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, 2018. 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 24, 2019, the reported selling exchange rate per U.S.$ 1.00 was Ps. 43.95.

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 (41.4% of our total consolidated revenues from sales for the year ended December 31, 2018), most of our capital expenditures, almost all of our debt obligations 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.

Currency fluctuations would also affect the U.S. dollar amounts received by holders of our ADSs upon conversion (by us or by Citibank N.A. (the "**Depositary**"), pursuant to the deposit agreement for the issuance of the ADSs entered into between the Depositary and us (the **"Deposit Agreement"**)) 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, 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

We are a stock corporation with limited liability (*sociedad anónima*) incorporated and organized under the laws of Argentina. 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 because a significant portion of our revenues (41.4% of our total consolidated revenues from sales for the year ended December 31, 2018), most of our capital expenditures, almost all of our debt obligations 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.

Adoption of hyperinflation accounting for tax purposes in Argentina

Argentina has confronted and continues to confront inflationary pressures. According to inflation data published by the INDEC, in 2018 the CPI and the WPI increased by 47.6% and 73.5%, respectively and the three-year cumulative inflation rate has exceeded 100% causing Argentina to be considered as a hyperinflationary economy.

IAS 29 requires financial statements of an entity whose functional currency is the currency of a hyper-inflationary country to be restated into the current purchasing power at the end of the reporting period. Therefore, transactions in 2018 and non-monetary balances at the end of the period should be restated to reflect a price index that is current at the balance sheet date. The comparatives and the opening statement of financial position at the beginning of the earliest period presented should also be restated to reflect a price index that is current at the balance sheet date. Consequently, we are reporting, for the first time in this Annual Report, our financial information applying hyperinflation accounting.

Adjustments to reflect inflation, such as those required by IAS 29, were initially prohibited by the Argentine Convertibility Act. Decree No. 664/03, issued by the Argentine government (the **"664/03 Decree"**), instructed regulatory authorities, such as public registries of commerce, the Superintendency of Corporations of the City of Buenos Aires and the CNV, to accept only financial statements that comply with the prohibition set forth by the Convertibility Act. However, on December 4, 2018, Act 27,468 abrogated the 664/03 Decree and amended the Convertibility Act to the effect that the prohibition of indexation no longer applies to the financial statements. Certain authorities, such as the CNV, have required that financial statements for periods ended on and after December 31, 2018, are restated for inflation, following the guidelines set forth in IAS 29.

In order to restate the financial statements, the CNV has established that the series of indexes to be used for the application of IAS 29 is determined by the FACPCE. This series of indexes combines the CPI as of January 2017 with the WPI, both published by INDEC until that date. For the months of November and December 2015, for which there is no information from the INDEC on the evolution of the WPI, the variation in the CPI of the Autonomous City of Buenos Aires was applied. In the past, official inflation statistics in Argentina have been challenged by supranational organizations and deemed not to be reliable. Also, there are no consistent statistics on inflation for periods prior to 2016. As a result of inflation, the historical information previously issued is not comparable with the information adjusted for inflation. 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."*

In addition, Act 27,468 substituted the WPI for the CPI for the calculation of the indexation adjustments for tax purposes, and modified the standards for triggering the tax indexation procedure. During the three periods commencing on January 1, 2018, the tax indexation will apply if the variation of the CPI exceeds 55% in 2018, 30% in 2019 and 15% in 2020. The tax indexation determined during any such year will be allocated as follows: 1/3 in that same year, and the remaining 2/3 in equal parts in the following two years. From January 1, 2021, the tax indexation procedure will be triggered under similar standards as those set forth by IAS 29. Under hyperinflationary contexts, the existence of higher monetary liabilities over monetary assets will mean an increase in the income tax payable.

We cannot predict the full future impact that the eventual application of the tax indexation procedure and related adjustments will have on our financial statements, or the effects on our effective tax rate or on our business, results of operations and financial condition.

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. In general, Argentine economic conditions are dependent on a variety of factors, including, but not limited to, the following: (i) domestic production, international demand and prices for Argentina's principal commodities exports, (ii) the competitiveness and efficiency of domestic industries and services, (iii) the stability and competitiveness of the peso against foreign currencies and exchange controls, (iv) high inflation rates, (v) Argentina's fiscal and trade deficits, (vi) Argentina's public debt level, (vii) foreign and domestic investment and financing, (viii) governmental policies and the legal and regulatory environment including imports and exports contracts and tax provisions, (ix) levels of consumer consumption, (x) wages and price control, and (xi) political uncertainty and social unrest.

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 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 the high volatility in Argentina, which primarily results from 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.

In 2018, the Argentine Peso experienced a rapid devaluation against major foreign currencies, particularly against the U.S. dollar. According to the exchange rate information published by the Banco de la Nación Argentina, the Argentine peso depreciated by 102.2% against the U.S. dollar during the year ended December 31, 2018 (compared to 17.4% and 21.9% in the years ended December 31, 2017 and 2016, respectively). As a result of the Argentine Peso's increased volatility, the Argentine government announced several measures to restore market confidence and stabilize its value. Measures implemented by the BCRA include, among others, an increase of short-term interest rates and selling foreign currency reserves. The Argentine government in turn announced that it would accelerate the proposed reduction of the fiscal deficit. Further, on May 8, 2018, the current administration announced that the Argentine government initiated negotiations with the International Monetary Fund (the **"IMF"**) as discussed elsewhere herein that allowed Argentina access to financing by the IMF. The ability of the Argentine government to stabilize the foreign exchange market and restore economic growth is subject to uncertainty. The continued depreciation of the Argentine Peso and the failure to meet the obligations with IMF could have a material adverse effect on Argentina's economy and, consequently, our cash flows, financial condition and results of operations.

In addition, this rapid devaluation has confronted inflationary pressures, evidenced with significantly higher fuel, salary 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. —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.*"

In addition, the Argentine economy remains vulnerable, as reflected by the following economic conditions:

- inflation, which remains and may continue to be high in the future;
- volatility in real GDP, which according to the restated information released by INDEC grew by 2.4% in 2013, decreased by 2.5% in 2014, grew by 2.7% in 2015, decreased by 1.8% in 2016, grew by 2.9% in 2017 and decreased by 2.5% in 2018;

- Argentina's public debt as a percentage of GDP, which remains high and as of December 31, 2018, represented approximately 86.2% of the GDP;
- the discretionary increase in public expenditures that has resulted and continues to result in a fiscal deficit;
- high unemployment and informal employment rates;
- high exchange rate volatility;
- high fiscal and trade deficit; and
- limited access to funding in the international capital markets.

