets at fair value through profit or loss

	2014		2013	
	Current	Non Current	Current	Non Current
Public bonds	2,338	-	112,100	-
Mutual Funds	142,993	-	139,634	-
Private bonds	-	26,620	-	19,155
<b>Total</b>	<b>145,331</b>	<b>26,620</b>	<b>251,734</b>	<b>19,155</b>

The breakdown of other financial assets at fair value through profit or loss based on its currency of origin is the following:

	2014		2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	145,331	-	142,108	-
U.S. Dollars	-	26,620	109,626	19,155
<b>Total</b>	<b>145,331</b>	<b>26,620</b>	<b>251,734</b>	<b>19,155</b>

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**9. INVESTMENTS IN ASSOCIATES**

	<b>2014</b>		<b>2013</b>
	<b>Cost Value</b>	<b>Book Value</b>	<b>Book Value</b>
EGS	116	1,731	1,928
TGU	5	1,698	1,668
<b>Subtotal</b>	<b>121</b>	<b>3,429</b>	<b>3,596</b>
Link	503	-	(3,058)
<b>Total</b>	<b>624</b>	<b>3,429</b>	<b>538</b>

**10. PROFIT / (LOSS) FROM ASSOCIATES**

	<b>2014</b>	<b>2013</b>	<b>2012</b>
EGS	(197)	238	192
TGU	29	140	200
Link	3,058	(894)	(187)
<b>Total</b>	<b>2,890</b>	<b>(516)</b>	<b>205</b>

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**11. PROPERTY, PLANT AND EQUIPMENT**

Account	2014										
	C o s t					D e p r e c i a t i o n					
	Beginning of the year	Additions	Retirements	Transfers	End of the year	Accumulated at the beginning of the year	Retirements	For the year	Rate %	Accumulated at the end of the year	Net book value
Pipelines	3,612,277	-	-	18,963	3,631,240	1,348,651	-	85,773	2.2	1,434,424	2,196,816
Compressor plants	1,354,086	-	-	81,998	1,436,084	762,272	-	71,983	3.3 to 25	834,255	601,829
Other industrial plants	2,868	-	-	-	2,868	358	-	98	3.3	456	2,412
Stations of regulation and/or measurement of pressure	126,403	-	-	2,825	129,228	77,640	-	5,166	4.0	82,806	46,422
Other technical installations	28,342	-	-	13	28,355	19,027	-	975	6.7	20,002	8,353
Subtotal assets related to natural gas transportation service	5,123,976	-	-	103,799	5,227,775	2,207,948	-	163,995		2,371,943	2,855,832
Assets related to natural gas upstream service	205,084	-	-	689	205,773	103,669	-	7,998	2.2 to 25	111,667	94,106
Assets related to liquids production and commercialization service	677,111	-	-	18,437	695,548	483,606	-	42,821	5.9	526,427	169,121
Lands	6,279	-	-	-	6,279	-	-	-	-	-	6,279
Buildings and constructions	184,665	-	-	11,539	196,204	93,198	-	4,502	2.0	97,700	98,504
Fittings and features in building	5,692	-	-	28,283	33,975	3,539	-	780	4.0	4,319	29,656
Machinery, equipment and tools	43,036	3,381	253	753	46,917	34,941	253	1,712	6.7 to 20	36,400	10,517
Computers and Telecommunication systems	363,374	-	-	26,405	389,779	264,435	-	21,916	6.7 to 20	286,351	103,428
Vehicles	28,122	3,549	607	-	31,064	19,210	607	2,968	10 and 20	21,571	9,493
Furniture	13,147	-	-	-	13,147	12,645	-	98	10	12,743	404
Capitalization of foreign exchange loss	177,272	-	-	-	177,272	91,233	-	7,521	4	98,754	78,518
Materials	226,701	112,846	3,916	(48,954)	286,677	-	-	-	-	-	286,677
Line pack	13,872	-	-	-	13,872	1,618	-	-	-	1,618	12,254
Works in progress	214,619	253,614	-	(140,951)	327,282	-	-	-	-	-	327,282
<b>Total 2014</b>	<b>7,282,950</b>	<b>373,390</b>	<b>4,776</b>	<b>-</b>	<b>7,651,564</b>	<b>3,316,042</b>	<b>860</b>	<b>254,311</b>		<b>3,569,493</b>	<b>4,082,071</b>

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Main account	12/31/2013										
	Cost					Depreciation					
	Beginning of the year	Additions	Retirements	Transfers	End of the year	Accumulated at the beginning of the year	Retirements	For the year	Rate %	Accumulated at the end of the year	Net book value
Pipelines	3,583,938	2,210	-	26,129	3,612,277	1,263,152	-	85,499	2.2	1,348,651	2,263,626
Compressor plants	1,322,490	-	-	31,596	1,354,086	699,420	-	62,852	3,3 to 25	762,272	591,814
Other industrial plants	2,868	-	-	-	2,868	260	-	98	3.3	358	2,510
Stations of regulation and/or measurement of pressure	124,787	-	-	1,616	126,403	72,504	-	5,136	4.0	77,640	48,763
Other technical installations	28,342	-	-	-	28,342	18,019	-	1,008	6.7	19,027	9,315
Subtotal assets related to gas transportation service	5,062,425	2,210	-	59,341	5,123,976	2,053,355	-	154,593		2,207,948	2,916,028
Assets related to gas upstream service	198,378	-	665	7,371	205,084	95,959	147	7,857	2,2 to 25	103,669	101,415
Assets related to liquids production and commercialization service	648,348	-	-	28,763	677,111	441,704	-	41,902	5.9	483,606	193,505
Lands	6,279	-	-	-	6,279	-	-	-	-	-	6,279
Buildings and constructions	182,031	-	-	2,634	184,665	88,937	-	4,261	2.0	93,198	91,467
Fittings and features in building	5,692	-	-	-	5,692	3,242	-	297	4.0	3,539	2,153
Machinery, equipment and tools	39,034	1,752	-	2,250	43,036	33,596	-	1,345	6,7 to 20	34,941	8,095
Computers and Telecommunication systems	343,322	-	-	20,052	363,374	241,719	-	22,716	6,7 to 20	264,435	98,939
Vehicles	24,621	3,599	98	-	28,122	16,987	98	2,321	10 and 20	19,210	8,912
Furniture	13,122	9	-	16	13,147	12,541	-	104	10	12,645	502
Capitalization of foreign exchange loss	177,272	-	-	-	177,272	83,712	-	7,521	4	91,233	86,039
Materials	176,850	104,125	3,373	(50,901)	226,701	-	-	-	-	-	226,701
Line pack	13,872	-	-	-	13,872	1,618	-	-	-	1,618	12,254
Works in progress	130,155	153,990	-	(69,526)	214,619	-	-	-	-	-	214,619
Total 2013	7,021,401	265,685	4,136	-	7,282,950	3,073,370	245	242,917		3,316,042	3,966,908

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**12. LOANS**

Short-term and long-term loans as of December 31, 2014 and 2013 comprise the following:

	<b>2014</b>	<b>2013</b>
<b>Current loans:</b>		
2007 EMTN Program: Series 1 Notes	263,548	608,823
Interest payable	27,494	24,009
Other financial loans	14,242	12,164
<b>Total current loans</b>	<b>305,284</b>	<b>644,996</b>
<b>Non-current loans:</b>		
2007 EMTN Program: Series 1 Notes	527,096	1,828,629
2014 EMTN Program: Series 1 Notes	1,619,268	-
Other financial loans	14,041	33,602
<b>Total non-current loans</b>	<b>2,160,405</b>	<b>1,862,231</b>
<b>Total loans <sup>(1)</sup></b>	<b>2,465,689</b>	<b>2,507,227</b>

<sup>(1)</sup> Issuance expenses net.

The breakdown of loans based on its currency of origin is the following:

	<b>2014</b>	<b>2013</b>
Argentine pesos	28,283	44,204
U.S. Dollars	2,437,406	2,463,023
<b>Total loans</b>	<b>2,465,689</b>	<b>2,507,227</b>

The activity of the loans as of December 31, 2014 and 2013 is the following:

	<b>2014</b>	<b>2013</b>
Beginning balance	2,507,227	1,873,590
Proceeds of loans	-	30,000
Accrued interest	253,258	175,219
Effect of foreign exchange rate change	680,549	601,668
Payment of loans	(769,932)	(4,444)
Interest paid	(205,413)	(168,806)
<b>Ending balance</b>	<b>2,465,689</b>	<b>2,507,227</b>

The maturities of the current and non-current loans as of December 31, 2014 are as follows:

	<b>31/12/2014</b>
Less 1 year	310,760
From 1 to 2 years	541,137
From 2 to 3 years	546,091
Over 3 years	1,092,182
<b>Ending balance <sup>(1)</sup></b>	<b>2,490,170</b>

<sup>(1)</sup> Excluding issuance expenses.

Issuance of notes under the 2007 Global Program (the "2007 Program"):

The Extraordinary Shareholders' meeting held on December 21, 2006 approved the creation of the 2007 Global Program for the issuance of new notes up to a maximum aggregate amount of US\$ 650.0 million. The 2007 Program was authorized by the CNV on January 18, 2007.



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Accordingly, between May and June 2007, the Company refinanced its outstanding indebtedness through the issuance of US\$500.0 million new notes (the "2007 Notes"), the early prepayment of its outstanding debt through an exchange offer, the cancellation of outstanding notes which did not participate in the exchange offer and cancellation of bank loans. The Company's goal in issuing these notes was to improve the Company's financial indebtedness profile and to ease the restrictions imposed by the prior debt restructured in 2004, including but not limited to dividend distribution, additional indebtedness and capital expenditures.

The 2007 Notes have a coupon rate of 7.875%, with interest being paid semiannually, and maturity date of May 2017. Principal on the 2007 Notes is to be paid in four equal annual installments beginning in May 2014 until maturity. The 2007 Notes are traded in the *Bolsa de Comercio de Buenos Aires* ("BCBA"), the *Mercado Abierto Electrónico* ("MAE") and the Euro MTF of the Luxembourg Exchange.

Moreover, between August 2008 and August 2010, considering favorable conditions in the market, the Company reduced its financial indebtedness through the cancellation of a portion of the 2007 Notes for an aggregate amount of US\$ 125,976,000, which had previously been purchased on the market at a lower price.

On January 10, 2014, TGS launched an offer to exchange its outstanding 2007 Notes for newly issued notes under the 2014 Global Program (the "2014 Global Program"), as it is described below. The period of acceptance of this offer expired on February 7, 2014. The percentage of acceptance received amounted to 67%. As a result of the exchange, a total US\$ 123,283,000 of the 2007 Notes remained outstanding and thus, the amortization payments are expected to amount to US\$ 30,820,750. After its first amortization in May 2014, as December 31, 2014, 2007 Notes amounted to US\$ 92,462,250.

The fair value of the 2007 Notes is based on a discounted cash flow at an effective interest rate of 7.942%.

### Covenants:

The 2007 Notes contain certain restrictive covenants that, among other things, limit the ability of the Company to (i) incur additional indebtedness, (ii) pay dividend, (iii) issue guarantees, (iv) dispose certain assets and (v) make certain related party transactions. The Company was in compliance with all covenants of the 2007 Notes as of the December 31, 2014.

The foregoing limitations are subject to exceptions as set forth in the Indenture. For example, the Company may incur in additional indebtedness as long as (i) after issuing it, the consolidated coverage ratio (calculated as the quotient of the consolidated adjusted EBITDA -earnings before financial results, income tax, depreciation and amortization-) and the consolidated interest expense) is equal or higher than 2.0:1; and (ii) the consolidated debt ratio (calculated as the quotient of the consolidated debt and the consolidated EBITDA) is equal or lower than 3.75:1; (ii) it is incurred to refinance outstanding debt and (iii) it is originated in advances from customers.

