

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 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
Most recent six months:				
November 2017	17.6500	17.3050	17.4762	17.3050
December 2017	19.2000	17.2300	17.7342	18.6490
January 2018	19.6500	18.4100	19.0380	19.6500
February 2018	20.2000	19.3800	19.8331	20.1100
March 2018	20.4100	20.1490	20.2422	20.1490
April 2018 (through April 12, 2018)	20.2100	20.1600	20.1853	20.2100
Year ended December 31,				
2013	6.5210	4.9250	5.4859	6.5210
2014	8.5570	6.5450	8.1195	8.5510
2015	13.4000	8.5550	9.2485	13.0400
2016	16.0300	13.2000	14.7807	15.8900
2017	19.2000	15.1900	16.5717	18.6490

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 exchange rate reported by Banco Nación on December 31, 2017. 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 12, 2018, the reported selling exchange rate per U.S.\$1.00 was Ps. 20.2100.

Our results of operations and financial condition are highly sensitive to changes in the peso-U.S. dollar exchange rate because a significant portion of our revenues (48.8% of our total consolidated revenues from sales for the year ended December 31, 2017), most of our capital expenditures, all of our loans and the cost of natural gas used in our Liquids business are denominated in U.S. dollars, but substantially all of our assets are located in Argentina and our functional currency is the peso.

If we pay any dividends on our shares in pesos, as a result, currency fluctuations would also affect the U.S. dollar amounts received by holders of our American Depositary Shares (“ADSS”) on conversion (by us or by The Bank of New York Mellon (the “**Depository**”), pursuant to the deposit agreement for the issuance of the ADSs entered into between the Depository and us) of the cash dividends paid in pesos on the underlying Class B Shares. Fluctuations in the exchange rate between the peso and the U.S. dollar will also affect the U.S. dollar equivalent of the peso price of our shares on the BYMA and, as a result, can also affect the market price of the ADSS.

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, financial condition, 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. A significant portion of our revenues (48.8% of our total consolidated revenues from sales for the year ended December 31, 2017), most of our capital expenditures, all of our liabilities and the cost of natural gas used in our Liquids business are denominated in U.S. dollars, but substantially all of our assets are located in Argentina and our functional currency is the peso. 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.

Certain risks are inherent in any investment in a company operating in an emerging market such as Argentina.

Argentina is an emerging market economy, and investing in emerging markets generally carries risks. These risks include political, social and economic instability that may affect Argentina’s economic results which can stem from many factors, including the following:

- high interest rates;
- abrupt changes in currency values;
- high levels of inflation;
- exchange controls;
- wage and price controls;
- regulations to import equipment and other necessities relevant for operations;
- changes in governmental economic or tax policies; and
- political and social tensions.

Any of these factors, as well as volatility in the capital markets, may adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Economic volatility in Argentina in recent decades has adversely affected and may continue to adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Our business and financial results depend to a significant degree on macroeconomic, political, regulatory and social conditions in Argentina. 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 tariffs, spending and investment, and other regulatory initiatives increasing government involvement with economic activity; international conflicts; civil unrest; and insecurity concerns.

Beginning in 2001, Argentina went through a period of severe political, economic and social crisis. The crisis resulted in Argentina defaulting on its foreign debt obligations in 2002, 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. Many private sector companies with foreign currency exposure, including us, defaulted on their outstanding debts. Since that crisis, Argentina has substantially increased its real gross domestic product ("**GDP**"). However, after the 2008 global financial crisis, 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 financial crisis. According to data published by *Instituto Nacional de Estadísticas y Censos* (the National Statistics and Census Institute, or "**INDEC**"), growth in real GDP resumed in 2011, with the Argentine GDP increasing 6.1% in 2011, decreasing by 1.1% in 2012 and 2.3% in 2013. For the year 2014, Argentina GDP experienced a decrease of 2.6%. During 2015, economic activity recovered slightly, as real GDP grew 2.6% during the year. In 2016, however, GDP decreased by 2.3%. Meanwhile, in the fourth quarter of 2017, GDP grew 3.9% compared with the same period of 2016, and accumulated an increase of 2.9% in 2017.

In addition, since 2007, Argentina has confronted inflationary pressures, evidenced by significantly higher fuel, salaries and food prices, among other indicators. Inflation in Argentina has contributed to a material increase in our operating costs, in particular labor costs, and negatively affected our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations. There can be no assurance that inflation rates will not escalate in the future, and the effects of measures adopted or that may be adopted in the future by the Government to control inflation are uncertain. See "*Government intervention in the Argentine economy could adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.*"

In addition, other factors could adversely harm economic growth and future inflow of capitals necessary to support further economic growth in Argentina, such as:

- public debt continues to increase as a percentage of GDP, long-term credit is scarce and international financing remains limited;
- increasing public expenditures could result in fiscal deficits;
- the political difficulties associated with reducing the burden on businesses of taxes and social contributions, which make costs of production in Argentina higher than those in the rest of the region;
- the lack of necessary investments to develop oil and gas reserves and increase the production of natural gas and oil necessary to accompany the increase in economic activity;
- the obstacles to reducing inflation, which in the past undermined Argentina's economy and the capacity of the Government to create conditions for economic growth; and
- the increased distrust of business and political classes in Argentina, caused in part by measures taken in the past.

Volatility in the Argentine economy and the measures taken by the Government have had and are expected to continue to have a significant impact on us. As in the recent past, Argentina's economy may be adversely affected if political and social pressures inhibit the implementation by the Government of policies designed to control inflation, generate growth and enhance consumer and investor confidence, or if policies implemented by the Government that are designed to achieve these goals are not successful. We cannot provide any assurance that future economic, social and political developments in Argentina, over which we have no control, will not impair our business, financial condition and results of operations.

The impact of reforms and measures taken by the Government to reactivate the economy is uncertain.

Presidential, state and congressional elections in Argentina took place on October 25, 2015, and a runoff election (ballotage) between the two leading Presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri (from the Cambiemos coalition) being elected President of Argentina. The current administration assumed office on December 10, 2015.

On October 22, 2017, mid-term legislative elections were held at the federal and provincial government levels. Macri's Cambiemos alliance obtained the most votes in the City of Buenos Aires, and in the provinces of Buenos Aires, Chaco, Córdoba, Corrientes, Entre Ríos, Jujuy, La Rioja, Mendoza, Neuquén, Salta, Santa Cruz and Santa Fe. As a result, as of December 10, 2017, Cambiemos increased its representation in the Congress by nine senators (holding in the aggregate 24 of a total of 72 seats in the Senate) and by 21 members of the Chamber of Deputies (holding in the aggregate 108 of a total of 257 seats in such Chamber).

Since assuming office, the current administration announced and executed several significant economic and policy reforms, including, among others:

- **Reforms in the energy system and tariff increase.** Pursuant to Decree No. 134/2015, Macri administration, declared a state of emergency with respect to the national electricity system, effective until December 31, 2017. In order to reassess the then-current subsidy policy, the Ministry of Energy issued Resolution No. 28/2016 (**"Resolution 28"**) and Resolution No. 31/2016 (**"Resolution 31"**), pursuant to which it fixed the prices of natural gas at the supply point (**"PIST"**) and the tariffs of distribution and transportation of natural gas that will reach residential and commercial users throughout the country, as well as to the supply of compressed natural gas (**"CNG"**) to service stations and electricity generating plants and instructed ENARGAS to carry out an integral tariff review (**"RTI"**) process, to determine the tariffs of distribution and transportation of natural gas applicable throughout the country. The RTI concluded on March 27, 2018, and a new tariff schedule applicable to the transportation and distribution of natural gas has been published and will be in effect during the five-year period from April 2017 to March 2022.
- **INDEC reforms.** On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to consumer price index (**"CPI"**), GDP, poverty and foreign trade data, the current administration declared the national statistical system and the INDEC in a state of administrative emergency through December 31, 2016. From this declaration, the INDEC interrupted the publication of statistical information until the reorganization of its technical and administrative structure was completed. In 2016, the INDEC implemented certain methodological reforms and adjusted macroeconomic statistics based on these reforms. For additional information see *"High levels of inflation and the lack of credibility regarding Argentina's official inflation statistics, could negatively affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations."*
- **Foreign exchange reforms.** In the past, through a series of exchange and tax regulations, the national government significantly limited the access of both entities and individuals to the foreign exchange market. When the Macri administration took office on December 10, 2015, they announced important changes in the existing exchange regulations, with the main objective of diminishing the different restrictions imposed on the exchange market in recent years, which were gradually eliminated over the recent years. For additional information see *"Item 10. Additional Information—D. Exchange Controls."*
- **Tax reform.** On December 27, 2017, the Argentine executive branch (*Poder Ejecutivo Nacional*, the **"Executive Branch"**) enacted Decree No. 1,112/2017 which introduced many changes to the tax regime in accordance with Law No. 27,430 issued by the National congress. The reforms intended to eliminate certain existing complexities and inefficiencies of the Argentine tax regime, diminish evasion, increase the coverage of income tax as applied to individuals and encourage investment while sustaining Argentina's medium and long term efforts aimed at restoring fiscal balance. The reforms will gradually come into effect over the next five years. The reforms form part of a larger program announced by President Macri intended to increase the competitiveness of the Argentine economy (including by reducing the fiscal deficit) and employment, and diminish poverty on a sustainable basis.