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.

The ongoing political instability in Argentina may adversely affect the Argentine economy.

Argentina's political and social environment has historically influenced, and continues to influence, the performance of the country's economy. Political and social crises have affected and continue to affect the confidence of investors and the general public, which has historically resulted in economic deceleration and heightened volatility in securities with underlying Argentine risk. The recent political instability in Argentina has contributed to a decline in market confidence in the Argentine economy. Weak macroeconomic conditions in Argentina may continue in the upcoming years.

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

The result of the next presidential and provincial elections that will take place in 2019 could generate uncertainty in the Argentine economy and, consequently, in our businesses and the results of our operations.

Argentina's national election for president and vice president will take place in October 2019, and other relevant provincial and national elections will also take place in 2019. The impact that such elections could have on Argentine politics and the economy is uncertain. This uncertainty may itself have a material adverse effect on Argentina's economy. In addition, it is not possible to predict the measures that may be adopted by the Macri administration or a new administration in the aftermath of the presidential elections, which could have a material adverse effect on Argentina's economy or the ability of Argentina to comply with its obligations.

The Company cannot give any assurance that after the presidential elections the current administration's policies will be maintained or will not be reversed. In particular, there is no certainty about the measures that may be taken by any subsequent administration with respect to the programs and policies relating to the oil and gas sector.

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, which resulted in Mr. Mauricio Macri (from the Cambiemos coalition) being elected President of Argentina and entering office on December 10, 2015.

On October 22, 2017, midterm legislative elections were held at the federal and provincial government levels. Macri's Cambiemos coalition increased its representation in Congress, which remains divided.

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, the 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 former Ministry of Energy issued Resolution No. 28/2016 (**"Resolution 28"**) and Resolution No. 31/2016, pursuant to which it fixed the prices of natural gas at the supply point ("**PIST**") and the tariffs on distribution and transportation of natural gas that will reach residential and commercial users throughout the country, affecting the supply of compressed natural gas (**"CNG"**) servicing stations and electricity generating plants and instructing ENARGAS to carry out an integral tariff review ("**RTI**") process, to determine the tariffs on 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 CPI, GDP, poverty and foreign trade data, the Macri administration declared the national statistical system and the INDEC in a state of administrative emergency through December 31, 2016. Since the date of such 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 entities and individuals to the foreign exchange market. The Macri administration has implemented important changes in the existing exchange regulations, with the main objective of gradually eliminating such restrictions imposed on the exchange market in prior 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 (the "**Tax Reform**") in accordance with the Tax Reform issued by the 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. Moreover, the reforms aim to sustain Argentina's medium and long term efforts to reduce the fiscal deficit. The reforms will gradually come into effect over the next five years. The reforms belong to a larger program announced by President Macri intended to increase the competitiveness of the Argentine economy by reducing the fiscal deficit, increasing employment and diminishing poverty on a sustainable basis.

- **Fiscal consensus**. On December 22, 2017, the Argentine Chamber of Deputies passed into law the Fiscal Agreement (*Ley de Consenso 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 Argentine 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 tax reform, pension system reform and the Fiscal Responsibility Act (*Ley de Responsabilidad Fiscal*). The Argentine national budget for the year 2019 is projected at a fiscal balance and a fiscal surplus of 1% of the GDP by 2020.

- **Foreign trade reforms**. The Macri 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 Foreign Exchange Market of Argentina (*Mercado Libre de Cambios* ("**MELI**")). 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 MELI. 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 MELI 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% reduction on the export duties rate beginning in January 2018 and continuing until December 2019. In addition, importers were offered short-term debt securities issued by the Government to repay outstanding commercial debt for the importation of goods. On September 4, 2018, the Executive Branch issued Decree No. 793/18 ("**Decree 793**") by means of which the Government imposed an exportation tariff of 12% on all merchandise contained in the Mercosur Common Nomenclature (*Nomenclatura Común del Mercosur,* "**NCM**") until December 31, 2020. Generally, this tariff cannot exceed Ps. 4 for each U.S. dollar of the imposed value or the official free on board price, as applicable, except for the merchandise contained in the NCM, which tariff cannot exceed Ps. 3 for each U.S. dollar of the imposed value or the official free on board price, as applicable.
- **Corporate Criminal Liability Act (*Ley de Responsabilidad Penal Empresaria*).** On March 1, 2018, the Corporate Criminal Liability Act No. 27,401 ("**Act 27,401**") 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, their 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. On April 6, the Government issued Decree No. 277/18 ("**Decree 277/18**") that regulates Act 27,401. Pursuant to this decree the Anticorruption Office of the Ministry of Justice and Human Rights (*Oficina Anticorrupción del Ministerio de Justicia y Derechos Humanos*) will establish the guidelines that are necessary for compliance with the provisions of Law 27,401 related to the so-called "**Integrity Program**." Also, the decree establishes that the consideration of the contracts with the Government referred to in subsection a) of article 24 of Act No. 27,401 is determined by article 9 of the Regulations for Contracting with the National Administration (*Reglamento del Régimen de Contrataciones de la Administración Nacional*) and its Annex, approved by Decree No. 1030/16. Decree No. 1030/16, as amended or restated, sets forth relevant procedures and mechanics to award contracts by Ministers, officials with equivalent rank to Ministers, the Secretary General of the Presidency of the Nation or authorities with high rank of the decentralized organisms. Finally, Decree 277/18 recognizes that the Integrity Program in accordance with articles 22 and 23 of Act 27,401 is a necessary condition to contract with the Argentine State in all those proceedings initiated after the validity of said law. Contracts shall accredit the Integrity Program together with the rest of the documentation including the offer, in the form and in terms that each bidding process provides. On October 4, 2018, through Resolution No. 27/2018 of the Anticorruption Office of the Ministry of Justice and Human Rights, the Ministry of Public Ethics, Transparency, against Corruption approved the Integrity Guidelines for Compliance pursuant to articles 22 and 23 of Act 27,401, referred to in the Integrity Program, with the objective of providing technical guidance to have interpretation tools that will allow adjusting structure and processes in order to prevent, detect and remedy acts of corruption, as well as to implement appropriate Integrity Programs and evaluate them according to the technical guidelines. On October 11, 2018 our Board of Directors approved TGS' integrity program in order to comply with the above mentioned regulation.