Additionally, the Company may pay dividends as long as (i) the Company is not in default under 2007 Notes, (ii) immediately after any dividend payment, the Company would be able to incur in additional indebtedness pursuant to item (i) and (ii) of the preceding paragraph.

### Issuance of notes under the 2014 Global Program (the "2014 Program"):

The 2014 Program provides for the issuance of up to a maximum principal amount of US\$400 million in notes, and was authorized by resolutions of an Extraordinary Shareholders' Meeting dated April 25, 2013, and by resolutions of its Board of Directors adopted on July 23, 2013 and December 23, 2013. The program was also authorized by the CNV on January 3, 2014, after the issuance of Resolution No. 17,262.

As it is mentioned above, on January 10, 2014 TGS launched an offer for a voluntary exchange. The exchange offer settled on February 7, 2014. TGS accepted 67% of the 2007 Notes. For this reason,

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on February 7, 2014, the Company issued its 2014 Notes in aggregate principal amount of US\$255,451,506 under its 2014 Program. The main conditions of 2014 Notes are as follows:

**2014 Notes**

<b>Amount in US\$</b> .....	255,451,506	
<b>Interest rate</b> .....	9.625% anual	
	<b>Scheduled</b>	<b>Percentage of</b>
	<b>payment date</b>	<b>original principal</b>
		<b>amount</b>
<b>Amortization</b> .....	May 14, 2014	25%
	May 14, 2018	25%
	May 14, 2019	25%
	May 14, 2020	25%
<b>Frequency of Interest</b>	Semiannual, payable el May 14 and	
<b>payment</b> .....	November 14 of each year.	
<b>Guarantor</b> .....	None	

The 2014 Notes are traded in the BCBA, the MAE and the Euro MTF of the Luxembourg Exchange.

The terms and conditions of the 2014 Notes are similar to those applied to the 2007 Notes, having not changed financial covenants with respect to those effective for the 2007 Notes. According to the criteria established by IAS 39, the exchange offer was not accounted for as an extinguishment of financial liabilities, and thus, the costs paid are amortized over the remaining life of the 2014 Notes.

The fair values are based on cash flows discounted at an effective rate of 10.126%.

Other Loans:

On August 24, 2012, the Company entered into a loan with Santander Rio Bank for Ps. 20.0 million. The loan bears interest at an annual fixed rate of 15.01% payable on a monthly basis. The loan has a repayment schedule with nine quarterly installments as from August 26, 2013 and final maturity in August 2015.

On November 22, 2013, the Company entered into a loan with Itau Bank for Ps. 20.0 million. The loan bears interest at an annual fixed rate of 15.25% payable on a monthly basis. The loan has a repayment schedule with 25 equal and monthly installments and final maturity in November 2016. The first installment is in November 2014.

On December 3, 2013, the Company entered into a loan with Macro Bank for Ps. 10.0 million. The loan bears interest at an annual fixed rate of 15.25% payable on a monthly basis. The loan has a repayment schedule with 34 monthly installments as from July 2014 and final maturity in April 2017.

The current terms of the Company's interest-bearing borrowings as of December 31, 2014 has been reviewed and compared to the market pricing at year's end, and the carrying value is considered to represent a reasonable approximation to fair value.

**13. INCOME TAX AND DEFERRED TAX**

The reconciliation between the tax computed for tax purposes and the income tax expense charged to the statement of comprehensive income in the years ended December 31, 2014 and 2013 is as follows:

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	<b>2014</b>	<b>2013</b>	<b>2012</b>
Estimated current income tax expense	(78,658)	(95,493)	(172,196)
Deferred income tax	13,892	29,612	45,399
<b>Income tax expense</b>	<b>(64,766)</b>	<b>(65,881)</b>	<b>(126,797)</b>

The analysis of the net deferred tax liabilities is as follows:

	<b>2014</b>	<b>2013</b>
<b>Deferred tax assets:</b>		
Deferred tax assets to be recovered after more than 12 months	49,974	51,679
Deferred tax assets to be recovered after more than 12 months	13,926	17,192
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be recovered after more than 12 months	(562,908)	(563,219)
Deferred tax liabilities to be recovered after more than 12 months	(14,989)	(33,541)
<b>Deferred tax liabilities, net</b>	<b>(513,997)</b>	<b>(527,889)</b>

The components of the net deferred tax assets and liabilities as of December 31, 2014 and 2013 are the following:

Deferred tax assets	Allowance for doubtful accounts	Tax credits discounted value loss	Account receivables discounted value	Other provisions	Provisions for legal claims	Income tax loss carryforward	Total
As of January 1, 2012	1,175	3,347	-	2,343	46,406	1,424	54,695
Charge in results	44	7,603	3,568	1,603	2,965	(1,424)	14,359
As of December 31, 2012	1,219	10,950	3,568	3,946	49,371	-	69,054
Charge in results	(1)	1,040	(3,530)	-	2,308	-	(183)
As of December 31, 2013	1,218	11,990	38	3,946	51,679	-	68,871
Charge in results	-	(3,266)	-	-	(1,705)	-	(4,971)
As of December 31, 2014	1,218	8,724	38	3,946	49,974	-	63,900

Deferred tax liabilities	Deferred sales	Loans	Property, plant and equipment	Cash and cash equivalents	Total
As of January 1, 2012	(356)	(1,197)	(656,033)	(9)	(657,595)
Charge in results	119	325	30,698	(102)	31,040
As of December 31, 2012	(237)	(872)	(625,335)	(111)	(626,555)
Charge in results	142	326	31,058	(1,731)	29,795
As of December 31, 2013	(95)	(546)	(594,277)	(1,842)	(596,760)
Charge in results	95	(7,978)	31,369	(4,623)	18,863
As of December 31, 2014	-	(8,524)	(562,908)	(6,465)	(577,897)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become recoverable. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning in making these assessments.

Income tax expense computed at the statutory tax rate on pre-tax income differs from the income tax expense for the years ended December 31, 2014, 2013 and as follows:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Pre-tax income	169,754	173,387	359,544
Statutory income tax rate	35%	35%	35%
Pre-tax income at statutory income tax rate	(59,411)	(60,685)	(125,840)
Tax effects due to:			
-Non-taxable income or non-deductible expenses	(5,355)	(5,196)	(957)
<b>Income tax expense</b>	<b>(64,766)</b>	<b>(65,881)</b>	<b>(126,797)</b>

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### 14. PROVISIONS

	For legal claims and others <sup>(1)</sup>
<b>Balances as of 01/01/2012</b>	<b>130,764</b>
Additions	15,982 <sup>(2)</sup>
Uses	(84)
Decreases	(2,608) <sup>(3)</sup>
<b>Balances as of 12/31/2012</b>	<b>144,054</b>
Additions	27,939 <sup>(2)</sup>
Uses	(18,547)
Decreases	(10,034) <sup>(3)</sup>
<b>Balances as of 12/31/2013</b>	<b>143,412</b>
Additions	42,859 <sup>(2)</sup>
Uses	(13,238)
Decreases	(22,686) <sup>(3)</sup>
<b>Balances as of 12/31/2014</b>	<b>150,347</b>

<sup>(1)</sup> See Note 8.k) and Note 18.

<sup>(2)</sup> Ps. 24.327, Ps. 11,405 and Ps. 8.771 are included in "Other operating expenses" and Ps. 18.532, Ps. 16,534 and Ps. 7.211 in "Financial expenses" for the years ended on December 31, 2014, 2013 and 2012, respectively.

<sup>(3)</sup> The total amount is recorded in "Other operating income"

The total amount of the Provisions are included in current liabilities.

### 15. FINANCIAL RISK MANAGEMENT

#### 1. *Financial risk factors*

The Company's activities and the market in which it operates expose it to a series of financial risks: market risk (including foreign exchange risk, cash flows interest rate risk, and commodity price risk), credit risk and liquidity risk. To that extent, the Company has different policies adopted to mitigate its exposure to financial risks.

#### 1.1 Foreign exchange risk

The Company is primarily exposed to the fluctuation of the exchange rate of the U.S. dollar against the Argentine Peso due to the fact that almost its entire financial indebtedness is denominated in U.S. dollars.

As regards to the revenue derived from the Natural Gas Transportation segment, under Public Emergency and Reform of the Foreign Exchange System Law No. 25,561 (the "Public Emergency Law"), the tariffs charged by the Company are currently denominated in Argentine pesos. In accordance with the Public Emergency Law, in January 2002, public service tariffs were converted into Argentine pesos and fixed at an exchange rate of Ps. 1.00 = US\$ 1.00 even as the Argentine peso was allowed to devalue against the US dollar. On the other hand, revenues in US dollars derived from the Liquids Production and Commercialization segment accounted for approximately 83%, 90% and 90% of the segment's total revenues for both the years ended December 31, 2014, 2013 and 2012, respectively. Total revenues denominated in Argentine Pesos accounted for 35%, 29% and 30% for the years ended December 31, 2014, 2013 and 2012, respectively.

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Considering the net liability financial position described in the table below, the Company estimated that, other factors being constant, a 10% appreciation of the US dollar against the Argentine Peso for the years ended December 31, 2014, 2013 and 2012 would have decreased the Company's income before tax for the year in approximately Ps. 196,725, Ps. 187,569 and Ps. 140,317, respectively. A 10% depreciation of the US dollar against the Argentine Peso would have an equal and opposite effect on the income statement. Actual results may differ significantly from these theoretical sensitivity scenarios.

<b>Net liability position in US\$</b>	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
U.S. dollars	(229,028)	(287,018)	(284,705)
<b>Total</b>	<b>(229,028)</b>	<b>(287,018)</b>	<b>(284,705)</b>
<b>Decrease of financial results in Ps.</b>			
Pesos	196,725	187,569	140,317
<b>Total</b>	<b>196,725</b>	<b>187,569</b>	<b>140,317</b>

During the years ended December 31, 2014 and 2013, the Company entered into both US dollar forward purchase contracts as well as US dollar-linked mutual fund investments in order to cover the risk exposure associated with foreign exchange rate movements on its financial indebtedness. The fair value of the forwards was a liability position of Ps. 28,810 and an asset position of Ps. 26,500 as of December 31, 2014 and 2013, respectively. The Company has not performed any derivative transaction of this type during the year ended December 31, 2012.

### 1.2 Interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at floating rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The interest rate profile of the Company's borrowings is set out in Note 12.

Currently, the Company's exposure to cash flow interest rate risk is limited due to the fact that 100% of its outstanding financial indebtedness bears fixed interest rates.

As far as interest-bearing financial assets, the exposure to interest rate risk is limited to the financial assets of the Company which bear variable interest rate. Most of the financial assets of the Company bear fix rate interests.

The following table shows a breakdown of the Company's fixed-rate and floating-rate financial assets and liabilities as of December 31, 2014 and 2013:

	Financial assets <sup>(1)</sup>		Financial liabilities <sup>(2)</sup>	
	2014	2013	2014	2013
Fix interest rate	661,126	976,048	2,457,044	2,508,786
Variable interest rate	54,014	48,690	-	-
<b>Total</b>	<b>715,140</b>	<b>1,024,738</b>	<b>2,457,044</b>	<b>2,508,786</b>

<sup>(1)</sup> Includes time deposits, bank accounts, trade receivables and the loan granted to Pampa Energía which bear interests at 6.8% plus VAT. Trade receivables do not bear interests, except for Ps. 53,294 and Ps. 48,140 which bears CER plus a spread of 8% as of December 31, 2014 and 2013, respectively and Ps. 3,677 which bear interest at 5.52% semi-annual rate as of December 31, 2013.