- **Fiscal consensus.** On December 22, 2017, the Chamber of Deputies passed into law the Fiscal Agreement (*Ley de Consenso Fiscal*, the “**Pacto Fiscal**”), also known as the Fiscal Consensus (*Consenso Fiscal*). This law was based on an agreement signed on November 16, 2017 between the Government and representatives from 23 out of Argentina’s 24 provinces, with the goal of implementing measures that favor sustained growth in economic activity, productivity and employment. The Fiscal Consensus includes a commitment to lowering distortive taxes by 1.5% of GDP over the next five years, a waiver of lawsuits against the Government and a Ps.21,000 million payment to the province of Buenos Aires for the year 2018 (which will increase over the next five years) as a partial and progressive solution to the conflict related to the Buenos Aires Metropolitan Area Fund (*Fondo del Conurbano Bonaerense*). The Fiscal Consensus also set the basis for other policy reforms that were implemented by the Macri Administration in December 2017, such as the tax reform, the pension system reform and the Fiscal Responsibility Law (“**Ley de Responsabilidad Fiscal**”). The Argentine national budget for the year 2018 is projected at a fiscal deficit of 3.2% of the GDP.
- **Foreign trade reforms.** The Kirchner and Fernández de Kirchner administrations imposed export duties and other restrictions on several sectors, particularly the agricultural sector. The current administration eliminated export duties on wheat, corn, beef, mining, oil, and regional products, and reduced the duty on soybean exports by 5%, from 35% to 30%. Further, a 5% export duty on most industrial exports was also eliminated. With respect to payments for imports of goods and services to be performed abroad, the current administration eliminated the restrictions on access to the MULC. Importers were offered short-term debt securities issued by Argentina to be used to repay outstanding commercial debt for the import of goods. In addition, the import system was modified by the replacement of the *Declaraciones Juradas Anticipadas de Importación* system with a new import procedure that requires certain filings and import licenses for certain goods (including textiles, footwear, toys, domestic appliances and automobile parts), which, unlike the previous system, does not contemplate discretionary federal government approval of payments for the import of products through the MULC. By Decree No. 893/2017, published in the Official Gazette on November 2, 2017, the Government repealed article 1 of Decree No. 2581/1964, article 10 of Decree No. 1555/1986 and Decree No. 1638/2001. This action eliminated the obligation of Argentine exporters to repatriate and settle for pesos in the MULC foreign currency proceeds derived from the export of goods. On January 2, 2017, the Government enacted a further reduction of the export duties rate set for soybean and soybean products, setting a monthly 0.5% cut on the export duties rate beginning on January 2018 and until December 2019. In addition, importers were offered short-term debt securities issued by the Government to repay outstanding commercial debt for the import of goods.
- **Correction of monetary imbalances.** The current administration announced the adoption of an inflation targeting policy in parallel with the floating exchange rate regime and set inflation targets for the next four years. The Central Bank has increased efforts to reduce excess monetary imbalances and raised peso interest rates to offset inflationary pressure. Since January 2017, the Central Bank started to use the seven-day repo reference rate as the anchor of its inflation targeting policy. Short-term notes issued by the Central Bank would be used to manage liquidity. On December 28, 2017, the Central Bank announced its inflation targets for 2018, 2019 and 2020. The inflation target for 2018 is 15%, an increase from the Central Bank’s previous target range of 8%-12% for the same year. Inflation targets for 2019 and 2020 are 10% and 5%, respectively.
- **Corporate Criminal Liability Law (*Ley de Responsabilidad Penal Empresaria*).** On March 1, 2018, the Corporate Criminal Liability Law came into effect, providing for the criminal liability of corporate entities for offenses against the public administration and cross-border bribery committed by, among others, its shareholders, attorneys-in-fact, directors, managers, employees, or representatives. A company found liable under this law may be subject to various sanctions, including, among others, fines from two to five times the undue benefit obtained or that could have been obtained and the partial or total suspension of activities for up to ten years. In addition, this law extended the criminal liability under the Argentine Criminal Code to actions committed outside Argentina by Argentine citizens or companies domiciled in Argentina.

- **Bill for the development of the capital market of Argentina.** On November 13, 2017, the Executive Branch presented to Congress a bill that aims to develop capital market in Argentina. The bill provides for the modification and updating of the Capital Markets Law of Argentina, the Law of Mutual Funds and the Negotiable Obligations Law, among others. Also, the bill provides for the modification of certain tax provisions, regulations related to derivative instruments and the program for the promotion of financial inclusion. The bill was initially approved by the Chamber of Deputies on November 2017, and was approved with by the Senate on March 21, 2018, subject to certain amendments. The bill is under review by the Chamber of Deputies for its definitive approval.
- **Project to amend the labor system.** The Macri administration published a project to amend the labor system. The project's main purpose is to improve the efficiency and productivity of different productive sectors, increase employment, attract investment and reduce employment costs. This project is expected to be considered by Congress in 2018.
- **Pension Reform Law (*Ley de Reforma Previsional*).** On December 28, 2017, Congress passed the Pension Reform Law, with the goal of improving the sustainability and predictability of Argentina's pension program, while still protecting the most vulnerable persons. To that effect, the Pension Reform Law modified the basic formula for the periodic adjustment of retirements, pensions and the Universal Child Allowance (*Asignación Universal por Hijo*).

The Pension Reform Law also modified Section 252 of the Labor Law No. 20,744 by establishing that employers may request employees who have reached 70 years of age to initiate retirement proceedings (compared to age 65 under the prior regimen). Public sector employees are excluded from the foregoing provision.
- **Tax on financial transactions (*impuesto al cheque*).** On December 27, 2017, the Congress extended the tax on financial transactions through 2022, and earmarked amounts collected for the Argentine Integrated Pension System.

As of the date of this Annual Report, the impact that the aforementioned measures will have on the Argentine economy as a whole cannot be predicted. We cannot predict how the current administration will address certain political and economic issues that were central during the Presidential election campaign, such as the financing of public expenditure and public service subsidies, or the impact that any measures related to these issues that are implemented by the current administration will have on the Argentine economy as a whole. The inability of the current administration to properly implement measures as a result of lack of political support may adversely affect the Argentine economy and financial condition and, as a consequence, our business, financial condition or results of operations.

High levels of inflation and the lack of credibility regarding Argentina's official inflation statistics, could negatively affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Pursuant to Argentine law, the INDEC is the only institution in Argentina entitled to publish official nationwide statistics. In addition, inflation has undermined the Argentine economy and the Government's ability to stimulate economic growth. In the past, there have been concerns regarding the accuracy of the INDEC statistics. In 2007, the INDEC changed the way it calculated inflation statistics such as CPI and wholesale price index ("WPI"). Several economists, as well as the international and Argentine press, have suggested that this change in methodology was related to the policy of the Government intended to curb the increase of inflation. In addition, the International Monetary Fund ("IMF") requested several times that Argentina clarify the information on inflation rates published by INDEC.

Despite consultations between the Government and the IMF regarding the reliability of the INDEC's statistics, in February 2013, the IMF Executive Board issued a declaration of censorship on Argentina in connection with the breach of its obligations to provide information to the IMF under the Articles of Agreement and called on Argentina to adopt remedial measures to address the inaccuracy of inflation and GDP data without further delay.