- **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 an internal capital market in Argentina. On May 9, 2018, the Argentine Congress approved the Act on Productive Financing, which introduces significant reforms to the Capital Markets Law of Argentina, the Law on Common Investment Funds No. 24,083, the Negotiable Obligations Law, and other regulations, with the objective of promoting the development of the local capital market. Among other items, the new law seeks to broaden the base of investors and companies that can participate in the capital market, promoting productive financing, especially with respect to micro, small and medium enterprises, creating a regime that promotes and facilitates their access to financing. Likewise, this law provides for the modification of certain tax provisions, tax regulations, regulations related to derivative instruments and a program for the promotion of financial inclusion. The reforms also establish some limitations to the powers granted to the CNV by the Capital Markets Law of Argentina.

- **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.

- **Pension Reform Act (*Ley de Reforma Previsional*)**. On December 28, 2017, the Congress passed the Pension Reform Act, 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 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 Argentine Congress extended the tax on financial transactions through 2022, and earmarked amounts collected for the Argentine integrated pension system.

- **IMF**. On June 16, 2018, the Government announced that it obtained a stand-by agreement with the IMF for an amount of U.S.$50,000 million. Subsequently, on September 26, 2018, the Government and the IMF negotiated a new agreement that will expand the original program of U.S.$50 billion with an extra amount of U.S.$7.1 billion. As a result, the IMF advanced funds to the Government that was supposed to be disbursed during the following administration, pursuant to the original agreement. As such, Argentina will receive U.S.$18.8 billion more than originally agreed. For the remainder of 2018, the disbursements rose from U.S.$6 billion to U.S.$13.4 billion, for 2019 the funds will rise from U.S.$11.4 billion to U.S.$22.8 billion. These funds no longer have a precautionary character as established in the original agreement, and can be fully disposed as budgetary support. On October 30, 2018, Argentina received U.S.$ 5,631 million corresponding to the first disbursement made by the IMF. On December 19, 2018, the IMF completed the second review of Argentina's economic performance under the 36-month stand-by arrangement that was approved on June 20, 2018. The completion of the review allows the authorities to draw the equivalent of U.S.$7.6 billion. Additionally, after the third review of the stand-by arrangement, the IMF agreed to disburse U.S.$10,870 million to Argentina in April 2019. We cannot predict exactly what measures will be adopted to comply with the agreements concluded with the IMF or their consequences on the Argentine economy, in general and if this could generate an adverse change in our financial condition and result of our operations. Additionally, the inflation targeting system, which was a mechanism implemented by Argentina to avoid price rising, was terminated. Now, Argentina will focus on inflation control and setting monetary base targets (current assets plus bank deposits). See "*—Failure to comply with the terms of the agreement with the IMF may adversely affect the Argentine economy and, as a result, our business*" below. To that end and with the aim of reversing the adverse macroeconomic situation that Argentina has been going through since April 2018, on September 3, 2018, the Argentine Government announced a series of measures aiming to achieve a primary fiscal deficit of 0% for the fiscal year 2019.

- **Argentine Purchase and Supplier Development Law**. On May 10, 2018, the Argentine Purchase and Development of Suppliers Law No. 27,437 was enacted and entered into force on August 8, 2018. Pursuant to this law, preference should be given to the acquisition, lease or leasing of goods of national origin. This law governs legal persons to whom the Government has granted licenses, concessions, permits or authorizations for the provision of public works and services as well as direct contractors of such persons. The aforementioned law was regulated by Decree No. 800/2018 and Resolution No. 91/2018 of the Argentine Secretary of Industry, in its capacity as the authority in charge of applying the Argentine Regime of Buyer and Supplier Development. The aforementioned resolution determines that the minimum amount at which the Argentine scheme becomes mandatory is Ps. 1,300,000.

As of the date of this Annual Report, the impact that the aforementioned measures have had or will have on the Argentine economy and on our business results of operations, financial condition, the value of our securities and our ability to meet our financial obligations as a whole cannot be fully assessed or 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.

Failure to comply with the terms of the agreement with the IMF may adversely affect the Argentine economy and, as a result, our business.

The Government agreed with the IMF in June 2018 upon a stand-by program for U.S.$50,000 million for a period of 36 months. The first disbursement for U.S.$ 15,000 million was received in June 2018. The remaining amount of the IMF’s financial support (U.S.$35,000 million) will be available throughout the duration of the agreement, subject to quarterly reviews by the Board of Executive Directors.

The economic plan presented by the Government to access this program seeks to strengthen the country’s economy by restoring market confidence through a coherent macroeconomic program that reduces financing needs, places Argentina’s public debt in a firm downward trajectory and strengthens the plan of inflation reduction through more realistic inflation targets and the strengthening of the BCRA’s independence. The main parts of the economic plan are the following:

- **Restore market confidence**. The Government has committed to an economic program that reduces the need for federal financing and places the public debt in a firm downward trajectory. This will help establish a path towards sustained growth and job creation. This effort is anchored in a fiscal adjustment that ensures that the Government will reach a primary equilibrium by 2020, with a significant initial adjustment to achieve a primary deficit of 1.3% of the GDP in 2019.

- **Protect the most vulnerable segments of society**. Measures will be taken to strengthen the social protection network, including restructuring programs and implementing measures aimed to increase the participation of women in the labor force. The budget for social protection will be established in the program. If necessary, an additional amount will be allocated to social assistance projects. The ultimate purpose is to reduce poverty rates throughout the duration of the agreement, even if the economic rebound is slower than expected.

- **Strengthen the credibility of the BCRA inflation targeting framework**. The government has committed to provide autonomy to the BCRA to effectively achieve the inflation targets. In addition, the BCRA has adopted a new path for disinflation to bring down inflation to single-digit levels by the time the three-year stand-by agreement with the IMF comes to an end. Likewise, the Argentine Government committed to present before the Argentine Congress a bill that would modify the charter of the monetary authority in order to achieve the desired restructuring of the BCRA's balance sheet. The plan also contemplates the mitigation of the BCRA's vulnerability derived from the large stock of BCRA bills.

- **Progressively reduce impossibility of payment**. This would imply reconstituting international reserves and mitigating Argentina's economic vulnerability.