<sup>(2)</sup> Includes loans, excluding issuance expenses.

In view of the nature of the Company's financial assets which bear variable interest, an immediate 100 basis points decrease in the interest rate would not have a significant impact on the total value of the financial assets.

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### 1.3 Commodity price risk

Commercial operations performed by the Company in its Liquids Production and Commercialization segment are affected by a number of factors beyond its control, including changes in the international prices of the products sold, and government regulations on prices, taxes and other charges, among others.

The sale prices of propane and butane ("LPG") and natural gasoline the Company exports in its Liquids Production and Commercialization segment are referenced to international prices (Mont Belvieu for the LPG and NWE ARA for the natural gasoline). These prices have historically been cyclical, reflecting overall economic conditions and changes in capacity within the industry, which may affect the profitability of companies engaged in this business.

Based on the volume of sales for the years ended December 31, 2014, 2013 and 2012, the Company estimated that, other factors being constant, a decrease of US\$50/ton in the international price of LPG and natural gasoline, respectively, would have decreased the Company's net comprehensive income in its Liquids Production and Commercialization segment in Ps. 69,228, Ps. 36,723 and Ps. 32,626, respectively.

A US\$ 50/ton increase would have an equal and opposite effect on the statement of comprehensive income.

The Company does not currently use derivative financial instruments to mitigate the risks associated with international commodity price fluctuations.

On the other hand, the price at which the Company sells ethane to PBB Polisor S.A. ("Polisor") under an agreement expiring December 31, 2015 is subject to an annual adjustment process based on various factors including the Produce Price Index ("PPI"), natural gas price, the quality of the ethane shipped by the Company and the transportation tariffs and charges. Accordingly, the Company does not consider that the sale price of ethane poses a significant risk to the Company.

### 1.4 Credit risk

The Company's exposures to credit risk takes the form of a loss that would be recognized if counterparties failed to, or were unable to, meet their payment obligations. These risks may arise in certain agreements in relation to amounts owed for physical product sales, the use of derivative instruments, and the investment of surplus cash balances. This risk mainly results from economic and financial factors or from a possible default of counterparty.

The Company is subject to credit risk arising from outstanding receivables, cash and cash equivalents and deposits with banks and financial institutions, and from the use of derivative financial instruments. The Company's policy is to manage credit exposure to trading counterparties within defined trading limits.

If any of the Company's customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Company assesses the credit quality of the customer taking into account its financial position, past experience and other factors. The Company may seek cash collateral, letter of credit or parent company guarantees, as considered appropriate.

As of December 31, 2014 and 2013 the balance of current and non-current trade receivables, net of allowances of doubtful accounts are as follows:

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	12/31/2014	12/31/2013
Current trade receivables	412,751	422,704
Non-current trade receivables	47,157	38,136
Allowances for doubtful accounts <sup>(1)</sup>	(1,389)	(4,121)
<b>Total</b>	<b>458,519</b>	<b>456,719</b>

<sup>(1)</sup> Corresponds to the best estimate made by TGS according to what is mentioned in note 5.b.

The Company, in the normal course of business, renders natural gas transportation services, principally to gas distribution companies, and to Petrobras Argentina (one of the shareholders of CIESA). Significant customers in terms of revenues and trade receivables (net of allowances of doubtful accounts) from natural gas transportation for the years ended December 31, 2014 and 2013 are as follows:

	2014		2013		2012	
	Revenues	Trade receivables	Revenues	Trade receivables	Revenues	Trade receivables
MetroGAS	194,904	20,001	183,724	18,108	184,288	67,357
Camuzzi Gas Pampeana S.A.	108,668	22,433	99,601	19,467	98,062	17,342
Gas Natural BAN S.A. ("BAN")	78,913	8,501	70,614	7,167	70,487	7,027
Petrobras Argentina	30,192	13,517	31,698	3,706	32,360	5,424
Camuzzi Gas del Sur S.A.	26,296	2,905	23,934	4,662	24,388	4,426

Significant customers in the Production and Commercialization of Liquids segment are Petredec Limited ("Petredec"), Polisur, Petrobras Global Trading BV ("Petrobras Global") and Petroleo Brasileiro both related companies of Petrobras Argentina. Revenues from these customers (including those made on behalf of third parties, from whom the Company earns a commission and trade receivables (net of allowances of doubtful accounts) for the years ended December 31, 2014 and 2013 are as follows:

	2014		2013		2013	
	Revenues	Trade receivables	Revenues	Trade receivables	Revenues	Trade receivables
Polisur	1,055,582	89,148	735,380	93,845	580,325	76,225
Petredec	944,233	42,989	411,127	131,329	342,757	-
Petroleo Brasileiro	627,468	25,475	343,150	39,573	256,447	47,020
Petrobras Global	-	-	373,791	-	487,314	89,835

Below is a detail of the maturities of the financial assets included in: (i) cash and cash equivalents, (ii) loans granted to related parties, (iii) other financial assets at fair value through profit or loss, (iv) trade receivables, (v) other receivables and (vi) derivate financial instruments, as of December 31, 2014 and 2013:

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December 31-2014			
	Cash and cash equivalents <sup>(4)</sup>	Other financial assets <sup>(3)(4)</sup>	Receivables <sup>(1)(2)</sup>
Without specified maturity	8,517	142,993	3,690
With specified maturity			
Overdue			
Until 12-31-2013	-	-	18,001
From 01-01-14 to 03-31-14	-	-	3,808
From 04-01-14 to 06-30-14	-	-	3,132
From 07-01-14 to 09-30-14	-	-	13,916
From 10-01-14 to 12-31-14	-	-	73,514
<b>Total overdue</b>	-	-	112,371
Non-Due			
From 01-01-15 to 03-31-15	780,903	2,338	351,352
From 04-01-15 to 06-30-15	-	-	5,139
From 07-01-15 to 09-30-15	-	-	3,001
From 10-01-15 to 12-31-15	-	268,111	3,000
During 2016	-	-	14,138
During 2017	-	-	17,963
During 2018	-	26,620	8,479
During 2019	-	-	4,944
From 2020 onwards	-	-	6,000
Total non-due	780,903	297,069	414,016
Total with specified maturity	780,903	297,069	526,387
<b>Total</b>	<b>789,420</b>	<b>440,062</b>	<b>530,077</b>

<sup>(1)</sup> The total amount of the receivables without specified maturity is recorded in Non-current assets.

<sup>(2)</sup> Includes trade receivables and other receivables.

<sup>(3)</sup> Includes Loans granted to related parties and Other financial assets at fair value through profit or loss.

<sup>(4)</sup> The total amount of cash and cash equivalents and Other financial assets without specified maturity is recorded in current assets.

December 31-2013			
	Cash and cash equivalents <sup>(4)</sup>	Other financial assets <sup>(3)(4)</sup>	Receivables <sup>(1)(2)</sup>
Without specified maturity	17,871	139,634	3,690
With specified maturity			
Overdue			
Until 12-31-2012	-	-	13,356
From 01-01-13 to 03-31-13	-	-	5,647
From 04-01-13 to 06-30-13	-	-	5,436
From 07-01-13 to 09-30-13	-	-	12,831
From 10-01-13 to 12-31-13	-	-	30,802
<b>Total overdue</b>	-	-	68,072
Non-Due			
From 01-01-14 to 03-31-14	875,941	138,600	406,883
From 04-01-14 to 06-30-14	-	-	6,177
From 07-01-14 to 09-30-14	-	-	2,500
From 10-01-14 to 12-31-14	-	-	2,501
During 2015	-	194,154	9,998
During 2016	-	-	14,127
During 2017	-	-	10,001
During 2018	-	19,155	4,339
From 2019 onwards	-	-	3,797
Total non-due	875,941	351,909	460,323
Total with specified maturity	875,941	351,909	528,395
<b>Total</b>	<b>893,812</b>	<b>491,543</b>	<b>532,085</b>

<sup>(1)</sup> The total amount of the receivables without specified maturity is recorded in Non-current assets.

<sup>(2)</sup> Includes trade receivables and other receivables.

<sup>(3)</sup> Includes Loans granted to related parties, derivative financial instruments and Other financial assets at fair value through profit or loss.

<sup>(4)</sup> The total amount of cash and cash equivalents and Other financial assets without specified maturity is recorded in current assets.

The Company is exposed to counterparty credit risk on cash and cash equivalent balances. The Company holds cash on deposit with a number of financial institutions. The Company manages its credit risk exposure by limiting individual deposits to clearly defined limits in various financial institutions. The Company considers that this risk is limited because it has short-term



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funds policies whose main objective is to obtain an adequate return in terms of market characteristics and minimizing exposure. The Company only deposits with high quality banks and financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents in the statement of financial position. Below we include information regarding their credit rating:

<b>Concept</b>	<b>(In thousands of pesos)</b>	<b>Credit rate</b>
Time deposits	22,939	AA
Time deposits	75,887	BBB-
Time deposits	201,181	CCC
Time deposits	145,303	CCC-
Mutual funds	38	AAA
Mutual funds	523	AA+
Mutual funds	7,956	AA
Mutual funds	54,053	A+
Mutual funds	88,940	A
Public Bonds	2,338	CCC

### 1.5 Liquidity risk

The Company is exposed to liquidity risks, including: risks associated with refinancing borrowings as they mature, the risk that borrowing facilities are not available to meet cash requirements and the risk that financial assets cannot readily be converted to cash without loss of value. Failure to manage financing risks could have a material impact on the Company's cash flow and statement of financial position.

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources and close oversight of cash flows projections. The Company has funding policies whose main objectives are to meet the financing needs at the lowest cost possible according to market conditions. The main objective of the Company is its financial solvency. Given the current financial market conditions, the Company believes that the availability of resources and the positive cash flow from operations are sufficient to meet its current obligations.

The table below includes a detail of the maturities of the obligations corresponding to financial liabilities corresponding to: trade payables, payroll payables, other payables, derivative financial instruments and loans as of December 31, 2014 and 2013. The amounts disclosed in the table are the contractual undiscounted cash flows and as a result, they do not reconcile to the amounts disclosed on the statement of financial position.

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<b>December 31, 2014</b>		
	<b>Loans</b>	<b>Other financial liabilities</b>
Without specified maturity	-	-
With specified maturity		
Overdue		
Until 12-31-2013	-	49,082
From 01-01-14 to 03-31-14	-	307
From 04-01-14 to 06-30-14	-	307
From 07-01-14 to 09-30-14	-	308
From 10-01-14 to 12-31-14	-	308
<b>Total overdue</b>	-	50,312
Non-Due		
From 01-01-15 to 03-31-15	6,605	603,611
From 04-01-15 to 06-30-15	379,962	26,841
From 07-01-15 to 09-30-15	6,265	-
From 10-01-15 to 12-31-15	103,497	-
During 2016	466,202	-
During 2017	433,066	-
During 2018	677,495	-
During 2019	624,933	-
From 2020 onwards	572,372	-
Total non-due	<b>3,270,397</b>	<b>630,452</b>
Total with specified maturity	<b>3,270,397</b>	<b>680,764</b>
<b>Total</b>	<b>3,270,397</b>	<b>680,764</b>

<b>December 31, 2013</b>		
	<b>Loans</b>	<b>Other financial liabilities</b>
Without specified maturity	-	-
With specified maturity		
Overdue		
Until 12-31-2012	-	46,483
From 01-01-13 to 03-31-13	-	402
From 04-01-13 to 06-30-13	-	402
From 07-01-13 to 09-30-13	-	402
From 10-01-13 to 12-31-13	-	411
<b>Total overdue</b>	-	48,100
Non-Due		
From 01-01-14 to 03-31-14	3,917	368,502
From 04-01-14 to 06-30-14	709,642	23,290
From 07-01-14 to 09-30-14	4,471	-
From 10-01-14 to 12-31-14	79,199	-
During 2015	753,809	-
During 2016	635,218	-
During 2017	-	-
During 2018	-	-
From 2019 onwards	-	-
Total non-due	<b>2,186,256</b>	<b>391,792</b>
Total with specified maturity	<b>2,186,256</b>	<b>439,892</b>
<b>Total</b>	<b>2,186,256</b>	<b>439,892</b>

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### 1.6 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal credit quality and capital structure to reduce the cost of capital.