On February 13, 2014, the INDEC released a new inflation index (the “**IPCnu**”) 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. Notwithstanding, concerns regarding statistics in Argentina remained until January 8, 2016 when Decree No. 55/2016 and the declaration of a state of administrative emergency in the national statistical system and in the INDEC, until December 31, 2016, was issued. Following this declaration, the INDEC ceased publishing statistical data until a rearrangement of its technical and administrative structure was finalized.

In addition, on June 29, 2016, the INDEC published recalculated historical GDP data, modifying the previously released data. Following the publication of revised data, on November 9, 2016, the Executive Board of the IMF concluded consultation with, and lifted its censorship on, Argentina.

According to inflation data published by the INDEC, in 2013 and 2014, the **CPI** increased 10.9% and 23.9%, respectively. In 2013 and 2014, the **WPI** increased 14.7% and 28.3%, respectively, and further increased 10.6% in the ten-month period ended October 31, 2015. INDEC discontinued the publication of data from November 2015 through May 2016 following the declaration of a state of administrative emergency in the national statistical system.

As of the date of this Annual Report, however, the increase in CPI for the first four months of 2016 was not published and there have been no indications from the INDEC or any other government agency as to the timeline for their publication. During that period, the INDEC released alternative CPI figures based on data published by the Province of San Luis and the City of Buenos Aires. These indexes reflected an increase in CPI of 31.6% and 26.9%, respectively, for 2015. For the first four months of 2016, these same alternative indexes showed an increase 13.9% and 19.2%, respectively.

In June 2016, the INDEC resumed publication of monthly data. The reported increase in CPI for the period from May through December 2016 was 16.9%. For the year 2017, CPI registered an increase of 24.8%. The WPI for the years 2016 and 2017 increased by 34.5% and 18.8%, respectively, according to information published by the INDEC.

Notwithstanding measures taken by the INDEC to address appropriate inflation statistics, some private economists estimate significantly higher inflation rates than those published by the INDEC for the period from 2007 to 2015. The uncertainty relating to the inaccuracy of the economic indexes and rates may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets, which could adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

High inflation rates affect Argentina’s foreign competitiveness, social and economic inequality, negatively impact employment, consumption and the level of economic activity and undermine confidence in Argentina’s banking system, which could further limit the availability of and access by local companies to domestic and international credit. Inflation rates could escalate in the future, and there is uncertainty regarding the effects that the Government measures to control inflation that are adopted, or that may be adopted in the future, may have. Increased inflation could adversely affect the Argentine economy, which in turn may have an adverse effect on our financial condition and results of operations.

IAS 29 “Financial reporting in hyperinflationary economies” (“**IAS 29**”) requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy, regardless of whether they are based on the historical cost method or the current cost method, be expressed in terms of the current unit of measure at the reporting date of the reporting period. Although the current rate of inflation does not rise to the level required for Argentina to be considered a hyperinflationary economy under IAS 29, if inflation rates continue to escalate in the future, the Argentine peso may qualify as a currency of a hyperinflationary economy according to the guidelines in IAS 29, in which case our Financial Statements and other financial information may need to be adjusted by applying a general price index and expressed in the measuring unit (the hyperinflationary currency) current at the end of each reporting period. We cannot determine at this time the impact this would have on our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

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 to 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. Between 2011 and December 2015, the Government strengthened exchange controls in response to an increase of capital outflows as compared to inflows and to a drop in the commercial surplus. However, these controls were not able to prevent the decrease of international reserves of the BCRA between 2012 and 2015. In the past, the decrease in the BCRA's reserves resulted in Argentina being vulnerable to inflation and external shocks, affecting the country's capacity to overcome the effects of an external crisis.

After several years of moderate fluctuation in the exchange rate, on December 17, 2015, Macri's administration implemented certain measures including the lifting of most of foreign exchange controls. As a result, the official exchange rate published by *Banco Nación* increased from Ps. 9.83 per U.S. dollar on December 16, 2015 to Ps. 13.95 per U.S. dollar on December 17, 2015. After these measures were taken, the value of the Argentine peso could freely fluctuate against the U.S. dollar. The period end exchange rate published by *Banco Nación* for the years 2016 and 2017 was Ps.15.8900 and Ps.18.6490 per U.S.\$1.00, respectively. Therefore, 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 business.

Further depreciation of the peso against the U.S. dollar would likely result in a material adverse effect on our business because of our exposure to financial debt in U.S. dollars. In addition, future devaluations could result in high inflation, reduce real wages, and adversely affect the Government's ability to honor its foreign debt obligations. On the other hand, significant appreciation of the peso could harm the competitiveness of Argentina companies and lead to reduced exports.

As of March 31, 2018, the total amount of principal and accrued but unpaid interest under our consolidated U.S. dollar-denominated indebtedness was U.S.\$232.5 million.

Government intervention in the Argentine economy could adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

In addition to the economic factors described above, our business and operations have been, are 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.

Prior to the Macri administration, the Government increased its direct intervention in the economy, including through the implementation of expropriation and nationalization measures, price controls and exchange controls. Although Macri's administration has reversed some of these measures, there is no guarantee that this trend will continue.

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 "**FGS**") to be managed by the Administración Nacional de la Seguridad Social ("**ANSES**"). Purchases of debt and equity instruments which previously could be placed with pension fund administrators are now entirely subject to the discretion of ANSES. ANSES has been entitled to designate government representatives to the boards of directors of these companies. ANSES currently holds 23.1% of our outstanding capital stock and has two representatives in our Board of Directors. On July 25, 2012, the Executive Branch issued Decree No. 1,278/12, which governed FGS representatives' role in companies in which FGS had participation.

For additional information, regarding rules and regulations that govern our relationship with FGS see *“Item 7. Major Shareholders and Related Party Transactions.”*

In May 2012, 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. Law No. 26,741 expropriated 51% of the shares of YPF S.A. (**“YPF”**), formerly known as Repsol YPF S.A. (**“Repsol YPF”**). Our business and operations in Argentina may also be adversely affected by measures adopted by the Government to address inflation and promote sustainable growth. For example, if we are not permitted to pass increases in the costs of our services and labor along to customers through the tariffs, which we charge due to the imposition of price controls, those costs could negatively affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations. See *“Risks Relating to Our Business– Failure or delay in the implementation of anticipated tariff increases could have a material adverse effect in our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations. In addition, our inability to obtain tariff adjustments reflecting the increase in operating cost could harm the development of our natural gas transportation business segment.”*

In addition, in the past the Government has also adopted numerous measures to directly or indirectly control the access by private companies and individuals to foreign trade and foreign exchange markets, such as restricting its free access and imposing the obligation to repatriate and sell within the local foreign exchange market all foreign currency revenues obtained from exports. These regulations prevented or limited us from offsetting the risk derived from our exposure to the U.S. dollar.

In 2012 and again in 2013, the Argentine Congress established new regulations relating to domestic capital markets. The new regulations generally provide for increased intervention in the capital markets by the Government. The Macri administration, however, is working on an amendment to the Capital Markets Law, which would, among other things, limit the scope of intervention by the CNV in public companies (See *“Item 3. Key Information–D. Risk Factors– The impact of reforms and measures taken by the Government to reactivate the economy is uncertain– Bill for the development of the capital market of Argentina”*).

A low growth and high inflation rates scenario is likely going forward, as a result of the accumulation of macroeconomic imbalances over recent years, the actions of the Government in regulatory matters and challenging conditions in the international economy. We can offer no assurance that policies implemented by the Government will not adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Argentina is an emerging market economy that 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, financial condition, the value of our securities, and our ability to meet our financial obligations.

Even though the Macri administration took several measures that had the positive effect of lifting most exchange controls in Argentina, we cannot provide any assurance that we will be able to access foreign exchange markets or that these measures will not cause fluctuations in the value of the peso. The lifting of certain exchange controls and other future economic, social and political developments in Argentina, over which we have no control, may adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations. For additional information on developments relating to exchange controls, see *“Item 10 – Additional Information–D. Exchange Controls.”*

The Argentine economy may 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, economic slowdowns, especially in Argentina’s major trading partners, led to declines in Argentine exports in the last few 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.

The economy in Brazil, one of the main import and export markets for Argentina, experienced rising negative pressure because of political uncertainty, including the removal from office of the President Dilma Rousseff and the fallout from the continuing investigation into the Lava Jato corruption scandal. After two years of retreat, in 2017 the Brazilian economy grew by 1%. Additionally, during 2017 the country continued to suffer a political and institutional crisis that included new requests for impeachment of President Temer and general strikes against the reforms imposed by the government. Argentine foreign trade is highly dependent on the Brazilian economy, thus a poor performance of Brazil's economy could lead to the deterioration of Argentina's trade balance. Additional Brazilian political and economic crises could negatively affect Argentine economy.