As of the date of this Annual Report, we cannot predict exactly what measures will be adopted to comply with the directives of the IMF or their consequences on the Argentine economy in general, our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

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 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 IMF requested several times that Argentina clarify the information on inflation rates published by the 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 measured prices on goods across the country, replacing the previous index that only measured inflation in the urban sprawl of the City of Buenos Aires. The IPCNu, together with the GDP calculation, was reviewed by the IMF. During 2015, the IMF expressed that these indicators did not comply with its statutes, so it maintained an ongoing review process. 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 on December 31, 2016.

On June 29, 2016, the INDEC published recalculated historical GDP data, modifying the previously released data and substituting the IPCNu. 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. The 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. 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 in CPI of 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%. In 2018 and 2017, CPI registered an increase of 47.6% and 24.8%, respectively. In 2018, 2017 and 2016, the WPI increased by 73.5%, 34.5% and 18.8%, respectively, according to information published by the INDEC.

Certain 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 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.

The INDEC in 2018 reported that the CPI increased 47.6% compared to 2017, while the WPI increased 73.5% compared to 2017. Additionally, in 2018, the CPI increased, 1.8%, 2.4%, 2.3%, 2.7%, 2.1%, 3.7%, 3.1%, 3.9%, 6.5%, 5.4%, 3.2% and 2.6% in January, February, March, April, May, June, July, August, September, October, November and December, respectively, and the WPI increased 4.6%, 4.8%, 1.9%, 1.8%, 7.5%, 6.5%, 4.7%, 4.9%, 16%, 3.0%, 0.1% and 1.3% during the same months. During January and February 2019, inflation remained at high levels, where the CPI increased by 2.9% and 3.8%, respectively, on a month-to-month basis.

High inflation rates affect Argentina’s foreign competitiveness and 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.

Inflation has, in the past, materially undermined the Argentine economy and the government’s ability to foster conditions that would permit stable growth. Currently, Argentina faces inflationary pressures, evidenced by significantly higher fuel, energy and food prices, among other factors. Increases in inflation rates could accelerate in the future, and there is uncertainty regarding the effects that the measures adopted, or that may be adopted in the future, by Argentina to control inflation may have.

As discussed elsewhere herein, given that the Argentine economy has been considered as hyperinflationary, the Company applied IAS 29 in their Financial Statements which 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 measurement at the reporting date of the reporting period. See “*—Presentation of Financial Information Financial—Statements and Basis of Preparation*.”

As a consequence of the application of IAS 29, maintaining monetary assets generates loss of purchasing power, provided that such items are not subject to an adjustment mechanism that compensates to some extent such loss. This loss is booked in the statement of comprehensive income.

The implementation in the future of exchange controls, restrictions on transfers abroad or capital inflow restrictions could limit the availability of international credit and could threaten the financial system, which may adversely affect the Argentine economy.

From 2011 until the Macri administration assumed office in December 2015, Argentina increased controls on the sale of foreign currency, limiting transfers of funds abroad. Together with regulations established in 2012 that subjected certain foreign exchange transactions to prior approval by Argentine tax authorities or the BCRA, the measures taken by the previous administration significantly curtailed access to the foreign exchange market by individuals and private sector entities. These measures included informal restrictions, which consisted of de facto measures restricting local residents and companies from purchasing foreign currency through the foreign exchange market to make payments abroad, such as dividends and payment for the importation of goods and services. Since assuming office, the Macri administration has gradually implemented a series of reforms related to the foreign exchange restrictions in order to provide greater flexibility and access to the foreign exchange market.

In September 2018, the BCRA established a new monetary policy with the aim of reducing the inflation rate. The BCRA committed not to increase the monetary base until June 2019 and defined the ranges for an intervention zone and a non-intervention zone applicable to the exchange rate through the end of 2018. On October 2018, the lower limit of the non-intervention zone was established at an exchange rate of Ps.34 per U.S.$1.00 and the higher limit was set at Ps.44 per U.S.$1.00, with a daily adjustment of 3% per month through the end of 2018. If the exchange rate rises above the maximum or falls below the minimum values of the area of intervention, the BCRA will purchase or sell foreign currency in an amount of up to U.S.$50 to U.S.$150 million per day, respectively. Within the non-intervention zone, the exchange rate fluctuates freely. During the last quarter of 2018, the exchange rate has remained within the non-intervention zone, although approaching the lower limit.

On December 5, 2018, BCRA established that the limits of the non-intervention zone will be updated daily at a monthly rate of 2% between January 1 and March 31, 2019. On March 14, 2019, BCRA announced that the new limits of the non-intervention zone for the second quarter of 2019 will be updated daily at a monthly rate of 1.75%. Likewise, this new monetary policy scheme is consistent with the goals of the Ministry of Finance of achieving a primary fiscal balance in 2019, and a surplus in 2020. For its part, BCRA will not carry out further transfers to the Treasury, thus eliminating this source of monetary issuance and reinforcing the BCRA’s commitment to decreasing inflation over time. As of March 28, 2019, the peso was valued at Ps.43.59 per U.S.$1.00, an increase of approximately 15.3% compared to December 31, 2018. The intention of the BCRA is to avoid excessive fluctuations of the exchange rate. The success of these measures is subject to uncertainty and the continued depreciation of the Argentine Peso could have a material adverse effect on our financial condition and results of operations.

In the future, Argentina could impose new exchange controls, transfer restrictions, requirements to repatriate funds from abroad or restrictions on the movement of capital and take other measures in response to capital flight or a significant depreciation of the peso, which could limit access to the international capital markets. Such measures could undermine Argentina’s public finances, which could adversely affect Argentina’s economy, which, in turn, could adversely affect our business.

Notwithstanding the measures adopted by the Macri administration, which lifted exchange and capital controls, Argentina could impose further exchange controls or restrictions on the movement of capital and/or take other measures in response to capital flight or a significant depreciation or appreciation of the peso, which could negatively affect Argentina’s economy. This is a particular risk in the context of the upcoming elections.

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 the international reserves of the BCRA between 2012 and 2015. In the past, a 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 the 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.

Subsequently, in May 2018, the Argentine peso experienced a rapid devaluation against the main foreign currencies, particularly the U.S. dollar. As a result of the greater volatility of the peso, the Government announced several measures to restore market confidence and stabilize the value of the Argentine peso. In this regard, on December 31, 2018, the exchange rate of the U.S. dollar increased by 102.1%, from Ps. 18.649 to Ps. 37.7. As of December 31, 2018, the total amount of principal and accrued but unpaid interest under our consolidated U.S. dollar-denominated indebtedness was U.S.$ 546.3 million.

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 companies domiciled in Argentina and lead to reduced exports.