The Company seeks to maintain a level of cash generation from operating activities, which may allow it to meet all of its commitments.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total financial debt (including current and non-current loans as shown in the consolidated statement of financial position, if applicable) divided by total capital. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus total debt.

During the year ended December 31, 2014 and 2013, the gearing ratio was as follows:

	2014	2013
Total Loans (note 12)	2,465,689	2,507,227
Total Equity	1,867,543	2,023,082
<b>Total Capital</b>	<b>4,333,232</b>	<b>4,530,309</b>
<b>Gearing ratio</b>	<b>0.57</b>	<b>0.55</b>

## 2 FINANCIAL INSTRUMENTS BY CATEGORY AND HIERARCHY

### 2.1 Financial instrument categories

Accounting policies for the categorization of financial instruments are explained in Note 4.d. According to the provisions of IFRS 7 and IAS 32, non-financial assets and liabilities such as property, plant and equipment, investments in associates, inventories, advances from customers, deferred income tax, taxes and social taxes payables and provisions are not included.

The categories of financial assets and liabilities as of December 31, 2014 and 2013 are as follows:

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<b>December 31, 2014</b>				
	<b>Financial assets at fair value</b>	<b>Financial assets held to maturity</b>	<b>Loans and other receivables</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Trade receivables	-	-	411,362	411,362
Other receivables	-	-	62,113	62,113
Loans to related parties	-	-	268,111	268,111
Other financial assets at fair value through profit or loss	145,331	-	-	145,331
Cash and cash equivalents	8,518	445,310	335,592	789,420
<b>Total current assets</b>	<b>153,849</b>	<b>445,310</b>	<b>1,077,178</b>	<b>1,676,337</b>
<b>NON-CURRENT ASSETS</b>				
Trade receivables	-	-	47,157	47,157
Other receivables	-	-	8,056	8,056
Other financial assets at fair value through profit or loss	26,620	-	-	26,620
<b>Total non-current assets</b>	<b>26,620</b>	<b>-</b>	<b>55,213</b>	<b>81,833</b>
<b>Total assets</b>	<b>180,469</b>	<b>445,310</b>	<b>1,132,391</b>	<b>1,758,170</b>
	<b>Financial liabilities at fair value</b>	<b>Financial liabilities held to maturity</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>CURRENT LIABILITIES</b>				
Trade payables	-	-	543,912	543,912
Derivative financial instruments	28,810	-	-	28,810
Loans	-	-	305,284	305,284
Payroll and social security taxes pay:	-	-	67,062	67,062
Other payables	-	-	40,608	40,608
<b>Total current liabilities</b>	<b>28,810</b>	<b>-</b>	<b>956,866</b>	<b>985,676</b>
<b>NON-CURRENT LIABILITIES</b>				
Loans	-	-	2,160,405	2,160,405
Other payables	-	-	372	372
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>2,160,777</b>	<b>2,160,777</b>
<b>Total liabilities</b>	<b>28,810</b>	<b>-</b>	<b>3,117,643</b>	<b>3,146,453</b>
<b>December 31, 2013</b>				
	<b>Financial assets at fair value</b>	<b>Financial assets held to maturity</b>	<b>Loans and other receivables</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Trade receivables	-	-	418,583	418,583
Other receivables	-	-	63,429	63,429
Derivative financial instruments	26,500	-	-	26,500
Other financial assets at fair value through profit or loss	251,734	-	-	251,734
Cash and cash equivalents	2,746	778,218	112,848	893,812
<b>Total current assets</b>	<b>280,980</b>	<b>778,218</b>	<b>594,860</b>	<b>1,654,058</b>
<b>NON-CURRENT ASSETS</b>				
Trade receivables	-	-	38,136	38,136
Other receivables	-	-	7,816	7,816
Loans to related parties	-	-	194,154	194,154
Other financial assets at fair value through profit or loss	19,155	-	-	19,155
<b>Total non-current assets</b>	<b>19,155</b>	<b>-</b>	<b>240,106</b>	<b>259,261</b>
<b>Total assets</b>	<b>300,135</b>	<b>778,218</b>	<b>834,966</b>	<b>1,913,319</b>
	<b>Financial liabilities at fair value</b>	<b>Financial liabilities held to maturity</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>CURRENT LIABILITIES</b>				
Trade payables	-	-	384,939	384,939
Loans	-	-	644,996	644,996
Payroll and social security taxes pay:	-	-	52,232	52,232
Other payables	-	-	2,721	2,721
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>	<b>1,084,888</b>	<b>1,084,888</b>
<b>NON-CURRENT LIABILITIES</b>				
Loans	-	-	1,862,231	1,862,231
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>1,862,231</b>	<b>1,862,231</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,947,119</b>	<b>2,947,119</b>

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### 2.2 Fair value measurement hierarchy and estimates

According to IFRS 13, the fair value hierarchy introduces three levels of inputs based on the lowest level of input significant to the overall fair value. These levels are:

- Level 1: includes financial assets and liabilities whose fair values are estimated using quoted prices (unadjusted) in active markets for identical assets and liabilities. The instruments included in this level primarily include balances in mutual funds and public or private bonds listed on the BCBA. Additionally within this level, the Company included derivative financial instruments because the settlement date thereof coincided with the closing date of the fiscal year. For the calculation of fair value, the corresponding quoted price was obtained.
- Level 2: includes financial assets and liabilities whose fair value is estimated using different assumptions quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (for example, derived from prices). Within this level, those derivative financial instruments for which the Company was not able to find an active market.
- Level 3: includes financial instruments for which the assumptions used in estimating fair value are not based on observable market information.

During 2014, there were neither transfers between the different hierarchies of fair values nor reclassifications between financial instruments categories.

The table below shows different assets and liabilities at their fair value classified by hierarchy as of December 31, 2014 and 2013:

	December 31, 2014			Total
	Level 1	Level 2	Level 3	
<b>Financial assets at fair value</b>				
Cash and cash equivalents	8,518	-	-	8,518
Other current financial assets at fair value through profit or loss	145,331	-	-	145,331
Other non-current financial assets at fair value through profit or loss	26,620	-	-	26,620
<b>Total</b>	<b>180,469</b>	<b>-</b>	<b>-</b>	<b>180,469</b>

	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at fair value</b>				
Derivate financial instruments	13,450	15,360	-	28,810
<b>Total</b>	<b>13,450</b>	<b>15,360</b>	<b>-</b>	<b>28,810</b>

	December 31, 2013			Total
	Level 1	Level 2	Level 3	
<b>Financial assets at fair value</b>				
Cash and cash equivalents	2,746	-	-	2,746
Other current financial assets at fair value through profit or loss	251,734	-	-	251,734
Derivative financial instruments	26,500	-	-	26,500
Other non-current financial assets	19,155	-	-	19,155
<b>Total</b>	<b>300,135</b>	<b>-</b>	<b>-</b>	<b>300,135</b>

The carrying amount of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As of December 31, 2014 and 2013, the carrying amount of certain financial instruments used by the Company including cash, cash equivalents, other investments, receivables, payables and short term loans are representative of fair value because of the short-term nature of these instruments.

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The estimated fair value of other Non-current assets and Other loans does not differ significantly from the carrying amount. The following table reflects the carrying amount and estimated fair value of the 2007 Notes and 2014 Notes at December 31, 2014 and 2013 based on their quoted market price:

2007 Notes		
	2014	2013
Carrying amount	798,427	2,463,020
Fair value	809,405	2,004,553

2014 Notes		
	2014	2013
Carrying amount	1,633,501	-
Fair value	1,605,601	-

### 16. REGULATORY FRAMEWORK

#### a) General framework and current tariff context:

Regarding TGS' Natural Gas Transportation business, it is regulated by Law No. 24,076 ("the Natural Gas Act"), its regulatory Decree No. 1,738/92 other regulatory decrees, the *Pliego de Bases y Condiciones para la Privatización de GdE*, the transfer agreements and the licenses of the newly privatized companies establish the legal framework for the transportation and distribution of natural gas in Argentina. The Natural Gas Act created the Ente Nacional Regulador del Gas ("ENARGAS"), which is entitled, among other things, to set the basis for the calculation, monitoring and approval of tariffs. Previous the enactment of the Public Emergency Law, and according to the Regulatory Framework, transportation tariffs were to be calculated in US dollars and converted into Argentine pesos at the time the customer was billed using the exchange rate prevailing at the date of the billing. The basic natural gas transportation tariffs charged by TGS had been established at the time of the privatization of GdE and were to be adjusted, subject to prior authorization, in the following cases: (i) semi-annually to reflect changes in the US producer price index ("PPI") and (ii) every five years according to efficiency and investment factors determined by ENARGAS. The "efficiency factor" is a reduction to the base tariff resulting from future efficiency programs while the "investment factor" increases the tariffs to compensate the licensees for future investments which are not repaid through tariffs. Also, subject to ENARGAS approval, tariffs were to be adjusted to reflect non-recurrent circumstances or tax changes, other than income tax.

The terms and conditions as described in the precedent paragraph in connection with tariff adjustments contemplated within the Regulatory Framework are no longer effective since the enactment of the Public Emergency Law in early 2002, which, among other provisions, eliminated tariff increases based on US dollar exchange rate fluctuations, foreign price indexes or any other indexing procedure and established a conversion rate of one peso to one US dollar for tariffs. The Public Emergency Law also granted the Executive Branch power to renegotiate contracts entered into with private utility companies, pursuant to the framework included in the said law as long as it is in force, which will expire in December 31, 2015, after several extensions.

In July 2003, the Unit for Renegotiation and Assessment of Utilities Contracts ("UNIREN") was created under the joint jurisdiction of the Ministry of Economy and Finance and the Ministry of Federal Planning, Public Investment and Services ("MPFIPyS"). UNIREN conducts the renegotiation process of the contracts related to utilities and public works, and is entitled to enter into total or partial agreements with the licensees and submit projects regulating the transitory adjustment of tariffs and prices, among other things.

In June and November 2005, TGS received two proposals from UNIREN. Said proposals provided for a tariff increase of 10%, an overall tariff review, and required TGS's and its

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shareholders' abandonment of any claim or lawsuit resulting from the effects of the Public Emergency Law on the License prior to the effectiveness of a renegotiation of the License, and also demanded TGS to hold the Argentine government harmless from any claim or lawsuit filed by its shareholders. Additionally, said proposals required TGS and its shareholders' abandonment of any future claim or lawsuit regarding the PPI tariff adjustments which were not applied in 2000 and 2001. TGS responded to the proposals, and declared that the original 10% increase was insufficient and committed not to file any administrative, arbitration or judicial claim or lawsuit in Argentina or abroad, as long as a reasonable renegotiation agreement was reached. Moreover, TGS stated that the Company was determined to make its best efforts to obtain similar commitments from its investors.