Financial and securities markets in Argentina are also influenced by economic and market conditions in other markets worldwide. U.S. monetary policy has significant effects on capital inflows and asset price movements in emerging market economies. Increases in U.S. interest rates result in the appreciation of the U.S. dollar and decreases in prices for raw materials, which can adversely affect commodity-dependent emerging economies.

Additionally, a slowing of China's GDP growth has led to a reduction in exports to this Asian country, which in turn has caused oversupply and price declines in certain commodities. 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.

On June 23, 2016, the United Kingdom voted in favor of exiting the European Union. On March 29, 2017, UK Prime Minister Theresa May triggered the Brexit process. As of the date of this Annual Report, the actions that the United Kingdom will take to effectively exit from the European Union or the length of such process are uncertain. The results of the United Kingdom's referendum and the initiation of the Brexit process have caused, and are anticipated to continue to cause, volatility in the financial markets, which may in turn have a material adverse effect on our business, financial condition and results of operations. The United Kingdom's general election on June 8, 2017 left the conservative party without a majority, increasing the uncertainty surrounding the Brexit and the chance to reach a deal with the European Union by 2019.

On November 8, 2016, Donald J. Trump was elected President of the United States and he took office in January 2017. President Trump has evidenced an inclination to consider greater restrictions on free trade and immigration. Changes in social, political, regulatory and economic conditions in the United States or in laws and policies governing foreign trade could create uncertainty in the international markets and could have a negative impact on emerging market economies, including the Argentine economy, which in turn could have a negative impact on our operations. In addition, on February 5, 2018, Jerome H. Powell took the oath of office as Chairman of the Board of Governors of the Federal Reserve System, succeeding Janet L. Yellen. Mr. Powell has expressed its intention to continue with the policy of the Federal Reserve System to gradually raise interest rates as the economic conditions in the U.S. improve and adjust the strategy depending on how the economy performs. If the U.S. economy continues to be perceived as gaining momentum, the recent U.S. tax overhaul by the Trump administration, which slashed the corporate income tax rate and cut personal income tax rates, could cause an economy that may be nearing full capacity and prompt the Federal Reserve System to become more aggressive than anticipated in its course of interest rate hikes. The Trump administration recently issued tariffs on certain products altering the international trade environment, which combined with the increase in the U.S. reference interest rates has created additional volatility in the U.S. and the international markets.

On October 27, 2017, the regional government of Catalonia declared independence from Spain. In response to this declaration, the Spanish national government rejected the declaration and intervened, dissolving the regional parliament and convening new elections to elect new regional authorities. These conflicts in the European Union in general, and in Spain in particular, may have political, regulatory and economic implications on the international markets.

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.

Certain economic policies of the former government administration in Argentina, including the relationship with the IMF and the foreign exchange restrictions, led in the past 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 policies that may be adopted by the government in the future or by events in the economies of developed countries or in other emerging markets. A slowdown in economic activity in Argentina would adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

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

Argentina’s history of defaults on its external debt and the protracted litigation with holdout creditors, summarized below, may reoccur in the future and prevent Argentine companies such as us from accessing the international capital markets readily or may result in higher costs and more onerous terms for such financing, and may therefore negatively affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Following the default on its external debt in 2001, 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 held out from the exchange offers and pursued legal actions against Argentina in the courts of the United States and several other countries.

After almost 15 years of litigation, and following the beginning of Mr. Macri’s administration, in February 2016 Argentina negotiated and reached settlement agreements with a significant portion of its holdout creditors. As required by the settlement, on March 31, 2016, the Argentine Congress voted to repeal Laws No. 26,017 (known as “*Ley Cerrojo*”) and 26,984 (known as “*Ley de Pago Soberano*”), which prohibited Argentina from offering to the holdouts better conditions than those offered in the debt swaps of 2005 and 2010. On April 13, 2016, Argentina announced that it would proceed with a new bond offering of up to U.S.\$12.5 billion to repay the holdouts. After issuing U.S.\$16.5 billion of new bonds to international investors, on April 22, 2016 Argentina notified the competent U.S. court that it had made full payment under the settlement agreements with the holdout creditors. Although the size of the claims involved has decreased significantly, litigation initiated by bondholders that have not accepted Argentina’s settlement offer continues in several jurisdictions.

However, even though Argentina has successfully accessed the international capital markets since the settlement, there continues to be a risk that the country will not attract the foreign direct investment and financing needed to restart the investment cycle and achieve sustainable rates of economic growth. If that risk occurs, Argentina’s fiscal condition could be adversely affected, which could lead to more inflation and undermine the government’s ability to implement economic policies designed to promote growth. The difficulty of sustaining over time economic growth with reasonable price stability could result in a renewed episode of economic instability.

In addition, the foreign shareholders of several Argentine companies (including us), together with public utilities and certain bondholders that did not participate in the exchange offers described above, filed claims with the International Centre for Settlement of Investment Disputes (“**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. Several of these claims have been resolved against Argentina.

Past situations, such as the lawsuits with creditors that did not accept to the debt exchange, the claims before the ICSID, and the economic policy measures adopted by the Government or any future default of Argentina regarding its financial obligations may harm Argentine companies’ ability to obtain financing. Even financial conditions of such access could be disadvantageous to Argentine companies and, therefore, may adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

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. A significant change 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 General Companies Law and the Consumer Protection Law. The new Civil and Commercial Code, which came into effect on August 1, 2015, introduced significant changes to the Argentine private law system.

We are exposed to expropriations, nationalizations or similar risks.

Substantially all of our assets are located in Argentina. We are subject to political and economic uncertainties, including nationalizations, expropriations, the renegotiation or termination of our existing contracts, foreign exchange controls, exchange rate volatility, among others. We cannot ensure that any of these events will not occur and that any such event would not have an adverse effect on our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations

Risks Relating to Our Business

Failure or delay in the implementation of anticipated tariff increases could have a material adverse effect in our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations. In addition, our inability to obtain tariff adjustments reflecting the increase in operating cost could harm the development of our natural gas transportation business segment.

All of our net revenues from the natural gas transportation public service (which represented 37.2%, 28.2% and 24.0% of total net revenues during 2017, 2016 and 2015, respectively) are attributable to contracts, which are subject to Government regulation. Prior to the enactment of the Public Emergency Law, our tariffs were stated in U.S. dollars, adjusted on a semi-annual basis by reference to the U.S. Producer Price Index (“PPI”), and further adjusted every five years, based on the efficiency of, and investments in, our gas transportation business. The Public Emergency Law, however, eliminated tariff indexation and public service tariffs were converted into pesos and fixed at an exchange rate of Ps. 1.00 per U.S.\$1.00 even if the peso was devaluating significantly against the U.S. dollar.

Consistent inflation in Argentina since 2002, without any corresponding increase in our natural gas transportation tariffs until recently, has adversely affected, and sustained inflation 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 and generally depreciated against the U.S. dollar, adversely affecting our results and financial position. In particular, because all of our debt is denominated in U.S. dollars significant devaluations of the peso may adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

On March 30, 2017, ENARGAS issued Resolution No. 4362/2017 (“**Resolution 4362**”) which approved a staged tariff increase which contemplates an aggregate transportation tariff increase of 214.2% and an aggregate Access and Use Charge (“CAU”) increase of 37%. This staged increase is structured to provide the same economic benefits to us as if the increases had been fully effective on April 1, 2017. Pursuant to this resolution, we must also execute a capital expenditures program for a five-year period (from April 1, 2017 to March 31, 2022), which contemplates investments of Ps. 6,786.5 million (in nominal value at December 31, 2016, adjustable by the Wholesale Price Index (“WPI”)) to improve the operation and maintenance of the pipeline system (the “**Five Year Plan**”). If we do not execute the Five Year Plan in accordance with ENARGAS’s regulations, we will be subject to fines to be calculated on the value of the work pending execution.

In addition, Resolution 4362 contemplates a non-automatic semiannual adjustment mechanism for the natural gas transportation tariff to reflect changes in WPI.

See “Item 4. Our Information–B. Business Overview–Natural Gas Transportation–Regulatory Framework” below for more information.