A lack of a transparent and rigorous framework for awarding and managing public contracts in Argentina and corruption allegations have affected and continue to affect Argentina.

Argentina is ranked 85 out of 180 in Transparency International's 2018 Corruption Perceptions Index and 117 of 190 in the World Bank's Doing Business 2018 report. As of the date of this Annual Report, there are various ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Argentine Federal Prosecutor, including one of the largest investigation known as the Notebooks Investigation (*Los Cuadernos de las Coimas*) (the "**Notebooks Investigation**"). Numerous former members of different agencies of Argentina as well as senior officers and owners of companies holding government contracts or concessions have confessed to committing allegedly prohibited acts or have faced or are currently facing allegations of corruption and money laundering as a result of the Notebooks Investigation. Certain former government officials have confessed or are alleged to have accepted bribes by means of kickbacks on contracts granted by the government to several infrastructure, energy and construction companies. The proceeds from these kickbacks allegedly financed the political campaigns of political parties forming the previous government led by former Presidents Nestor Kirchner and Cristina Fernandez de Kirchner. In addition, these funds were unaccounted for or not publicly disclosed and were allegedly used to personally enrich certain individuals. Several senior politicians, including former members of the Argentine Congress, the former Vice President of Argentina and high-ranking executives and officers and owners of major companies in Argentina have been arrested on account of various charges relating to corruption, have entered into agreements with prosecutors (*Acuerdos de Colaboración*) to confess and/or provide sensitive information in exchange for a possible reduction of sentences upon conviction, and have resigned or been removed from their positions. The potential outcome of the Notebooks Investigation as well as other ongoing corruption and money laundering investigations is uncertain, but the Notebooks Investigation has already had an adverse impact on the image and reputation of those companies whose owners or officers have been implicated, and more generally on international investors' perception of the Argentine economy, political environment, capital markets and the infrastructure sector in Argentina.

Recognizing that the failure to address these issues could increase the risk of political instability, distort decision making processes and adversely affect Argentina's international reputation and ability to attract foreign investment, the Macri administration has announced several measures aimed at strengthening Argentina's institutions, enhancing the integrity of public officials and reducing corruption. These measures include the reduction of criminal sentences in exchange for cooperation with the government in corruption investigations, increased access to public information, the seizing of assets from corrupt officials, increasing the powers of the Anticorruption Office (*Oficina Anticorrupción*) and the passing of a new public ethics law, among others. The government's ability to implement these initiatives is uncertain as they would be subject to legislative support or resistance from opposition parties, as well as independent review by the judicial branch.

There cannot be any assurance that the implementation of these measures by Argentina will be successful or even sufficient in strengthening Argentina's institutions, enhancing the integrity of public officials, stopping institutional deterioration and preventing corruption. We cannot control or predict whether such investigations or allegations will lead to further political or economic instability or whether new allegations against government officials, members of the Argentine Congress, judges or owners or officers of other companies will arise, nor can we predict the outcome of any such allegations and their effect on the Argentine economy, which may be adverse.

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, forced divestiture of assets, amendments, renegotiation or revocation of a license, 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 that previously could be placed with pension fund administrators are now entirely subject to the discretion of ANSES. ANSES is 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, the Argentine Congress passed Law No. 26,741, which declared hydrocarbons, 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 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 on 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 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 free access to these markets 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 providing increased intervention in the capital markets by the Government. On May 9, 2018, the Macri administration approved an amendment to the Law of Productive Financing No. 26,831, including amendments to the Capital Markets Law of Argentina, 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 continues and 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 that 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 has taken several measures that have 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 setting 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 – D. Additional Information—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 and emerging markets. 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% and 1.3% in 2018. Additionally, during 2017 the country continued to suffer a political and institutional crisis that included new requests for impeachment of former President Temer and general strikes against the reforms imposed by the government. In the presidential elections of October 28, 2018, Jair Bolsonaro of the Social Liberal Party was elected and took office on January 1, 2019. 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 the 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 Brexit and the chance to reach a deal with the European Union by 2019.

At the end of 2015, the U.S. Federal Reserve began increasing its reference interest rate following more than five years of an interest rate close to zero, moving away from its post-2008 crisis stimulus campaign. In September 2018, the U.S. Federal Reserve increased the federal funds interest rate by a quarter point (it set the repo rate at 2.0% and the interest on excess reserves at 2.25%, the highest range in more than a decade) and indicated that this is part of a broader plan to increase rates in order to control inflation in the United States. This may attract investors to invest in the U.S. and consequently may make investment in other international markets, such as Argentina, less attractive to investors.

In addition, the current United States presidential administration has created uncertainty regarding United States policies related to trade, tariffs, immigration and foreign affairs. This uncertainty has generated instability and adversely affected Argentina’s economy. Any changes in United States trade policy could trigger retaliatory actions by affected countries and trading blocs, including China and the European Union, resulting in “trade wars,” increased costs for goods exported to the United States and additional volatility and instability globally.

Furthermore, 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 his 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.

More recently, the announcement of sanctions against Turkey by the U.S. caused a deterioration in the economic conditions of certain emerging countries. The fall of the Turkish lira, which depreciated approximately 40% in 2018, dragged down the price of the currencies of emerging countries, including Argentina, taking the country risk above 700 points and increasing uncertainty on the performance of the economy and the ability of Argentina to access the international credit market that allows it to comply with its financing program.

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 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 almost all 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 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 economic growth over time 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. Claimants have also filed claims before arbitral tribunals under the rules of the United Nations Commission on International Trade Law (UNCITRAL) and under the rules of the International Chamber of Commerce. Several awards have been issued against Argentina and several cases are still ongoing.

One of the main elements of Argentina's revised economic plan by the IMF is about fiscal policy; the IMF authorities are fully committed to reducing the federal government's financing needs and placing public debt on a firm downward path. They aim to strengthen the country's fiscal position by achieving a primary balance in 2019 and primary surpluses starting in 2020. To this end, the government is seeking support in the Argentine Congress for revenue-enhancing and cost-cutting measures that include introducing taxes on exports, increasing the wealth tax, scaling back inefficient energy subsidies, reprioritizing capital spending and improving the structure of federal transfers to provinces.

Past situations, such as the lawsuits with creditors that did not accept 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. 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.

A sustained deterioration in the terms of trade given a decline in the global prices for Argentina's main commodity exports or an increase in the global prices for Argentina's main commodity imports, as well as adverse weather conditions affecting the production of Argentina's main commodity exports, could have an adverse effect on Argentina's economic growth.