In November 2005, in response to the requirement made by UNIREN, CIESA and Petrobras Argentina Group (as CIESA's shareholder) confirmed that they had not initiated or intended to initiate in the future any claim against the Argentine Republic. Furthermore, Ponderosa Assets L.P. ("Ponderosa"), as TGS and CIESA's indirect shareholder at that time, informed on the existence of a claim which, jointly with Enron Corp., it initiated against the Argentine Republic before the International Center for the Settlement of Investment Disputes ("ICSID") under the scope of the World Bank, and that it would only consider waiving its claim if Ponderosa has received fair compensation. In May 2007, the ICSID ordered the Argentine Government to pay US\$ 106.2 million to Enron Corp. An ICSID committee annulled the award rendered in 2007 and ordered the American corporation to reimburse the Argentine Republic the total amount of the annulment award costs. This annulment does not prevent the plaintiff from filing a new claim before said tribunal. On October 18, 2010, Enron Creditors Recovery Corp. (Enron Corp's new corporate name) and Ponderosa Assets filed a new claim against the Argentine Republic before the ICSID. In June 2011, the Tribunal that is hearing in the case was constituted.

In October 2011, Pampa Energía acquired the rights to control, suspend and to abandon the legal actions of Ponderosa and Enron Creditors Recovery Corp against the Argentine government under the "Call Option Agreement" signed between Pampa Energía, Inversiones Argentina II and GEB Corp. on March 11, 2011. On January 12, 2015, by agreement of the disputing parties, the legal action of Enron Corp. and Ponderosa Assets LP held against the Argentine Republic before the ICSID was suspended until July 12, 2015.

On October 9, 2008, TGS signed a transitional agreement with UNIREN that contemplated a tariff increase of 20%, which is retroactively applicable to September 1, 2008 (the "Transitional Agreement"). According to this agreement, the funds generated by this tariff increase would be temporarily deposited in a trust fund until TGS needed them to carry out an investment plan for its pipeline system. Although the tariff increase has not been granted yet, we executed the investment plan called for under the 2008 Transitional Agreement using our own funds, and on September 6, 2011, ENARGAS determined that the works included in our investment plan were completed.

On December 3, 2009, the Executive Branch ratified the 2008 Transitional Agreement through the Presidential Decree No. 1,918/09. By means of this decree, TGS will be able to bill the tariff increase to its clients as soon as ENARGAS publishes the new tariffs schedule and sets the methodology to bill the retroactive effect. However, ENARGAS has not carried out these duties to date.

Because of this delay, in August 2010, TGS requested from ENARGAS authorization to issue the tariff schedule, including the 20% transitory tariff increase and the retroactive collection methodology, and application of an interest rate in line with the established method of payment. ENARGAS responded to TGS that they had submitted the records and the tariff project to the Coordination and Management Control Under-Secretariat ("SCyCG"), which is under the scope of MPFIPyS, based on Resolution No. 2000/2005 of MPFIPyS.

On September 30, 2010, TGS filed an *acción de amparo* (a legal action to guarantee constitutional rights) against ENARGAS and SCyCG in order to obtain the implementation of the new tariff increase schedule. On October 25, 2010, ENARGAS and the SCyCG provided the information required by the Judge on October 19, 2010. On November 8, 2010, TGS was served notice of a judgment that upheld the *acción de amparo* filed by TGS. Said judgment ordered SCyCG to return to ENARGAS, within a two-day period, the documents remitted by ENARGAS

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in connection with the tariff schedule applicable to us under Presidential Decree No. 1,918/09; and ordered ENARGAS, within two days following reception of said documents, to set the tariff schedule and the retroactive collection methodology. On November 12, 2010, ENARGAS and SCyCG filed an appeal against this judgment.

Moreover, on November 16, 2010, TGS received a proposal from UNIREN, which provides that in order to move forward with the renegotiation of the License within the scope and in the terms of the Public Emergency Law, all claims, appeals, or administrative or judicial action taken against the Government in connection with or arising from the Renegotiation Process must be suspended. In response, on November 18, 2010, TGS requested the suspension of the *acción de amparo* mentioned above for a twenty-working-day period, which is automatically renewable at the end of such period unless TGS' Board of Directors, before or at the expiration of each period, decides not to renew it, in order to move forward with the renegotiation of the License. On December 28, 2010, TGS requested that ENARGAS and MPFIPyS join TGS' request to suspend the *acción de amparo*, and as of the date of this Financial Statements, TGS has not received any favorable response on this matter.

On April 5, 2011, the Second Chamber of the Court of Appeals in administrative federal matters in the City of Buenos Aires confirmed the sentence passed by the first instance judge, setting a 60 business day term for SCyCG to act according to the provisions of Resolution No. 2000/2005 and return to ENARGAS the documents remitted by ENARGAS in connection with the tariff increase schedule and for ENARGAS to decide, within a 60 business day term following receipt of said documents and verification of compliance with the provisions set forth in the 2008 Transitional Agreement, on the tariff adjustment and the transitional tariff schedule stipulated therein. ENARGAS filed an extraordinary appeal before the Court of Appeals, which was dismissed by the Court of Appeals on May 27, 2011. On June 14, 2011, ENARGAS filed an appeal before the Supreme Court of Justice requesting that the dismissal of the extraordinary appeal be vacated. On August 25, 2011, SCyCG returned to ENARGAS the administrative documents giving notice under Resolution No. 2000/2005. On June 11, 2012 the Supreme Court of Justice requested the files of the main proceedings in order to solve the appeal filed by ENARGAS, and thereby TGS recorded the fulfillment of the court action by the SCyCG. On November 28, 2013, the Supreme Court of Justice of the Argentine Republic dismissed the appeal requesting that the dismissal of the extraordinary appeal be vacated. This decision made by the Supreme Court of Justice is a final ruling on the subject.

According to the 2008 Transitional Agreement, TGS should reach an agreement with UNIREN on the terms and conditions of the overall renegotiation before the expiration date under the Public Emergency Law, on December 31, 2015. If TGS does not reach this agreement, then UNIREN would inform the Executive Branch and provide it with the recommendations of the procedural steps to follow.

In this regard, in October 2008, TGS received an integral license renegotiation agreement from UNIREN (which included the initial 20% tariff increase), whose purpose is the license renegotiation and the overall tariff revision. This proposal was not accepted by TGS since the granting of an indemnity required for the Argentine Government was unable to provide. In October 2011, TGS received a new proposal from UNIREN (the "Renegotiation Agreement") which included similar terms and conditions from the ones included in the last proposal received in 2008. TGS' Board of Directors approved the new proposal, which was initiated by the Company allowing UNIREN to initiate the administrative procedure for finalizing the Renegotiation Agreement; however, as of the date of this Annual Report, the Renegotiation Agreement, other than the initial 20% tariff increase, is still not effective. UNIREN issued a supplementary report for the subscription of the Renegotiation Agreement between the Argentine Government and TGS, filing it on December 22, 2011 together with the Agreement filed by TGS before the Legal Under Secretary of the MPFIPyS. Taking into consideration that the case was returned to UNIREN, on July 16, 2012 TGS called for the continuation of appropriate administrative proceedings. On October 4, 2012, TGS notified the UNIREN the filing made before ENARGAS and the *Comisión Nacional de Defensa de la Competencia* ("CNDC") regarding the suspension of the claim initiated by Enron Corp. and Ponderosa against the Argentine Republic mentioned above –the last was until July 12, 2015, and formally required the order of quick sentence.



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Under the framework of the 2008 Transitional Agreement, the ENARGAS issued Resolution No. I-2852 on April 7, 2014 containing the new rate schedules authorizing an increase to the rate applicable to the natural gas firm and interruptible transportation rates. The new rate schedules establish only a progressive 8% increase as from April 1, 2014, an accumulated 14% increase as from June 1, 2014 and an accumulated 20% increase as from August 1, 2014. The tariff increase is exiguous given the increase in operating costs suffered.

The funds generated by this tariff increase would be temporarily deposited in a trust fund for the payment of maintenance works in the pipeline system in order to guarantee the quality of the rendering of natural gas in accordance with the guidelines established in the Natural Gas Industry Regulatory Framework, according to an investment plan submitted by TGS and previously approved by the ENARGAS.

The publication of the new rate schedules partially implements the 2008 Transitional Agreement. The 2008 Transitional Agreement establishes that the tariff increase is effective retroactively starting September 1, 2008. The Company filed a motion for reconsideration before ENARGAS due to the omission regarding the methodology to recover the increase that should have been effective as from September 1, 2008 to March 31, 2014 following the provisions of the 2008 Transitional Agreement. Having spent in excess deadlines for the determination of the appeal by the ENARGAS, TGS considered denied its request, and asked the regulatory agency the transfer of the proceedings to the Secretary of Energy to focus on the analysis of the appellate subsidiary interposed in the motion for reconsideration form. Also, to cover the eventual refusal to that request, the Company filed a preliminary administrative appeal under the terms of art. 30 of the National Administrative Procedures Act to the Argentina Government claiming damages for the failure to implement the retroactive increase provisions of the 2008 Transitional Agreement for the period between September 1, 2008 and March 31, 2014.

On the other hand, with respect to the execution process corresponding to the appeal initiated In September 2010 we filed an *acción de amparo* against ENARGAS and SCyCG asking for implementation of the new tariff increase schedule. On September 19, 2014, the judge of the First Instance rejected TGS' request that ENARGAS publish the tariff scheduled, alleging that after the issuance of resolution I-2852, said organism has complied with the publication of the tariff schedule authorized in Decree No. 1,918/09. Therefore, on September 25, 2014 TGS filed an appeal before the national Chamber for Federal Administrative Law Disputes of the City of Buenos Aires. This appeal was dismissed on December 18, 2014. TGS is currently focused on a special appeal

As part of the negotiations with the UNIREN, TGS continues focusing on following the necessary steps aimed to sign the Integral License Renegotiation Agreement initialed by TGS in October 2011. The indemnity given corresponds to the arbitration action initiated by Enron Corp. and Ponderosa Assets against the National Government for the damages suffered by Public Emergency Law. Although the executive secretariat of the UNIREN ruled favorably regarding the terms reached in the agreement accepted by TGS and recommended the signature of the Ministers of Economy and Finance, National Planning, Infrastructure and Services, as of the date of the issuance of these financial statements, it has been unable to materialize. Also, as it is mentioned above, the Company filed a preliminary administrative appeal under the terms of art. 30 of the National Administrative Procedures Act to the Argentina Government claiming damages for the failure to implement the retroactive increase provisions of the 2008 Transitional Agreement for the period between September 1, 2008 and March 31, 2014.

TGS continues the negotiations with the National Government for the adjustment of the Charge for Access and Use ("CAU") which has been created through Presidential Decree No. 180/05 to compensate TGS for the operation and maintenance of the natural gas transportation assets, mainly pipeline expansions owned by the Gas Trusts.

The License establishes, among other restrictions, that TGS will not be allowed to assume CIESA's obligations, or to grant loans, real guarantees or any other kind of favor to CIESA's creditors.

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### b) Regulatory Framework for non-regulated segments

The Production and Commercialization of Liquids segment is subject to regulation by ENARGAS, and as it is provided in the Transfer Agreement, is organized as a separate business unit within TGS, keeping accounting information separately. However, over recent years, the Argentine Government enacted regulations which significantly impacted on it.

In March 2005, the Argentine Government enacted Law No. 26,020 which sets forth the regulatory framework for the industry and commercialization of LPG. Among other things, the Law No. 26,020 creates the framework through which the Federal Energy Bureau establishes regulations meant to cause LPG suppliers to guarantee sufficient supply of LPG in the domestic market at low prices. Law No. 26,020 creates a price regime pursuant to which the Federal Energy Bureau periodically publish reference prices for LPG sold in the local market. It also sets forth LPG volumes to be sold in the local market.

On September 19, 2008 the Federal Energy Bureau and LPG producers, among others, signed an agreement on the price stabilization of the LPG bottles whereby the industry players committed to a substantial reduction in the price of butane ten, twelve and fifteen kgs. bottles (the "Stabilization Agreement"), to support low-income consumers throughout the national territory, guarantying the supply of the product at a fixed price –below the market price- to the producers with a quota to each of them. This price reduction is partially offset by a subsidy paid by a trust fund created for that purpose. This trust fund receives the funds provided by the rise in the wellhead natural gas price which was authorized by the Argentine government.