In the past, we have suffered from our inability to adjust our tariff increase, which implied the deterioration of our financial and economic condition. Our inability to bill the increases granted by ENARGAS, as it is stipulated in our License, in a timely manner, and to obtain future tariff adjustments in line with the increase in our costs could affect adversely our economic and financial condition. Moreover, the RTI process could result in the adoption of an entirely new regulatory framework for our business, with additional terms and restrictions on our operations and the imposition of mandatory investments. We also cannot predict whether a new regulatory framework will be implemented and what terms or restrictions could be imposed. It is expected that the next tariff revision will take place in 2021 and will come into effect for the five-year period from April 1, 2022 to March 31, 2027.

Our operations are subject to extensive regulation.

The Argentine oil and gas industry is subject to extensive government regulation and control. As a result, our business is to a large extent dependent upon regulatory and political conditions prevailing in Argentina and our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations may be adversely affected by regulatory and political changes in Argentina. Therefore, we face risks and challenges relating to government regulation and control of the energy sector, including those set forth below and elsewhere in these risk factors:

- limitations on our ability to increase prices or to reflect the effects of higher domestic taxes, increases in operating costs or increases in international prices of natural gas and other hydrocarbon fuels and exchange rate fluctuations on our domestic prices;
- in connection with the former and current incentive programs established by the Government for the oil and gas industry, such as the Natural Gas Additional Injection Stimulus Program and cash collection of balances with the Government;
- legislation and regulatory initiatives relating to hydraulic stimulation and other drilling activities for unconventional oil and gas hydrocarbons, which could increase our cost of doing business or cause delays and adversely affect our operations; and
- the implementation or imposition of stricter quality requirements for hydrocarbon products in Argentina.

In recent years, the Government has made certain changes in regulations and policies governing the energy sector to give absolute priority to domestic supply at stable prices in order to sustain economic recovery. As a result of the above-mentioned changes, for example, on days during which a gas shortage occurs, exports of natural gas (which are also affected by other government curtailment orders) and the provision of gas supplies to industries, electricity generation plants and service stations selling compressed natural gas are interrupted for priority to be given to residential consumers at lower prices. The Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. Moreover, we cannot assure you that changes in applicable laws and regulations, or adverse judicial or administrative interpretations of such laws and regulations, will not adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Failure to maintain our relationships with labor unions may have an adverse effect on our business, financial condition, results of operations and prospects.

A significant portion of our workforce is represented by labor unions and the majority of our non-unionized employees have the same employment benefits as unionized employees. While we believe we have enjoyed satisfactory relationships with all of the labor organizations that represent our associates and we believe our relationships with labor organizations will continue to be satisfactory, labor-related disputes may still arise. In particular, labor lawsuits are common in the energy sector in Argentina, and industry wide organized actions by unionized employees in the industry, such as blockages in the access to facilities and route cuts have occurred in the past. We have suffered interruptions as a result of our employees joining such organized activities. We cannot assure you that future business interruptions resulting from strikes and other organized activities by our employees would not have a significant adverse effect on our business, financial condition, results of operations and prospects.

The collective bargaining agreements with our unions are valid for one year. Currently, we are in the process of negotiating the collective bargaining agreements that will be in effect from April 2018 to April 2019, but the status of these negotiations is uncertain.

However, we cannot assure you that we will not suffer business interruptions or strikes in the future as a result of collective actions by our employees. We have insurance that covers terrorism and organized actions against our assets, among others, for a total insured amount of U.S.\$50,000,000 with a deductible per event of U.S.\$500,000, but we cannot assure you that our insurance coverage will be sufficient to cover damages and losses caused by organized actions of our employees.

In addition, in the past, the Government has enacted laws and regulations forcing private companies to maintain certain wage levels and to provide additional benefits to their employees. We cannot assure you that in the future the Government will not increase wage or require additional benefits for workers or employees or that unions will not pressure the Government to demand such measures. All wage increases, as well as any additional benefits, could result in increased costs and adversely affect our results of operations.

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 natural gas transportation services through the exclusive use of the southern natural gas transportation system in Argentina. Our License may be revoked in certain circumstances based on the recommendation of ENARGAS. 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 natural 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. Additionally, certain changes to the License could result in a default under our outstanding debt instruments.

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

We are a stock corporation with limited liability, or *sociedad anónima*, incorporated and 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.

The Government's strategies, measures and programs with respect to the natural gas transportation industry, could materially adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Since 1992 and after the privatization of several state companies until the economic crisis in 2002, the Government reduced its control over the industry. After the economic crisis in 2002 and until the Macri administration took office, the Government increased its role in the energy sector implementing a strict regulation and increasing its intervention. Intervention included the expansion of our pipeline and the interruption of natural gas firm transportation services (including the diversion of natural gas supply from our liquids processing plant located at General Cerri Complex, in the Province of Buenos Aires ("**Cerri Complex**")).

Since 2002, the natural gas industry has experienced a sharp increase in demand, while the supply of natural gas has not been sufficient to meet this increased demand. Accordingly, the Government imposed certain restrictions.

Specifically, natural gas distribution companies, including the Company, were prohibited from passing through price increases to consumers. Producers of natural gas, therefore, had difficulty implementing wellhead natural gas price adjustments that would increase the costs of distribution companies, which caused such producers to suffer a sharp decline in their rate of return on investment activities. As a result, natural gas production was not sufficient to meet the increasing demand. Likewise, the lack (until 2016) of tariff adjustments for natural gas transportation companies caused transportation companies to suffer a decrease in their profitability.

In light of these events, the Government implemented 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 included, 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**"). For more information on the pipeline expansions, please see "*Item 4. Our Information-B. Business Overview-Natural Gas Transportation-Pipeline Operations-Pipeline Expansion.*" Although the expansion projects described above have not adversely affected our results of operations or financial condition, we cannot assure you that future, or even present, 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 priority demand customers 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. 1,410/2010, 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 priority demand customers.

On June 1, 2016, the Ministry of Energy issued Resolution No. 89/2016, which requires ENARGAS to develop a procedure to amend and supplement ENARGAS Resolution No. 1,410/2010 and establish daily operating conditions of the transportation and distribution systems. It has also established a methodology to satisfy the demand of natural gas of those customers classified as “high-priority.”

On June 5, 2016, ENARGAS issued Resolution No. I/3833/2016 creating the “Supplementary Procedure for Gas Requests, Confirmations and Control.” According to this resolution, if any gas transportation and distribution company finds that the transportation capacity is not sufficient to supply priority demand customers; such company shall summon an emergency committee composed of company and ENARGAS representatives. This emergency committee shall determine adjustments to be made to the daily natural gas deliveries to address such shortage, considering the availability of natural gas and the demand of residential consumers and power plants.

Although neither our results of operations nor our financial condition have been materially adversely affected by transportation service interruptions in recent years, we cannot assure you that similar interruptions will not materially adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations. As of the date of this Annual Report there are some unresolved disputes with one of our clients (Profertil S.A.), in respect of service interruptions between 2007 and 2013. In that action N° 306/2009 ENARGAS ruled in our favor finding that there was a shortage in the supply of natural gas. 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 effect on our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

A significant portion of our revenues is generated under Liquids and natural gas transportation contracts that must be renegotiated and/or extended periodically.

In 2017, 80.7% of our average daily natural gas deliveries were made under long-term firm transportation contracts. As of December 31, 2017, our long-term firm natural gas transportation contracts had a remaining weighted average life of approximately 10 years; our long-term firm natural gas transportation contracts with our top five customers had a remaining weighted average life of approximately 7 years. We cannot assure you that we will be able to extend or replace these contracts when they expire or that the terms of any renegotiated contracts will be as favorable as the existing contracts. In particular, our ability to extend and/or replace contracts could be adversely affected by factors we cannot control, including:

- Argentine natural gas transportation regulations;
- international oil and gas prices;
- timing, volume and location of new market demand;
- competition from alternative energy sources;
- supply and price of natural gas in Argentina;
- demand for natural gas in the markets we serve; and

- availability and competitiveness of alternative gas transportation infrastructure in the markets we serve.

Additionally, most of our transportation contracts include a clause allowing for the termination of the relevant contract before the expiration of its term by any of the parties, in case of (i) breach of the other party, or (ii) an extended event of force majeure.

If we are unable to renew, extend and/or replace these contracts, if we renew them on less favorable terms, or if any such contract is terminated before the expiration of its term, our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations may be negatively affected.