High commodity prices have contributed significantly to an increase in Argentine exports, which has in turn led to an increase in government revenues received from export taxes. However, the reliance on the export of certain commodities, such as soy, has made the Argentine economy vulnerable to fluctuations in commodity prices, and, consequently, the Argentine economy could be adversely affected if trading conditions decline.

In addition, adverse weather conditions, such as floods or droughts, could affect the production of the main agricultural commodities produced by Argentina, which account for a significant portion of its export revenues. Moreover, higher oil prices could lead to an increase in government expenditures. The drought experiences during the summer months of 2018 dramatically reduced the yield from Argentina's soybean crop. These circumstances could have a negative impact on Argentina's economy.

High public expenditures could result in longstanding adverse consequences for the Argentine economy.

In recent years, Argentina has substantially increased public expenditure. The primary fiscal balance could be negatively affected in the future if public expenditure continues to increase at a rate higher than revenues due to, for example, social security benefits, financial assistance to provinces with financial problems and increased spending on public works and subsidies, including subsidies to the energy and transportation sectors. Further deterioration in fiscal accounts could negatively affect the government's ability to access the long-term financial markets.

In connection with the agreement entered into with the IMF in 2018, the Macri administration has committed to address fiscal solvency and, thus, has undertaken steps to curb the fiscal deficit by reducing gas and transport subsidies and other expenses. However, these policies have led to higher prices and thus had a negative impact on consumer purchasing power. The implementation of similar measures in the future by the current or a subsequent administration could also have negative effects. Furthermore, the federal government's primary fiscal balance could be negatively affected if public expenditure increases faster than revenues in the future. Moreover, weaker fiscal results in Argentina than those envisaged could have a material adverse effect on Argentina's economy.

Any downgrade in the credit rating or rating outlook of Argentina could impact the rating of our securities or adversely affect the market price of our securities.

Argentina's long-term debt denominated in foreign currency is currently rated "B2" by Moody's, "B" by S&P and "B" by Fitch. Although Moody's currently maintains a stable outlook, on November 7, 2018, Fitch revised its outlook of Argentina's long-term and short-term sovereign credit rating from stable to negative, primarily as a result of the sharply weaker economic activity and uncertain prospects for multiyear fiscal consolidation and market financing availability as IMF funds are used up, posing risks to sovereign debt sustainability. In addition, on November 13, 2018, S&P downgraded Argentina's long-term and short-term sovereign credit ratings from "B+" to "B," primarily as a result of an erosion of the Argentine debt profile, the economic growth trajectory and the dynamics of inflation against the backdrop of the implementation of a challenging economic adjustment program. There can be no assurance that Argentina's credit rating or rating outlook will not be downgraded in the future, which could have an adverse effect on the rating of our securities or adversely affect the market price of our securities.

Risks Relating to Our Business

Failure or delay in the implementation of tariff increases could have a material adverse effect on 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 45.4% of total net revenues during 2018) 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 semiannual 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. l.00 per U.S.$l.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 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.

On March 27, 2018, through Decree No. 250/2018 (the **"Decree 250"**), the Executive Branch ratified the tariff structure under Resolution 4362, following the approval of several governmental authorities, including the Argentine Congress. Decree 250 concludes the renegotiation process of our License with the Government which lasted more than 17 years.

In addition, Resolution 4362 contemplates a non-automatic semiannual adjustment mechanism for the natural gas transportation tariff, which should be approved by ENARGAS evaluating the evolution of the economic circumstances, to reflect changes in WPI. On April 1, 2019 ENARGAS analyzed the evolution of the WPI adjustment index for the period August 2018 – February 2019 in order to establish the biannual adjustments applicable to our tariffs.

See "*Item 4. Our Information—B. Business Overview—Natural Gas Transportation—Regulatory Framework*" below for more information.

Additionally, there are several bills submitted to the National Congress by opposition deputies that require the tariff freeze until December 31, 2019. In the event that these projects prosper, our ability to receive tariff increases defined according to the RTI may be limited.

In the past, we have suffered from our inability to receive tariff increases, which meant deterioration of our financial and economic condition. Also, we have received insufficient tariff increases to compensate the increase in the inflation on our operating cost. Our inability to bill the increases, 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 adversely affect 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.

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 of Argentina 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 starting negotiations of the collective bargaining agreements that will be in effect from April 2019 to April 2020, 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 (*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 natural gas transportation industry. After the economic crisis in 2002 and until the Macri administration took office, the Government increased its role in the energy sector implementing strict regulation and increasing its intervention. Intervention included the expansion of our pipeline and the interruption of natural gas firm transportation services (including the diversification 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 on the business of companies engaged in the natural gas transportation industry.

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, until 2016, the lack of tariff adjustments for natural gas transportation companies caused transportation companies caused a decrease in the profitability of such companies.

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 have a system of priority pursuant to the demand of natural gas customers, regardless of whether those customers have contracted under a firm transportation contract or firm natural gas supply contract. 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 former 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 in order 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 No. 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 natural gas transportation contracts that must be renegotiated and/or extended periodically.

In 2018, 79% of our average daily natural gas deliveries were made under long-term firm transportation contracts. As of December 31, 2018, our long-term firm natural gas transportation contracts had a remaining weighted average life of approximately 12 years; our long-term firm natural gas transportation contracts with our top five costumers had a remaining weighted average life of approximately 8 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.

The natural gas transportation service is an activity involving 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. Furthermore, capital expenditures will be required to finance current and future expansions of our transportation capacity. If we are unable to finance any such capital expenditures in terms satisfactory to us or at all, our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations may be adversely affected. In addition, 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 decline in 2015 and 2016 the volume of natural gas that has been produced from the Neuquina 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 2018, 50.7% of the natural gas transported by our system originated in the Neuquina basin with the remainder primarily from the Austral basin. Since 2009, the quality and volume of natural gas injected from the Neuquina basin has been lower (as a consequence of the reduction of natural gas production in this basin) and not appropriate for processing in the Cerri Complex, negatively impacting our level of output from this facility. As a consequence of this lower output of natural gas from the Neuquina basin, we have had to buy natural gas at higher prices causing an increase in the cost of Liquids production and commercialization activities for our own account reducing 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, nonconventional natural gas was discovered in the Vaca Muerta field of the Neuquina basin by YPF. Exploration and exploitation of this natural gas reserve involved 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. Finally, in 2018 natural gas production increased by 5.4% with respect to 2017.