The validity period was originally agreed until December 1, 2009. As from that date, there were several extensions of the agreement by means of annual amendments. The most recent amendment was signed on April 29, 2014 and was ratified through Resolution No. 532/2014 of the Federal Energy Bureau.

Participation in the Stabilization Agreement implies that the Company produces and markets LPG volumes required by the Federal Energy Bureau at prices significantly below the market. This situation implies that fail to cover production costs thus providing a negative operating margin. Because of this situation, the Company is working with the Federal Energy Bureau in the review of the Stabilization Agreement and, eventually, analyzing its continuity in the participation in this program.

Since 2002, LPG and natural gasoline exports have been subject to a tax on exports which implied a define percentage depending on the FOB price. In May 2004, the effective tax rate for LPG exports was increased from 4.76% to 16.67%. On May 24, 2007, it was increased to 20%.

Since November 2007 and March 2008, the Ministry of Economy established a variable export tax regime for the natural gasoline and LPG, respectively. According to this regime, if the international price of the relevant LPG product, as notified daily by the Secretary of Energy, is under the reference price established for such product the minimum applicable effective export duty for such product will be 31.03%. On the other hand, in the extent international prices were higher than reference prices, the effective export duty will increase. Due to international prices, the average effective tax rate for 2014 was 33.7%, 32.8% and 31.5% for natural gasoline, propane and butane, respectively.

For this reason, given the current scenario of prices and costs for the Liquids Production and Commercialization segment, the Company will continue with the steps taken so far with the national authorities to allow safeguard the sustainability of the business, particularly with regard to the revision of the current tax regime hydrocarbon exports, and the establishment of a price policy for the purchase of natural gas that stimulates production to meet the needs of the domestic market.

Through Presidential Decree No. 2,067/08, the Executive Branch created a tariff charge to be paid by (i) the users of regulated services of transportation and / or distribution, (ii) natural gas consumers receiving natural gas directly from producers without making use of transportation

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systems or natural gas distribution, (iii) the natural gas processing companies in order to finance the import of natural gas. The tariff charge sets forth in the Decree finance the higher price of the natural gas imports required to compensate the injection of natural gas necessary to meet national requirements (the “natural gas processing tariff charge”).

The payment of the natural gas processing tariff charge was selectively subsidized from 2008 according to the destination of the natural gas. In November 2011, however, ENARGAS issued Resolution No. 1,982/11 and 1,991/11 (the “Gas Tariff Resolutions”) which modified the list of the subsidy beneficiaries, and thus, involved a cost increase for many of our clients and for us (for certain of our consumption for our own account). The natural gas processing tariff charge increased from Ps. 0.049 to Ps. 0.405 per cubic meter of natural gas effective from December 1, 2011, representing a significant increase in our variable costs of natural gas processing.

In order to avoid this damage, TGS appealed against the Presidential Decree and the Resolutions including National Government, ENARGAS and MPFIPyS as defendants. On July 10, 2012, TGS obtained from the Court of Appeals in administrative federal matters based in the Autonomous City of Buenos Aires, the issue of a preliminary injunction which provides that TGS is exempt from the billing and the payment of the tariff charge increase according to the Resolutions, pending the resolution of the claim.

Should this situation disclosed in Note 18.d was not resolved favorably; TGS could have in the future a significant impact on the results of operations. Notwithstanding this, the Management believes it has sufficient grounds to defend its position.

### c) Expansion of the natural gas transportation system

Since 2004, the natural gas transportation system expansion works have been carried out under the Gas Trust Fund Program framework, which was created through Executive Branch Decree No. 180/04 and Resolution No. 185/04 issued by the MPFIPyS, aimed at financing the expansion of the national natural gas transportation system in a manner different from that established in the License.

Under such framework, the MPFIPyS, the Federal Energy Bureau and the natural gas transportation companies, among others, signed in April 2006 a Letter of Intent to carry out the second expansion of the gas pipeline system. In December 2006, the gas trust fund contracts for the second expansion were signed, and TGS entered into an agreement under which TGS will manage the expansion project.

Expansion works initiated in 2006, which were planned in gradual stages, were executed with the aim to be financed by other gas trust funds, whose trustors are the gas producers and the shippers who subscribed the additional capacity. The works will be repaid with a new tariff charge that will be finally paid by the business and industrial users with firm transportation contracts, except for the distribution companies. In addition, TGS is in charge of the rendering of firm transportation services. For these services, TGS is paid a monthly Charge for Access and Use (“CAU”). As of December 31, 2014, the incremental transportation capacity was 307 MMcf/d after the works came into service.

In May 2011, TGS received *Valores Representativos de Deuda* (“debt securities”) from the trust fund, date of issue February 2010, which cancelled the account receivable of Ps. 48.1 million related to services rendered for the 247 MMcf/d expansion works. These debt securities amortize principal in 85 monthly, consecutive and equal installments and bear CER interest plus an 8% from their date of issue.

In October 2011, TGS, the Federal Energy Bureau and the trustee of the gas trust funds agreed the terms and conditions under which TGS will render the operation and maintenance services of the assets associated with the incremental transportation capacity of 378 MMcf/d.

Moreover, in October 2011 an amendment to the management agreement corresponding to the works initiated in 2006 was agreed in order to include management services associated with an

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expansion which will increase firm transportation capacity by 131 MMcf/d and its remuneration, which amounted to Ps. 37 million. Said agreement provided an advance payment equivalent to 20% of the total remuneration, and the remainder 80% through debt securities which amortize principal, in 96 monthly, consecutive and equal installments and bear CER plus a spread of 8% from their date of issue.

As of the date of the issuance of these consolidated financial statements, TGS received debt securities from the trust fund which cancelled the 90% of the mentioned advanced payment and the works that started operating. The principal of said debt securities amounted to Ps. 25.8 million (including accrued interest) as of December 31, 2014 and it is amortized in 96 monthly, consecutive and equal installments which bear CER plus a spread of 8% from their date of issue. The 10% remaining amount was cancelled in cash.

### d) Essential assets

A substantial portion of the assets transferred by GdE has been defined as essential for the performance of the natural gas transportation service. Therefore, TGS is required to keep separated and maintain these assets, together with any future improvements, in accordance with certain standards defined in the License.

TGS may not, for any reason, dispose of, encumber, lease, sublease or loan essential assets nor use such assets for purposes other than the provision of the licensed service without ENARGAS's the prior authorization. Any expansion or improvements that it makes to the gas pipeline system may only be encumbered to secure loans that have a term of more than one year to finance such extensions or improvements.

Upon expiration of the License, TGS will be required to transfer to the Argentine government or its designee, the essential assets listed in an updated inventory as of the expiration date, free of any debt, encumbrances or attachments, receiving compensation equal to the lower of the following two amounts:

- i) the net book value of the essential assets determined on the basis of the price paid by the acquiring joint venture, and the original cost of subsequent investments carried in US dollars and adjusted by the PPI, net of accumulated depreciation according to the calculation rules to be determined by ENARGAS; or
- ii) the net proceeds of a new competitive bidding.

Once the period of the extension of the License expires, TGS will be entitled to participate in the New Bidding, and thus, it shall be entitled to:

- (i) that its bid in the New Bidding be computed at an equal and not lower price, than the appraisal value determined by an investment bank selected by ENARGAS, which represents the value of the business of providing the licensed service as it is driven by the Licensee at the valuation date, as a going concern and without regard to the debts;
- (ii) to obtain the new License, without payment, in the event that any bid submitted in the new tender exceeds the appraised value;
- (iii) to match the best bid submitted by third parties in the new Bidding, if it would be higher than its bid mentioned in (i), paying the difference between both values to obtain the new License;
- (iv) if the Licensee has participated in the New Bidding but is unwilling to match the best bid made by a third party, to receive the Appraisal Value as compensation for the transfer of the Essential Assets to the new licensee, any excess paid by the third party shall remain for the grantor.

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### 17. COMMON STOCK AND DIVIDENDS

#### a) Common stock structure and shares' public offer

As of December 31, 2014 and 2013, TGS' common stock was as follows:

Common Shares Class (Face value \$ 1, 1 vote)	Amount of common stock, subscribed, issued, paid in, and authorized for public offer
Class "A"	405,192,594
Class "B"	389,302,689
	<b>794,495,283</b>

TGS's shares are traded on the BCBA and under the form of the ADS (registered in the SEC and representing 5 shares each) on the New York Stock Exchange.

#### b) Limitation on the transfer of the TGS' shares

TGS' by-laws provide that prior approval of ENARGAS and the unanimous approval of CIESA's shareholders, under agreements among them, must be obtained in order to transfer Class "A" shares (representing 51% of common stock). The Bid Package states that approval of ENARGAS will be granted provided that:

- The sale covers 51% of common stock or, if the proposed transaction is not a sale, the transaction that reduces the shareholding will result in the acquisition of a shareholding of not less than 51% by another investment company; and
- The applicant provides evidence to the effect that the transaction will not impair the operating quality of the licensed service.

In the case of shareholders of CIESA who have qualified to obtain such condition due to the equity, guarantee and/or technical background of their respective parent companies, the sale of shares representing the capital of such subsidiaries by the respective ultimate, direct or indirect parent companies, and/or the cessation of management running TGS, requires the prior authorization of ENARGAS.

In case TGS wishes to reduce its capital, redeem its shares or distribute any part of its equity, except for the payment of dividends, in accordance with the provisions of the Argentine Business Associations Law, it requires prior authorization from ENARGAS.

#### c) Restrictions on distribution of retained earnings

Under current Argentine legal requirements and CNV standards, 5% of each fiscal year net income must be appropriated into a legal reserve, provided that there is no unappropriated retained deficit. In such case, the 5% should be calculated on any excess of the net income over the unappropriated retained deficit. This appropriation is legally binding until such reserve equals 20% of the amount which results from the sum of the "Common stock nominal value" and the balance of "Cumulative inflation adjustment to common stock".

In addition, the by-laws provide for the issuance of Profit Sharing Vouchers, as defined in Article 230 of the Argentine Business Associations Law, which Vouchers entitle all regular employees to share in 0.25% of TGS' net income for each year.

According to law No. 25,063, the dividends paid in cash or in kind, in excess of the tax profit, will be subject to a 35% withholding tax of the income tax, as sole and only payment.

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Furthermore, TGS is subject to certain restrictions for the payment of dividends, which were contemplated in the outstanding debt agreements (Note 12 – “Covenants”).

d) Resolution No. 609 –Allocation of Accumulated Retained Earnings after first-time adoption of IFRS

As a consequence of the implementation of IFRS, the Company recognized a negative difference in the Accumulated Retained Earnings account, and thus, the terms provided by Resolution No. 609 are not applicable.

### 18. LEGAL CLAIMS AND OTHER MATTERS

a) Exemption of the sales of liquids in Turnover Tax

In the framework of the Tax Agreement subscribed by the Argentine Government and the Provinces in 1993, and as from the enactment of provincial Law No. 11,490, TGS required the Tax Bureau of the Province of Buenos Aires to exempt the sales of liquids from the turnover tax in its jurisdiction. In September 2003, the Tax Bureau of the Province of Buenos Aires, through Resolution No. 4,560/03, denied the exemption. In October 2003, TGS filed an administrative appeal with the Tax Court of the Province of Buenos Aires.

In February 2007, the Tax Court partially upheld TGS’s complaint. In its pronouncement, the Tax Court stated that ethane, propane and butane sales were within the scope of the turnover tax exemption but that neither propane nor butane sales qualified for the exemption in the domestic market, when they were not raw materials for an industrial process.