Our business may require substantial capital expenditures for ongoing maintenance requirements and the expansion of our installed transportation capacity, we could be unable to make such expenditures due to the lack of financing.

Resolution 4362 states that we must execute the Five-Year Plan involving capital expenditures of Ps. 6,786.5 million (in nominal value at December 31, 2016 adjustable by WPI) for the period from April 2017 to March 2022.

A natural gas transportation service is an activity involving the investment of significant amounts of capital expenditures in order to improve the operation and maintenance of the pipeline system. Incremental capital expenditures may be required to fund maintenance of our pipeline system and operating performance and improve the capabilities of it. Furthermore, capital expenditures will be required to finance the cost of our current and future expansion of our transportation capacity. If we are unable to finance any such capital expenditures in terms satisfactory to us or at all, our business and the results of our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations. Our financing ability may be limited by market restrictions on financing availability for Argentine companies. See “—Argentina’s past default and litigations with holdout bondholders may limit our ability to access international markets.”

Our Liquids production depends on the natural gas that arrives at the Cerri Complex through three main pipelines from the Neuquina, Austral and San Jorge 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. Despite the fact that Argentina’s natural gas reserves are declining, in 2015 and 2016 the volume of natural gas that has been produced from the Neuquén Basin has increased. Although production volume increased in recent years, it had previously decreased between 2009 and 2013 and it is possible that natural gas production will again decrease in the future, 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 services.

In 2017, 51.6% of the natural gas transported by our system originated in the Neuquén Basin with the remainder coming primarily from the Austral basin. Since 2009, the quality and the volume of natural gas injected from the Neuquén 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 Neuquén 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 addition, competition might affect the volume and quality (i.e., gas with lower liquids content) of natural gas arriving at the Cerri Complex.

In 2009, non-conventional natural gas was discovered in the Vaca Muerta field of the Neuquén Basin by YPF, which at that time was a subsidiary of Repsol S.A. Exploration and exploitation of this natural gas reserve involve high extraction costs. Since the expropriation of YPF, the Government has played an important role in developing the Vaca Muerta field by signing agreements with foreign and local oil companies in order to develop an investment plan aimed at extracting shale gas, which could lead to an increase of the reserves in this basin. Because of the measures taken by the Government to ensure production levels throughout the country, during 2016 and 2015, natural gas production increased approximately 4.9% and 3.4%, respectively. However, in 2017 natural gas production slightly declined by 0.9% primarily as a result of the termination of certain incentive programs implemented by the Government pursuant to the Public Emergency Law.

We cannot assure you, however, that this new natural gas resource at the Neuquén Basin, or any other measures taken by the Government to increase natural gas production and supply, will be successful in increasing Argentine proved natural gas reserves or production and if unsuccessful our midstream or Liquids production and commercialization businesses could be adversely affected.

Measures taken by the Government may have an adverse effect on the supply of natural gas to the Cerri Complex, and the margins we are able to obtain from our Liquids business, which may adversely affect the results in our Liquids production and commercialization segment and, as a result, our overall business and results of operations.

Due to regulatory, economic and government policy factors, our domestic gasoline, diesel, natural gas and other fuel prices and related services have differed substantially from prevailing international and regional market prices for such products, and our ability to increase prices in connection with international price increases or domestic cost increases, including those resulting from the peso devaluation, has been limited from time to time. The prices that we are able to obtain for our operations affect the viability of investments in new expansion capacity and processing facilities and, as a result, the timing and amount of our projected capital expenditures for such purposes.

As described above, actions taken by the Government during 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 *“Government’s strategies, measures and programs with respect to the natural gas transportation industry, could materially adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.”* To a lesser extent, during the winter of 2016, processing at the Cerri Complex was interrupted because 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.

The Macri administration has taken several measures to guarantee the production of natural gas. The Ministry of Energy increased the natural gas price paid by 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 business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

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 Secretary of Hydrocarbon Resources (*“SHR”*) (formerly the Federal Energy Bureau) may establish regulations to cause LPG suppliers guarantee sufficient supply of LPG in the domestic market at low prices. Law No. 26,020 creates a price regime pursuant to which the SHR periodically publish reference prices for LPG sold in the local market. It also sets forth LPG volumes to be sold in the local market.

We participate in two programs created by the Government under this framework, which provide for the payment of compensation based on the difference between the price set by the Government and the export parity price. Over recent years, this compensation has been paid to us with significant delays. For further information, see *“Item 4. Our Information—Business Overview—Liquids Production and Commercialization.”*

Also, we cannot assure you that we will be able to maintain or increase the domestic prices of our products, and limitations on our ability to do so would adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations. Similarly, we cannot assure you that LPG prices in Argentina will track increases or decreases in the international or regional markets.

After the issuance of Resolution No. 1,982/11 and 1,991/11 (the “**Gas Charge Resolutions**”), the natural gas processing charge created by Decree No. 2,067/08 (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 order to avoid an adverse effect on our Liquids business, we initiated legal proceedings against Decree No. 2,067/08 and the Gas Charge Resolutions, including the Government, ENARGAS and the former *Ministerio de Producción y de Planificación Federal, Inversión Pública y Servicios* (the “**MPFIPyS**”) as defendants. For additional information, see “*Item 8. Financial Information–A. Consolidated Statements and Other Financial Information–Legal and Regulatory Proceedings–Tax Claims.*”

On March 28, 2016, the Ministry of Energy issued Resolution 28, which instructs ENARGAS to take all the necessary measures to reduce to zero the Natural Gas Processing Charge since April 1, 2016. Since that date, we have not been required to pay for the Natural Gas Processing Charge. However, Resolution 28 did not invalidate the Natural Gas Processing Charge or Gas Charge Resolutions for the period in which it was in force, for which reason the judicial action is still ongoing.

We cannot provide any assurance that our Liquids production and commercialization business will not be subject to any further actions from the Government to increase the Natural Gas Processing Charge or impose any other tax affecting the cost of the natural gas we process in the Cerri Complex, which may have a material adverse impact on our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

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 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 2004. Since 2009, the international market for Liquids generally has been favorable, driven by strong international prices for LPG and natural gasoline. However, in 2015, as a consequence of weaker demand from emerging markets as well as higher production levels and export capacity due to the development of shale gas fields in the United States of America, our average liquids sales prices were lower than the ones recorded previously.

High volatility in oil and liquids prices continued during 2016. In 2017, the average international prices of propane, butane and natural gasoline registered inter annual increases of 58.5%, 42.0% and 25.7%, respectively. Recently, however, oil and liquids prices have been decreasing, in particular during the fourth quarter of 2017, which trend continued during the first quarter of 2018.

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 regulatory modifications, in March 2008, the Government introduced a “sliding-scale” regime for LPG and natural gasoline, where the withholding tax rate applicable to exports of LPG and natural gasoline (as a percentage) would vary in the same proportion as the variation in the international reference prices.

At the beginning of 2015, to reduce the impact of the sharp decrease in the international reference prices for LPG and natural gasoline, the Government reduced to 1% the applicable rate of withholding tax for exports, maintaining the “sliding-scale” regime in case international prices were higher than a certain level set by the Federal Energy Bureau. This regime was in effect until January 7, 2017. As of the date of this Annual Report there is no withholding tax for exports (in LPG and natural gasoline).

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

Any new regulations regarding the cost and availability of the natural gas used in the production of Liquids and the effect of the continuing decline or volatility in international prices of LPG or natural gasoline could cause our operating margins to drop significantly and materially adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations. In addition, the Government could modify the current export tax scheme and export regulations (i.e. reestablishing the regime created by Law 26.732) in a manner that could adversely affect our financial condition and results of operations.

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

Between 2005 and 2015, we sold all our ethane to PBB under a long-term agreement that expired on December 31, 2015, which subsequently was renewed for the period from May 1, 2016 to May 1, 2017.

On August 1, 2017, we entered into a new agreement with PBB for the purchase and sale of ethane effective from May 1, 2017 and expiring on May 1, 2018.

Pursuant to this agreement, the ethane price is calculated in U.S. dollars and was subject to adjustments, including for changes in the U.S. PPI, the natural gas price, the quality of the ethane shipped by us and transportation tariffs and charges, among others. This agreement also includes take or pay (“**TOP**”) and deliver or pay (“**DOP**”) commitments for minimum annual quantities. Under these terms, if one party does not comply with the applicable TOP or DOP condition, that party will be required to compensate the other party.