We cannot assure you, however, that this new natural gas resource at the Neuquina basin, or any other measures taken by the Government to increase natural gas production and supply, will be successful in increasing Argentine 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 services. Our ability to increase prices in connection with international price 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 products and services affect the viability of investments in expansion capacity and processing facilities and, as a result, the timing and amount of our capital expenditures for such purposes.

Although our Liquids production and commercialization activities are not subject to regulation by ENARGAS, with the aim to give priority to domestic supply, 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 to guarantee sufficient supply of LPG in the domestic market at low prices. Law No. 26,020 creates a price regime pursuant to which the 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.

On the other hand, our Liquids business is highly dependent on the supply of natural gas to the Cerri Complex at reasonable prices that allows for reasonable profit margins. In past years, the Federal Energy Bureau 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.*" Most recently, The Macri administration has taken several measures to guarantee the production of natural gas, especially after the development of Vaca Muerta formation.

During 2017 the Government initiated a convergence process of natural gas prices toward to international prices that finally occurred in October 2017 when prices were liberalized. However, during 2018, due to a combination of internal and external factors, the increase in natural gas and fuel prices has been significant what meant that the intended liberalization was not fully realized.

During 2018, the Government introduced several changes to the process by which the natural gas is acquired for the electric energy generators. Among them, modifications were introduced to the regulations through which Compañía Administradora del Mercado Mayorista Eléctrico S.A. (**"CAMMESA"**), a government-controlled company, had to provide this supply to the power plants. Finally, on November 6, 2018, the Secretary of Energy issued Resolution No. 70/2018 which gave back to power generators the ability to purchase their own natural gas supply. Most of the power generator recovered the ability to do so, therefore, price of natural gas purchased under the bidding processes decreased further because of the competition for demand in the low consumption season and in an environment with oversupply and economic recession.

At the end of December 2018, the government decreased again the natural gas price reference for power generation based on the supply basin of origin. Some days later, CAMMESA called for another bidding process under the same conditions. This bidding process resulted in even lower natural gas prices for generation. However, this cannot be considered a parameter due to the conditions of the bidding.

The prices at which power plants or CAMMESA acquire natural gas can be considered a reference to determine the price of natural gas acquired as Shrinkage Gas (**"RTP"**) by us, that is why any additional increase in the costs of our Liquids production and commercialization segment may adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

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, toward priority users, including residential customers. See *"—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."* To a lesser extent, during the winter of 2016 and 2017, processing at the Cerri Complex was interrupted because of continued governmental actions to ensure natural gas supply to the domestic market.

In addition, regarding natural gas producers, the Government has recently introduced measures to moderate the impact of fuel prices in the economy. The prices that natural gas producers are able to obtain for oil and natural gas affect the viability of investments in new exploration, development and refining and, as a result, the timing and amount of our projected capital expenditures for such purposes. 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.

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. 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 between 2004 and 2017. 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.

Regarding energy prices, in 2018 oil price reached the highest level since November 2014, being at U.S.$75 per barrel in the month of October, as a consequence of Venezuela's production collapse, unforeseen interruptions in supply from Canada and Libya and expectations of lower exports of Iranian oil due to United States sanctions. This situation positively impacted on the price of liquefied natural gas ("**LNG**"), which thanks to the sustained demand from China and India could stay at high levels for the greatest part of the year. In 2018, average international prices of propane, butane and natural gasoline recorded increases of around 14.2%, 9.9% and 24.6%, respectively.

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. Finally, on September 3, 2018, the Executive Branch issued Decree No. 793/2018, which set a new tax on exports framework.

For further information, see *"Item 4. Our Information—B. Business Overview—Liquids Production and Commercialization."*

In addition, 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.

On March 28, 2016, the former Ministry of Energy issued the 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. Finally, on March 26, 2019 we were served notice of the first instance judgment rendered in the proceedings, which upholds the legal action filed by us and declares the unconstitutionality of Executive Decree no. 2,067/08, MPFIPyS Resolution No. 1451/08 and the Gas Charge Resolutions and Section 53 and 54 of Act No. 26.784 (General budget of the National Public Administration for the fiscal year 2013), as well as of any other act aimed at enforcing the Executive Decree no. 2067/08, and therefore declare invalid said regulations. On March 29, 2019 the National Secretariat of Energy appealed the judgment, which was granted on April 3, 2019. As of the date of this Annual Report, the case is pending judgment by the National Court of Appeals in Contentious Administrative. For additional information, see "*Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal and Regulatory Proceedings—Tax Claims.*"

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 taxes and export/import regulations in a manner that could adversely affect our financial condition and results of operations.

Our ethane sales depend on the capacity of PBB Polisur 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 on an annual basis until May 1, 2018 and then on a monthly basis until September 6, 2018, the date on which we entered into a new agreement with PBB. The agreement is retroactive as of May 1, 2018 and will expire on December 27, 2027.

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 or that PBB will be able to satisfy its obligations under the new purchase agreement.

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.

Our main natural gas transportation customers are natural gas distribution companies whose tariff increases are set in accordance with the renegotiation processes of their licenses. Also, in some cases, their collections may depend on governmental regulations requiring them to finance the collections of their customer or even to recover their receivables from the Government.

The failure of our clients recovering their receivables 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 us when resources are allocated to the domestic market instead of us. Over recent years, this compensation has been paid with significant delays.

During the fiscal years 2017 and 2018, we received the amount of Ps. 347.6 million and Ps. 406.7 million respectively, as subsidies of the programs mentioned above. Pursuant to the programs referred to above, as of December 31, 2018, the Government is required to pay to us Ps. 292.9 million.

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 changes in supply of natural gas from the Neuquina 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 the 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, 2018, our physical assets are insured for up to U.S.$. 2,163 million and for the loss of profit resulting from the material damages by an amount of U.S.$ 602.5 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 and 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 toward 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 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 may 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.*" Also see "*Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal and Regulatory Proceedings—Other Litigation—Arbitral Claim.*"

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 Argentina 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 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, additional gas processing facilities may be constructed where, such as the MEGA plant, could result in lower volumes or inferior 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 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.

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 in 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 Gas Pampeana S.A., Metrogas S.A. and Naturgy Argentina S.A.). We compete directly with TGN for the transportation of natural gas from the Neuquina 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.