For the previously mentioned, TGS filed an appeal in May 2007 before the Province of Buenos Aires Court to obtain the exemption alleging that propane and butane sales might be utilized for other uses different from petrochemical industry. On December 14, 2014, the Company was notified of the sentence against its interests. On December 22, 2014, TGS filed an appeal against this sentence. As of the date of these Financial Statements, the Court has not issued a final decision.

In September 2014, TGS paid Ps. 13.2 million to cancel the total amount claimed by the *Agencia de Recaudación de la Provincia de Buenos Aires* (“ARBA”) for the fiscal periods from January 2002 to July 2003.

On February 19, 2008, TGS was notified with a formal assessment notice of Ps. 3.6 million (not including interest) regarding the payment of the turnover tax corresponding to the period ranging from August 2003 to December 2004. On March 11, 2008, TGS filed a discharge within the Tax Bureau of the Province of Buenos Aires which was rejected and thus, the Company filed an appeal with the Tax Court of this province in January 2009. On November 23, 2013, the Tax Court partially upheld TGS’s complaint. As of the date of these Financial Statements, the final settlement is still pending.

On December 4, 2012, TGS was notified with a new formal assessment notice of Ps. 0.8 million regarding the payment of the turnover tax corresponding to the fiscal year 2006 related to the production of liquefied gas, butane, propane and natural gasoline. On December 26, 2012, the Company answered the charges alleging the statute of limitations of the taxes claimed for 2006 period. On April 10, 2013, the ARBA did not accepted the answer of charges sent by TGS. On May 2, 2013, TGS lodged an appeal against ARBA’s decision to the Tax Court. On September 3, 2014, TGS was informed of the unfavorable sentence issued by the Tax Court. Due to the administrative proceedings are finished, the Company presented in the Contentious-Administrative Court the statute of limitations allegation.

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On April 13, 2013, TGS was notified with a new formal assessment notice of Ps. 2.7 million (not including interest) regarding the payment of the turnover tax corresponding to the period ranging from January 2007 to April 2008. On June 14, 2013, TGS was notified of the penalty resolution which was appealed on July 13, 2013 alleging the statute of limitations of fiscal year 2007.

As of December 31, 2014, 2013 and 2012, TGS maintains a provision of Ps. 21.1 million, Ps. 43.3 million and Ps. 39.1 million, respectively.

b) Turnover tax calculated on the natural gas price used by TGS as fuel to render its transportation services

*Province of Santa Cruz*

In November 2002, the Tax Bureau of the province of Santa Cruz sent TGS a formal assessment notice for the payment of the turnover tax calculated on the natural gas price used by TGS as fuel to render its transportation services.

This assessment corresponds to the period from January 1998 to October 2002. In August 2005, TGS paid the amount claimed of Ps. 1.6 million (including interests until December 4, 2002) and started a tax recovery process, first exhausting all other procedural steps, with the Tax Bureau of the province and then initiating a proceeding in the Provincial Tax Court.

In November 2012, the Department of Revenue of the Province of Santa Cruz sent TGS a formal assessment notice for the payment of the turnover tax for the periods from January 2006 to November 2007 and from January 2008 to April 2011 by the amount of Ps. 5.9 million. In September 2013 TGS paid Ps. 6.8 million (including interest as of that date) and initiated the tax recovery process, which is pending.

*Province of Río Negro*

In November 2005, TGS received a notice from the Tax Bureau of the province of Río Negro claiming the payment of Ps. 0.2 million, on the same grounds as those of the Province of Santa Cruz, for the period from January 1999 to May 2005. On February 1, 2008, TGS initiated a tax recovery process with the Tax Court of the province of Río Negro to obtain the refund of Ps. 0.5 million paid in November 2007. The tax recovery process was rejected on August 1, 2012. It was appealed by TGS. On September 30, 2014, TGS requested the open of the evidence stage, which as of the date of issuance of this consolidated financial statements is ongoing.

*Province of Tierra del Fuego, Antártida Argentina e Islas del Atlántico Sur*

In September 2008, the Tax Bureau of the province of Tierra del Fuego e Islas del Atlántico Sur sent TGS a formal assessment notice for the payment of Ps. 11.2 million corresponding to 2002-2007 period. Once all legal actions were lodged, in February 2013, TGS paid the amounts claimed, beginning the tax recovery process.

In November 2013, the Tax Bureau of the province of Tierra del Fuego e Islas del Atlántico Sur initiated new formal assessments for the periods August 2008 and March 2013 and April 2013 and June 2014 asking for the payment of Ps. 24.1 million and Ps. 12.7 million, respectively. For that reason, TGS initiated legal actions, which are pending.

As of December 31, 2014, 2013 and 2012, the Company recorded a provision of Ps. 120.8 million, Ps. 85.9 million and Ps. 84.5 million, respectively, in respect of this contingency under the line item "Provisions", which amounts were determined in accordance with the estimations of tax and interests, that would be payable as of such date, in case this contingency turns out unfavorable for the Company.

TGS' management believes that, in case the Company's position fails and the turnover tax has to be paid, TGS has a right to recover it by a transportation tariff increase as set forth in the License.

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c) Action for annulment of ENARGAS Resolutions No. I-1,982/11 and No. I-1,991/11 (the "Resolutions")

Within the framework of a legal action against the Resolutions (for further information, see Note 16.b), on July 10, 2012, TGS obtained from the Court of Appeals in administrative federal matters based in the Autonomous City of Buenos Aires, the issue of a preliminary injunction, ordering the Executive Branch (the Federal Energy Bureau), ENARGAS and Nación Fideicomisos S.A., as collection agents, not to bill or intend to collect from TGS the charge with the amounts in compliance with the provisions set forth in both Resolutions and to continue the billing and collection of the amounts stated prior to the issuance of said Resolutions.

ENARGAS and the Argentine National Government appealed the granting of the injunction before the Court of Appeals in administrative federal matters to resolve the applicability and legal continuity of the preliminary injunction. On December 21, 2012, TGS expanded the grounds of demand and requested the case to be referred to the defendants. Since March 18, 2013, the legal proceedings are ongoing at ENARGAS and the Executive Branch, the bodies to which such proceedings were referred by the Court of Appeals for a prior intervention before the issuance of its ruling.

The violation of the constitutional principles that govern matter and annulment of administrative acts carried out to implement the Resolutions mentioned above, is substantially the fundamental issue raised by TGS in the legal action, because no tax burden may be enforceable without the prior existence of a law framed within the constitutional precepts, and created by the Legislative Branch by a special law. This has been the basis adopted by the presiding judge to issue the injunction mentioned. This decision was confirmed on April 7, 2014 by the relevant Court of Appeals, but only for a period of six months. Pursuant to the prevailing legislation, the precautionary injunctions issued against the National Government are renewable at the request of a party at its maturity. TGS requested and obtained a new preliminary injunction which will expire on March 30, 2015. Given this limited duration, TGS filed an appeal before the Supreme Court.

Furthermore, TGS to broaden the basis for their demand after the enactment of Law No. 26,784 which amended Law No. 26,095 so as to include the natural gas processing tariff charge under the taxes whose creation was delegated to the Executive Branch by the National Congress, TGS has referred to the presiding judge confiscatory character that the tariff charge would have on its economic and financial condition of being in full force Resolutions that implement it.

TGS's Management believes it has enough valid arguments to defend their position, and thus, the Company has not recorded the increase of the charge for natural gas consumptions from the date of obtaining the injunction until the date of the issuance of these consolidated financial statements. In the event this injunction had not been obtained, the impact of the Resolutions for the years ended December 31, 2014, taking into account the possibility of carry forward the charge to the sales price of the product, would have implied a net loss of Ps. 182.8 million and. Meanwhile, the accumulated impact on the retained earnings since obtaining the injunction would have involved a reduction effect of Ps. 372.2 million.

d) Recovery action of VAT and income tax payments

On October 9, 2008, TGS signed the 2008 Transitional Agreement with UNIREN that contemplated a tariff increase of 20%, which would be retroactively applicable to September 1, 2008. On December 3, 2009, the Executive Branch ratified this transitional agreement through the Presidential Decree No. 1,918/09. By means of this decree, TGS will be able to bill the tariff increase to its clients as soon as ENARGAS publishes the new tariffs schedule and sets the methodology to bill the retroactive effect. Finally, this administrative act did not become effective and therefore in September 2010 TGS filed an *acción de amparo* (a summary proceeding to guarantee constitutional rights). Due to the passing of time since the enactment of Decree No. 1918/09, on December 16, 2010 the Board of Directors of the Company resolved to discontinue the recognition of the tariff increase revenue and to reverse the credit provision of



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the tariff increase revenue already accrued in the year ended December 31, 2009. The reversal of the tariff increase does not imply any resignation to the Company's right resulting from the Decree No. 1,918/09.

On May 24, 2013, TGS filed a tax recovery appeal with respect to the income tax and VAT credits generated by the reversal of the tariff increase credit mentioned above. After the omission to pass judgment on the claim within the three months of the filing of the tax recovery appeal, on October 9, 2013, TGS filed an appeal before the Federal Tax Bureau, which was not solved yet. As of the date of the issuance of these consolidated financial statements, the case is in evidence stage.

The total amount claimed by TGS amounted to Ps. 69.4 million plus compensatory interests. The outstanding balance of this credit has been valued at its amortized cost and it has been included in "Other non-current receivables."

e) Others

In addition to the matters discussed above, the Company is a party to certain lawsuits and administrative proceedings which involve taxation, labor claims, social security, administrative and others arising in the ordinary course of business. The Company's Management and its legal advisors estimate that the outcome of these differences will not have significant adverse effects on the Company's financial position or results of operations. As of December 31, 2014, 2013 and 2012 the total amount of these provision amounted Ps. 8.3 million, Ps. 9.7 million and Ps. 9.7 million, respectively.

f) Environmental matters

The Company is subject to extensive environmental regulations in Argentina. TGS' management believes that its current operations are in material compliance with applicable environmental requirements, as currently interpreted and enforced. The Company has not incurred in any material environmental liabilities as a result of its operations to date. As of December 31, 2014, 2013 and 2012 the total amount of these provision amounted Ps. 0.1 million, Ps. 1.6 million and Ps. 7.8 million, respectively.

### **19. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES**

Transactions with related parties are carried out in the ordinary course of business according to common practices. The terms of these transactions are comparable to those offered by or obtained from unaffiliated parties.

Technical Assistance Agreement

Petrobras Argentina is TGS's technical operator, according to the approval of ENARGAS in June 2004, and subject to the terms and conditions of the Technical Assistance Agreement which provides that Petrobras Argentina is in charge of providing services related to the operation and maintenance of the natural gas transportation system and related facilities and equipment, to ensure that the performance of the system is in conformity with international standards and in compliance with certain environmental standards. For these services, the Company pays a monthly fee based on a percentage of the operating income of the Company. In October 2014, TGS and Petrobras Argentina approved the renewal of the Technical Assistance Agreement for a three-year term, beginning on December 28, 2014.

Commercial transactions

During 2014, TGS entered into certain agreements to transfer natural gas and richness to TGS with Petrolera Pampa S.A. and Petrobras Argentina. These agreements will expire in April and October

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2015, respectively. The price, which is denominated in US dollars, is determined according to common practices.

Moreover, TGS, under certain agreements, processes the natural gas in Cerri Complex and commercializes the liquids, renders natural gas transportation services and other services to its related companies, mainly to Petroleo Brasileiro; Petrobras Global and Compañía Mega.