In addition, in recent years, PBB has suffered several adverse operational conditions that affected its capacity to purchase our ethane production.

We cannot assure you that these adverse conditions affecting PBB will not recur in the future. We also cannot assure you that PBB will not decide to reduce its purchases of ethane from us in future renegotiations. These considerations, or our inability to negotiate a new long-term purchase agreement with PBB on similar terms to the agreement that will expire on May 1, 2018, may adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

The delay in the collection of our sales receivables with customers and / or subsidies owed by the Government for the supply of LPG in the domestic market could adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

The failure by our main natural gas transportation customers in renegotiating with the Government their respective licenses to provide natural gas transportation services according to the terms of the Public Emergency Law may cause them to incur delays or default in their payment obligations with us under our natural gas firm transportation contracts. In the future, we may be subject to delays in collections and payment obligations. We cannot assure you that our natural gas distribution customers in Argentina will not default or otherwise breach their obligations to us in the future, and therefore negatively impact our financial situation.

In addition, we participate in the programs created by the Government to guarantee the supply of LPG at reasonable prices in the domestic market. Participation in these programs implies that the Government must compensate the Company when resources are allocated to the domestic market instead of us. Over recent years, this compensation has been paid with significant delays.

For the year 2017, we accrued government grants for Ps. 235.5 million. As of December 31, 2017, Ps. 173.3 million recorded as other current receivables remains outstanding.

If the SHR were (i) not able to pay or redeem such accrued compensation in cash or cash equivalents, or (ii) not able to make such payments or redemptions according to our estimated schedule, our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations would be adversely affected.

Our failure to renew firm transportation contracts, could adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

We cannot assure you that our natural gas firm transportation contracts will be renewed in whole or in part in our existing routes or by our current customers. We may not be able to renew some natural gas transportation contracts in light of the diminishing supply of natural gas from the Neuquén Basin. The terms of our gas firm transportation contracts vary based on different factors. If we are unable to renew our natural gas firm transportation contracts as they mature, our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations would be adversely affected. See “*Our Liquids production depends on the natural gas that arrives at the Cerri Complex through three main pipelines from the Neuquina, Austral and San Jorge 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.*”

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 outstanding indebtedness provide for numerous affirmative and restrictive covenants that limit our ability to, among other things:

- incur or permit to exist certain liens;
- incur additional indebtedness;
- pay dividends or make other restricted payments;
- make capital investments and other investments;
- enter into sale and lease-back transactions;
- enter into transactions with affiliates;
- sell, transfer or otherwise dispose of assets; and
- consolidate, amalgamate, merge or sell all or 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, 2017, our physical assets are insured for up to U.S.\$2,110 million and for the loss of profit resulting from the material damages by an amount of U.S.\$388.9 million, these coverages being subject to certain deductibles for both material damages and loss of profit.

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 business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

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, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations in the event of an unfavorable ruling.

We are part of administrative proceedings and judicial or arbitral claims, some of which have been pending resolution for several years. 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 and criminal prosecution, among other matters. In the context of these proceedings, we be required to pay fines or money damages and we also may 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 estimate accurately 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.

For additional information on the material proceedings in which we are involved, see "Item 8. Financial Information-A. Consolidated Statements and Other Financial Information-Legal and Regulatory Proceedings."

Our operations are subject to environmental, health and safety regulations.

We operate an extensive network of natural gas pipelines, including numerous compressor plants, the Cerri Complex and the logistic and storage facilities of Puerto Galván. All these facilities are located throughout the territory of the Argentine Republic and are subject to federal and provincial laws, as well as to the supervision of governmental agencies and regulatory authorities in charge of enforcing environmental laws and policies. We operate in compliance with applicable laws and in accordance with directives issued by ENARGAS. For this reason, it is possible that we could be subject to controls, which could result in penalties to be imposed on us. We have implemented a system of safety, occupational health, environmental and quality controls, which are documented and monitored as part of our Integrated Management System certified in accordance with ISO standards 14,001 and 9001, and OHSAS 18001. However, we cannot assure you that these controls will be effective or that our time of response to incidents will be adequate.

In addition, future regulation may require us to comply with additional safety, occupational health, environmental and quality controls or standards. We cannot assure you that, in the future, additional regulation could be issued requiring us to make new investments in order to comply with such safety, health and environmental laws and regulations.

We may face competition

Historically, the construction and operation of natural gas processing plants located in the Province of Neuquén has increased competition in our Liquids sector as our customers could satisfy their product demand with alternative suppliers. In the past, we were able to mitigate this competition by entering into agreements with natural gas producers that limited their ability to make investments in natural gas processing plants. For example, at the end of 2000, Compañía MEGA S.A. (“**MEGA**”), a *sociedad anónima* owned by YPF, Petrobras International Braspetro B.V. and Dow Investment Argentina S.A., 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 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.

Although the construction of gas processing plants upstream of the Cerri Complex requires significant investments, there is a risk that additional gas processing facilities, such as the MEGA plant, could result in lower volumes or lesser natural gas quality arriving at the Cerri Complex in the future. Therefore, the development of these new projects, could adversely affect our revenues from Liquids production and commercialization services. In order to guarantee access to natural gas to be processed in the Cerri Complex, in the past, we obtained the commitment of natural gas producers to not build natural gas processing plants upstream of the Cerri Complex during the term of such long-term agreements. None of those contracts is in effect as of the date of this Annual Report and we cannot guarantee that in the future we will obtain equivalent commitments from producers.

Regarding our other services business segment, we operate in a market with strong participants many of which may have extensive and diversified know-how or operating experience and financial resources similar to or significantly greater than ours. The natural gas industry in Argentina is going through an expansive stage, being a commitment of the Government for energy development. However, all future business that our competitors or we can develop will depend on the production of natural gas. The Government (or any other entity on its behalf) might not issue the necessary regulations to encourage natural gas producers to develop new projects to natural gas output.

As a result of the above mentioned, an increased number of competitors could reduce prices that could make the investments not profitable. In addition, an increase competition could affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations. This would adversely affect our business, results of operations and financial condition.

Additionally, our principal competitor in the gas transportation business is Transportadora de Gas del Norte S.A. (“**TGN**”). 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. In addition, in the future other participants may successfully penetrate our market and connect with our main customers which could affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Downgrades in our credit ratings could have negative effects on our funding costs and business operations.

Credit ratings are assigned to the Company. The credit ratings are based on information furnished by us or obtained by the credit rating agencies from independent sources and are also influenced by the credit ratings of Government bonds and general views regarding the Argentine financial system as a whole. The credit ratings are subject to revision, suspension or withdrawal by the credit rating agencies at any time. A downgrade, suspension or withdrawal in our credit ratings could result in, among other things, the following: (i) increased funding costs and other difficulties in raising funds; (ii) the need to provide additional collateral in connection with financial market transactions; and (iii) the termination or cancellation of existing agreements. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our business has become increasingly dependent on digital technologies to conduct day-to-day operations and we may be subject to cyber-attacks or other risks related to new technologies.

As dependence on digital technologies has increased, cyber incidents, including deliberate attacks or unintentional events, have also increased worldwide. Although we have extended our security policy to the industrial systems, reinforcing the defenses in case of denial of service and increasing the monitoring of suspicious activities, our technologies, systems, networks and those of our business associates have been and may continue to be the target of cyber-attacks or information security breaches, which could lead to disruptions in critical systems (such as SCADAs, DCS Systems), the unauthorized release of confidential or protected information, corruption of data or other disruptions of our business operations. In addition, the methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect, thus certain cyber incidents, such as surveillance, may remain undetected for an extended period. To our knowledge, we have not experienced any material losses relating to cyber-attacks; however, as cyber-attacks continue to evolve, there can be no assurance that we will not suffer any cyber-attack in the future thus affecting our operations and/or our financial condition.

Our information technology infrastructure is critical to the efficient operation of our business and is essential to our ability to perform day-to-day operations. Breaches in our information technology infrastructure or physical facilities, or unauthorized access or other loss of information or other disruptions, could result in damage to our assets, safety incidents, legal claims, potential liability or the loss of contracts, damage of reputation, and could have a material adverse effect on our operations, financial position and results of operations.