Recently, the Secretary of Energy published the Resolution No. 82/2019 (the "Resolution 82") which sets the terms and conditions for future tenders tending to increase the capacity of transport of natural gas. The construction of a new pipeline by a third party could affect our results of operations as the interruptible natural gas transport volumes and the availability of natural gas that arrives at the Cerri Complex for processing could be diminished.

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

The credit ratings are assigned to us 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 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 cyberattacks or other risks related to new technologies.

We depend on a variety of internet-based data processing, communication, and information exchange platforms and networks. 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 are exposed to cyberattacks and other cybersecurity incidents in the normal course of business, which could lead to disruptions in critical systems (such as our electronic flow measurement ("SCADA/EFM") system and distributed control systems), the unauthorized release of confidential or protected information, corruption of data or other disruptions of our business operations.

Additionally, we enter into contracts with several third parties to provide our customers with data processing and communication services. Therefore, if information security is breached, or if one of our employees or external service providers breaches compliance procedures, information could be lost or misappropriated, which may affect us, damage others or result in potential litigation.

There has recently been an increased level of attention focused on cyberattacks against large corporations that include, but are not limited to, obtaining unauthorized access to digital systems for purposes of misappropriating cash, other assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity incidents, such as computer break-ins, "phishing," identity theft and other disruptions, could negatively affect the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us in excess of insurance coverage and may cause existing and potential customers to refrain from doing business with us.

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 cyberattacks; however, as cyber-attacks continue to evolve, there can be no assurance that we will not suffer any cyberattack 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 to 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 as a result of 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 nonrecoverable deductible amounts, and in any event are subject to caps per event. In addition, any of these events could adversely affect 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 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.

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 ADSs represented by 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 uninvested without liability for interest thereon for the respective accounts of the owners entitled to receive the same. As a result, if the exchange rate fluctuates significantly during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the dividend distribution.

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 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 our common stock. CIESA is under co-control of: (i) Pampa Energía S.A. ("**Pampa Energía**"), which holds 10% of CIESA's common stock, (ii) CIESA Trust (whose trustee is Pampa Energía and whose beneficiary is Petrobras Hispano Argentina S.A. ("**Petrobras Hispano Argentina**"), 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**"), 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 Act and Law No. 26,831, 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 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.

Pursuant to the Law 26,893, 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, 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 No. 279/2018 provides that until the decree of the Income Tax Law of Argentina regulates the definition of non-cooperative jurisdiction, the white list established in the Decree No. 589/2013 (dated 05/27/2013) will be applicable 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 No. 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 No. 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. 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 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 Act, 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. Voting rights in a Shareholder meeting can be exercised through duly instituted agents, as it is regulated by Law No. 26,831. 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.

The NYSE and/or the Buenos Aires Stock Exchange (by delegated authority of BYMA) may suspend trading and/or delist our ADSs and common shares, respectively, upon occurrence of certain events relating to our financial situation.

The NYSE and/or the BYMA may suspend and/or cancel the listing of our ADSs and common shares, respectively, in certain circumstances, including upon the occurrence of certain events relating to our financial situation.

The NYSE may in its sole discretion determine on an individual basis the suitability for continued listing of an issue in the light of all pertinent facts. Some of the factors mentioned in the NYSE Listed Company Manual, which may subject a company to suspension and delisting procedures, include: "unsatisfactory financial conditions and/or operating results," "inability to meet current debt obligations or to adequately finance operations," and "any other event or condition which may exist or occur that makes further dealings or listing of the securities on the NYSE inadvisable or unwarranted in the opinion of NYSE."

We cannot assure you that the NYSE and/or BYMA will not commence any suspension or delisting procedures. A delisting or suspension of trading of our ADSs or common shares by the NYSE and/or BYMA, respectively, could adversely affect our results of operations and financial conditions and cause the market value of our ADSs and common shares to decline.

The price of our Class B Shares and the ADSs may fluctuate substantially, and your investment may decline in value.

The trading price of our Class B Shares is likely to be highly volatile and may be subject to wide fluctuations in response to factors, many of which are beyond our control. Such factors include:

- fluctuations in our periodic operating results;
- changes in financial estimates, recommendations or projections by securities analysts;
- changes in conditions or trends in our industry;
- events affecting equities markets in Argentina;
- legal or regulatory measures affecting our financial conditions;
- departures of management and key personnel; or
- potential litigation or the adverse resolution of pending litigation against us or our subsidiaries.

The stock markets in general have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the companies involved. We cannot assure you that trading prices and valuations will be sustained. These broad market and industry factors may materially adversely affect the market price of our Class B Shares and the ADSs, regardless of our operating performance. Market fluctuations, as well as general political and economic conditions in Argentina, such as recession or currency exchange rate fluctuations, may also adversely affect the market price of our Class B Shares and the ADSs. In particular, currency fluctuations could impact the value of an investment in Argentina. Although our ADSs listed on the NYSE are U.S. dollar-denominated securities, they do not eliminate the currency risk associated with an investment in an Argentine company.

For example, due to various factors (including, but not limited to, the abrupt variation in the exchange rate in Argentina) prices of equity securities in Argentina decreased substantially in 2018, which prompted investors to dispose of their investments in Argentina resulting on further downward pressure on the price of equity securities. Future sales of substantial amounts of our Class B Shares and ADSs, or the perception that such future sales may occur, may result in additional pressure to the price of our Class B Shares and ADSs. Also, future sales of treasury shares, may also have a negative impact on the price of our Class B Shares and ADSs.

Following periods of volatility in the market price of a company’s securities, that company may often be subject to securities class-action litigation. This kind of litigation may result in substantial costs and a diversion of management’s attention and resources, which would have a material adverse effect on our business, results of operations and financial condition.

Holders of ADSs may be adversely affected by currency devaluations and foreign exchange fluctuations.

If the peso exchange rate falls relative to the U.S. dollar, the value of the ADSs and any distributions made thereon from the depositary could be adversely affected. Cash distributions made in respect of the ADSs may be received by the depositary (represented by the custodian bank in Argentina) in pesos, which will be converted into U.S. dollars and distributed by the depositary to the holders of the ADRs evidencing those ADSs if in the judgment of the depositary such amounts may be converted on a reasonable basis into U.S. dollars and transferred to the United States on a reasonable basis, subject to such distribution being impermissible or impracticable with respect to certain ADR holders. In addition, the depositary will incur foreign currency conversion costs (to be borne by the holders of the ADRs) in connection with the foreign currency conversion and subsequent distribution of dividends or other payments with respect to the ADSs.