### Financial transactions

#### Loan agreement with Pampa Energía.

On October 5, 2011, TGS granted a US\$26 million loan to Pampa Energía. Proceeds from the loan were used by Pampa Energía to exercise the option contained in the "Call Option Agreement". Additionally, to guarantee compliance with its obligations, Pampa Energy created a pledge on the rights that correspond to the arbitration actions of Ponderosa Assets LP and Enron Creditors Recovery Corp. against Argentine Government acquired upon exercise of the option mentioned above. For more information, see Note 16.a.

After several extensions of the maturity, on May 7, 2013, the Board of Directors approved the amendments of certain terms and conditions of the loan granted to Pampa Energía, among others:

- i) Extended the expiration date until October 6, 2014, with option of an automatic renewal for one additional period of one year. For this reason, the current expiration date is October 6, 2015.
- ii) Previous to the expiration date, the loan must be paid or prepaid compulsorily by the assignment of rights and obligations to TGS of all assigned to Pampa Energía, mentioned in Note 16.a, Ponderosa Assets LP and Enron Creditors Recovery Corp against Argentina in the event that, on or before the due date: (a) the 20% effective increase on the tariff schedule has been granted to TGS, under the provisions of the Transitional Agreement approved by Presidential Decree No. 1918/09 or (b) it has been granted to TGS: (x) the tariff adjustment as provided by the Adjustment Agreement initialed by TGS approved by the Board of Directors Meeting held on October 5, 2011, or (y) any other compensatory arrangements implemented by any mechanism or system of tariff revision in the future to replace those currently in force under the Public Emergency Law with an equivalent economic effect on TGS.
- iii) The current interest rate is equivalent to 6.8% annual plus VAT.

As of December 31, 2014 and 2013, the loan granted to Pampa Energía was exposed in "Loans to related parties." The evolution of this loan is as follows:

<b>Balances as of December 31, 2012</b>	<b>138,523</b>
Interest income	11,458
Foreign exchange gain	44,173
<b>Balances as of December 31, 2013</b>	<b>194,154</b>
Interest income	14,941
Foreign exchange gain	59,016
<b>Balances as of December 31, 2014</b>	<b>268,111</b>

### Key management compensation

The accrued amounts corresponding to the compensation of the members of the Board of Directors, the Statutory Committee and the Executive Committee for the years ended December 31, 2014 and 2013 were Ps. 20,637 and Ps. 19,229, respectively.

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Balances and transactions with related parties

The detail of significant outstanding balances for transactions entered into by TGS and its related parties as of December 31, 2014 and 2013 is as follows:

Company	2014		2013	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
<i>Associate which exercises joint control on the controlling shareholder:</i>				
Petrobras Argentina	24,462	29,421	12,614	25,176
<i>Associate which exercises significant influence on the controlling shareholder:</i>				
Pampa Energia	268,111	-	194,154	-
<i>Associates with significant influence:</i>				
Link	278	-	223	-
EGS	-	2,993	-	2,210
<i>Other related companies:</i>				
Petrolera Pampa S.A.	-	5,891	-	-
Petroleo Brasileiro	25,475	-	39,573	-
Compañía Mega S.A.	7,736	-	5,357	-
WEB S.A.	-	-	382	-
<b>Total</b>	<b>326,062</b>	<b>38,304</b>	<b>252,303</b>	<b>27,386</b>

The detail of significant transactions with related parties for the years ended December 31, 2014 and 2013 is as follows:

Year ended December 31, 2014:

Company	Revenues			Costs		Financial Results	
	Natural Gas Transportation	Production and commercialization of liquids	Other services	Gas purchase and others	Compensation for technical assistance	Revenues for administrative services	Interests earned
<i>Controlling shareholder:</i>							
CIESA	-	-	-	-	-	122	-
<i>Associate which exercises joint control on the controlling shareholder:</i>							
Petrobras Argentina	30,192	5,826	52,200	153,378	69,966	-	-
<i>Associate which exercises significant influence on the controlling shareholder:</i>							
Pampa Energia	-	-	-	-	-	-	14,941
<i>Associate with significant influence:</i>							
Link	-	-	2,637	-	-	-	-
EGS	-	-	173	-	-	-	-
<i>Other related companies:</i>							
Compañía Mega S.A.	856	74,405	30	-	-	-	-
Petroleo Brasileiro	-	627,468	-	-	-	-	-
Petrolera Pampa S.A.	-	-	-	30,479	-	-	-
<b>Total</b>	<b>31,048</b>	<b>707,699</b>	<b>55,040</b>	<b>183,857</b>	<b>69,966</b>	<b>122</b>	<b>14,941</b>

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Year ended December 31, 2013:

Company	Revenues			Costs		Revenues for administrative services	Financial Results Interests earned
	Natural Gas Transportation	Production and commercialization of liquids	Other services	Gas purchase and others	Compensation for technical assistance		
<b>Controlling shareholder:</b>							
CIESA	-	-	-	-	-	122	-
<b>Associate which exercises joint control on the controlling shareholder:</b>							
Petrobras Argentina	31,698	-	34,924	147,977	52,953	-	-
<b>Associate which exercises significant influence on the controlling shareholder:</b>							
Pampa Energía	-	-	-	-	-	-	11,458
<b>Associate with significant influence:</b>							
Link	-	-	1,995	-	-	-	-
<b>Other related companies:</b>							
Compañía Mega S.A.	764	43,080	30	-	-	-	-
WEB S.A.	3,080	-	-	-	-	-	-
Petroleo Brasileiro	-	343,150	-	-	-	-	-
Petrobras Global	-	373,791	-	-	-	-	-
<b>Total</b>	<b>35,542</b>	<b>760,021</b>	<b>36,949</b>	<b>147,977</b>	<b>52,953</b>	<b>122</b>	<b>11,458</b>

Year ended December 31, 2012:

Company	Revenues			Costs		Revenues for administrative services	Financial Results Interests earned
	Natural Gas Transportation	Production and commercialization of liquids	Other services	Gas purchase and others	Compensation for technical assistance		
<b>Controlling shareholder:</b>							
CIESA	-	-	-	-	-	122	-
<b>Associate which exercises joint control on the controlling shareholder:</b>							
Petrobras Argentina	32,360	22,846	29,256	71,255	52,046	-	-
<b>Associate which exercises significant influence on the controlling shareholder:</b>							
Pampa Energía	-	-	-	-	-	-	6,665
<b>Associates with significant influence:</b>							
Link	-	-	1,737	-	-	-	-
EGS	-	-	47	-	-	-	-
<b>Other related companies:</b>							
Compañía Mega S.A.	757	32,434	1,371	-	-	-	-
Refinor S.A.	-	-	-	-	-	-	-
WEB S.A.	3,048	-	-	-	-	-	-
Petroleo Brasileiro	-	256,447	-	-	-	-	-
Petrobras Global	-	487,314	-	-	-	-	-
<b>Total</b>	<b>36,165</b>	<b>799,041</b>	<b>32,411</b>	<b>71,255</b>	<b>52,046</b>	<b>122</b>	<b>6,665</b>

## 20. CONTRACTUAL OBLIGATIONS

As of December 31, 2014, the Company had the following contractual commitments:

	Estimated maturity date				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Financial indebtedness <sup>(1)</sup>	3,270.5	496.4	1,576.8	1,197.3	-
Purchase obligations <sup>(2)</sup>	769.9	769.9	-	-	-
Other long term purchase obligations <sup>(3)</sup>	125.1	55.8	69.3	-	-
<b>Total</b>	<b>4,165.5</b>	<b>1,322.1</b>	<b>1,646.1</b>	<b>1,197.3</b>	<b>-</b>

<sup>(1)</sup> Corresponds to the cancellation of principal and interests of the financial indebtedness. For more information, see Note 12.

<sup>(2)</sup> Corresponds to purchase of natural gas contracts for the processing of Liquids.

<sup>(3)</sup> Corresponds to the payment related to the Technical Assistance Agreement with Petrobras Argentina. For more, information see Note 19.

Approximately the 98% of the financial indebtedness of TGS and the totality of the obligations corresponding to gas purchases are denominated in U.S. dollars which have been translated into Argentine pesos at the exchange rate as of December 31, 2014 (US\$ 1.00 = Ps. 8,551). The amounts to be paid in pesos could vary depending on the actual fluctuations in the exchange rate.

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### 21. SUBSIDIARY AND ASSOCIATES

#### *Link:*

Link was created in February 2001, with the purpose of the operation of a natural gas transportation system, which links TGS's natural gas transportation system with the Cruz del Sur S.A. pipeline. The connection pipeline extends from Buchanan, located in the high-pressure ring that surrounds the city of Buenos Aires, which is part of TGS's pipeline system, to Punta Lara. TGS's ownership interest in such company is 49% and Dinarel S.A. holds the remaining 51%.

#### *TGU:*

TGU is a company incorporated in Uruguay. This company rendered operation and maintenance services to Gasoducto Cruz del Sur S.A. and its contract terminated in 2010. TGS holds 49% of its common stock and Petrobras Argentina holds the remaining 51%.

#### *EGS:*

In September 2003, EGS, a company registered in Argentina, was incorporated. The ownership is distributed between TGS (49%) and TGU (51%). EGS operates its own pipeline, which connects TGS's main pipeline system in the Province of Santa Cruz with a delivery point on the border with Chile.

In October 2012, ENARGAS issued a resolution which authorizes EGS to transfer the connection pipeline and service offerings in operation to TGS. On December 17, 2013 the sale of all the fixed assets of EGS to TGS for an amount of \$ 350,000 was made, the existing natural gas transportation contracts were transferred and the procedures to dissolve the Company.

### 22. SUBSEQUENT EVENTS

The financial statements were authorized for issuance by the Board on February 3, 2015.

No subsequent events between the end of the fiscal year ended December 31, 2014 and the date of the issuance (authorization) of these consolidated financial statements have had a material effect on the financial position or the results of operations of the Company, except for the mentioned below:

#### Annual Ordinary Shareholders' Meeting

On April 23, 2015, the Annual Ordinary Shareholders' Meeting approved the creation of a new voluntary reserve for future dividends of Ps. 99.7 million and a new Future Capital Expenditures and Other Financial Expenses Reserve of Ps. 175.0 million. In addition, our shareholders approved an allocation to the Legal Reserve of Ps. 5.3 million, thereby increasing the amount in the Legal Reserve to Ps. 247.6 million.

#### Legal claims

- On March 27, 2015, the Lower Court in administrative federal matters based in the City of Buenos Aires, extended the preliminary injunction for a new period of six months. Thus, the new injunction expires in September 2015. (For further information, see Note 18 c.)
- Regarding the exemption of the sales of Liquids in turnover tax, in March 2015 TGS cancels the total amount claimed by ARBA for the fiscal periods from August 2003 to December 2004. (For further information, see Note 18 a.)

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- On February 19, 2015, the Supreme Court of Justice rejected the appeal filed by TGS with respect with tax recovery process in the Province of Santa Cruz. It is a final decision, being our request finally denied. (For further information, see Note 18 b.)
  - After having received a new formal assessment for the period April 2013 and June 2014. On March 19, 2015, TGS filed an appeal for reconsideration against the Tax Bureau of the province of Tierra del Fuego e Islas del Atlántico Sur. These legal actions are still pending. (For further information, see Note 18 b.)

### **23. INFORMATION REQUIRED BY ARTICLE 26 OF SECTION VII CHAPTER IV TITLE II OF CNV RULES**

In order to comply with General Resolution No. 629/2014 of the CNV, TGS informs that by October 28, 2014, supporting and management documentation related to open tax periods is safeguarded by Iron Mountain Argentina S.A. at its facilities are located at 3825 Cañada de Gómez Street in the Autonomous City of Buenos Aires.

As for commercial books and accounting records, they are situated in the headquarters of the Company in areas that ensure its preservation and inalterability.

The Company has available in its headquarters to CNV details of the documentation given in safeguard to third parties.