Our natural gas transportation systems and processing facilities are subject to the risk of mechanical or electrical failures and any resulting unavailability may affect our ability to fulfill our contractual and other commitments and thus adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Our natural gas transportation systems and processing facilities are at risk of mechanical or electrical failures and may experience periods of unavailability affecting our ability comply with our contracts with customers. Any unplanned unavailability of our natural gas transportation systems and processing facilities may adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations, as we may be subject to fines or penalties under our contracts with customers.

Our business is subject to risks arising from natural disasters, catastrophic accidents and terrorist attacks.

Our transportation systems and processing facilities or the third-party infrastructure that we rely on, may be damaged by flooding, fires and other catastrophic disasters arising from natural or accidental or intentional human causes. We could experience severe business disruptions, significant decreases in revenues based on lower demand arising from catastrophic events, or significant additional costs to us not otherwise covered by business interruption insurance clauses. There may be a significant time lag between a major accident, catastrophic event or terrorist attack and our definitive recovery from our insurance policies, which typically carry non-recoverable deductible amounts, and in any event are subject to caps per event. In addition, any of these events could cause adverse effects on the demand of natural gas by some of our customers and of consumers generally in the affected market. Some of these considerations, among others, could materially and adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

We are subject to anti-trust, anti-corruption, anti-bribery and anti-money laundering laws. Failure to comply with these laws could result in penalties, which could harm our reputation and have an adverse effect on our business.

We are subject to anti-trust, anti-corruption, anti-bribery and anti-money laundering laws. Although we maintain policies and processes intended to comply with these laws, including a review of our internal control over financial reporting, we cannot ensure that these compliance policies and processes will prevent intentional, reckless or negligent acts committed by our officers or employees. If our officers or employees fail to comply with any applicable anti-trust, anti-corruption, anti-bribery or anti-money laundering laws, they may be subject to criminal, administrative or civil penalties and other remedial measures, which could have material adverse effects on our business, financial condition, results of operations and prospects.

In addition, we are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

Our ability to operate our business may suffer if we are unable to retain our employees or attract other skilled employees or contractors.

Our current and future performance and the operation of our business are dependent upon the contributions of our senior management and our skilled team of engineers and other employees. We depend on our ability to attract, train, motivate and retain key management and specialized personnel with the necessary skills and experience. There is no guarantee that we will be successful in retaining and attracting key personnel and the replacement of any key personnel who were to leave could be difficult and time consuming. The loss of the experience and services of key personnel or the inability to recruit suitable replacements and additional staff could have a material adverse effect on our business, financial condition and results of operations.

Should we have to adopt the revaluation model for our property, plant and equipment, we may have an impact on our results of operations.

For purposes of the tariff setting process in the RTI, the ENARGAS considered a revalued amount of our property, plant and equipment (“PPE”), which is substantially higher than their book value. On April 6, 2018 we and other natural gas distribution and transportation companies regulated by ENARGAS received notice from the regulator with respect to its communication to the CNV stating that ENARGAS is evaluating whether to require regulated companies to apply certain accounting policies with respect to the valuation of PPE to conform to the criteria of valuation of fixed assets required by ENARGAS in RTI. Should we instead have to adopt the revaluation model permitted by IFRS (fair value at the date of the revaluation, less subsequent accumulated depreciation and impairment losses, if any), changes in our PPE valuation criteria may impact the depreciation of our fixed assets and ultimately our net income and also our other comprehensive income accounts.

Risks Relating to Our Shares and ADSs

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 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 ADRs as measured in U.S. dollars.

From 2011 to December 2015, Argentine companies were 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 was 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 un-invested 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.

Our 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 is Compañía de Inversiones de Energía S.A. (“**CIESA**”), which holds 51% of the common stock. FGS holds 23.1% of our 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. (in the process of merging with Pampa Energía S.A. (“**Pampa Energía**”), which holds 10% of CIESA’s common stock, (ii) CIESA Trust (whose trustee is TMF Trust Company (Argentina) S.A. and whose beneficiary is Petrobras Hispano Argentina SA, a wholly owned subsidiary of by Pampa Energía) (the “**CIESA Trust**”), who has a trust shareholding of 40% of the share capital of CIESA) and (iii) Grupo Inversor Petroquímica S.L. (member of GIP Group, headed by the Sielecki family; “**GIP**”), and PCT L.L.C. (“**PCT**”), which directly and together with WST S.A. (member of Werthein Group, “**WST**”) indirectly through PEPCA S.A. (“**PEPCA**”), hold a 50% of the shareholding in CIESA.

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 ADRs.

CIESA holds 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 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 ADR 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 ADRs 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 General 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.

As a foreign private issuer we are exempt from certain rules that apply to domestic U.S. issuers.

We are subject to the informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) applicable to foreign private issuers. Under U.S. securities laws, as a foreign private issuer we are exempt from certain rules that apply to domestic U.S. issuers with equity securities registered under the Exchange Act, including rules regarding proxy statements and short-swing profits. We are also exempt from many of the corporate governance requirements of the New York Stock Exchange.

Changes in Argentine tax laws may adversely affect the tax treatment of our Class B Shares or ADSs.

On September 23, 2013, the Argentine income tax law was amended by Law No. 26,893. Pursuant to the amended law, the sale, exchange or other transfer of shares and other securities is subject to capital gain tax at a rate of 15% when the purchaser and the seller are not Argentine residents. When both the purchaser and the seller of our Class B Shares or ADRs 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. In addition, if the purchaser is legally liable for capital gain taxes in Argentina, 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.

On December 29, 2017, the Macri Administration enacted, through Decree No. 1112/2017, Law No. 27,430 (the “Tax Reform”). The Tax Reform establishes that only the results from sale, transfer or disposition of shares, securities representing shares and certificates of deposit of shares that are carried out through stock exchanges or stock markets authorized by the CNV under conditions that guarantee the principle of price/time priority of the offers obtained by individuals and undivided estates resident in Argentina shall be exempted.

The foregoing exemption shall also be applicable to foreign beneficiaries to the extent that said beneficiaries do not reside in and the funds do not come from non-cooperative jurisdictions. The Decree N° 279/2018 provides that until the decree of the Income Tax Law regulates the definition of non-cooperative jurisdiction, it will be applicable the white list established in the Decree N° 589/2013 (dated 05/27/2013) to determine if a jurisdiction is non-cooperative jurisdiction.

The Tax Reform also establishes an exemption for such foreign beneficiaries on the sale of share certificates issued abroad that represent shares issued by Argentine companies and has been granted with a public offering authorization granted by the CNV (i.e., ADRs). The exemptions will only apply if the foreign beneficiaries do not reside in and the funds do not arise from “non-cooperating” jurisdictions.

Pursuant to Decree N° 279/2018 if the foreign beneficiary resides in a non-cooperative jurisdiction or the funds come from a non-cooperative jurisdiction, the capital gains tax rate is 35%.

Whereas, previously, if the sale was carried out between non-Argentine residents the non-Argentine resident purchaser was responsible for paying the tax when the seller was a non-resident, currently it is the seller, through their legal representative domiciled in Argentina, who is responsible for paying the tax, except when the purchaser is a resident individual or legal entity. If the seller does not have a legal representative, the tax should be paid by the seller according to Decree 279/2018.

Further rulemaking or interpretation of the amended income tax law by the Argentine tax authority may adversely affect the tax treatment of our Class B Shares or ADSs.

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

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

Holders of ADRs may be unable to exercise preemptive, accretion or other rights with respect to the Class B shares underlying your ADSs.

Holders of ADSs may not be able to exercise the preemptive or accretion rights relating to the shares underlying the ADSs unless a registration statement under the U.S. Securities Act of 1933 (the “**Securities Act**”) is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights, and we cannot assure you that we will file any such registration statement. Unless we file a registration statement or an exemption from registration is available, holders may receive only the net proceeds from the sale of their preemptive rights by the depositary or, if the preemptive rights cannot be sold, they will be allowed to lapse. As a result, U.S. holders of Class B Shares or ADSs may suffer dilution of their interest in our company upon future capital increases.

In addition, under the General Companies Law, foreign companies that own shares in an Argentine corporation are required to register with the Superintendency of Corporations (*Inspección General de Justicia* or the “**IGJ**”) in order to exercise certain shareholder rights, including voting rights. If you own our Class B Shares directly (rather than in the form of ADSs) and you are a non-Argentine company and you fail to register with IGJ, your ability to exercise your rights as a holder of our Class B Shares may be limited.