TRANSPORTADORA DE GAS DEL NORTE S.A.

Financial Statements as of year ended December 31, 2008, presented in comparative form

TRANSPORTADORA DE GAS DEL NORTE S.A.
Index to the Financial Statements

To the Shareholders:

In compliance with legal and bylaw provisions in force, the Board of Directors of Transportadora de Gas del Norte S.A. –hereinafter “TGN” or “the Company”– submits to the consideration of the Shareholders’ Meeting the annual report, the business highlights, the balance sheet and the statements of income, changes in shareholders’ equity and cash flows, notes and exhibits for the 17th fiscal year ended December 31, 2008.

Board of Directors

Regular Directors
Eduardo Ojea Quintana (President)
Diego Garzón Duarte
Alain Petitjean
Gabriela Roselló
Carlos Ormachea
Ricardo Markous
Muri Muhammad
Marcelo Brichetto
Pablo Lozada
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Alternate Directors
Santiago Marfort
Mauricio Russo
Rubén Nasta
Bruno Seilhan
Ignacio Casares
Marcelo Martínez Mosquera
Wan Zulkiflee Wan Ariffin
Leonardo Fernández
Jorge Iglesias
Marco Quiroga Cortinez

Syndics’ Committee

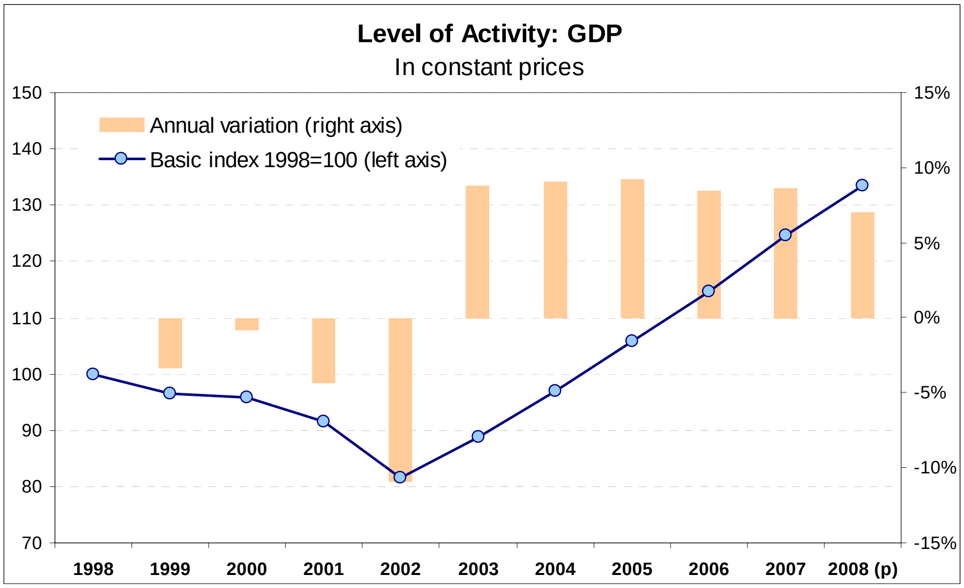
Regular Syndics
Matías María Brea
Juan José Valdez Follino

Alternate Syndics
Juan Carlos Pitrelli
Julio Abínzano

ANNUAL REPORT OF TRANSPORTADORA DE GAS DEL NORTE S.A. AT DECEMBER 31, 2008

MACROECONOMIC CONTEXT

As well as the las few years, in the first half of 2008 the Argentine economy again showed a high inter-annual expansion rate of 7.8%. Once again, domestic consumption (7.8% a/a) and fixed gross investment (16.0% a/a) were the most dynamic components of GDP. However, over the second half of the year there has been certain slowdown in the level of activity. Preliminary 2008 data show a 7% annual growth rate.

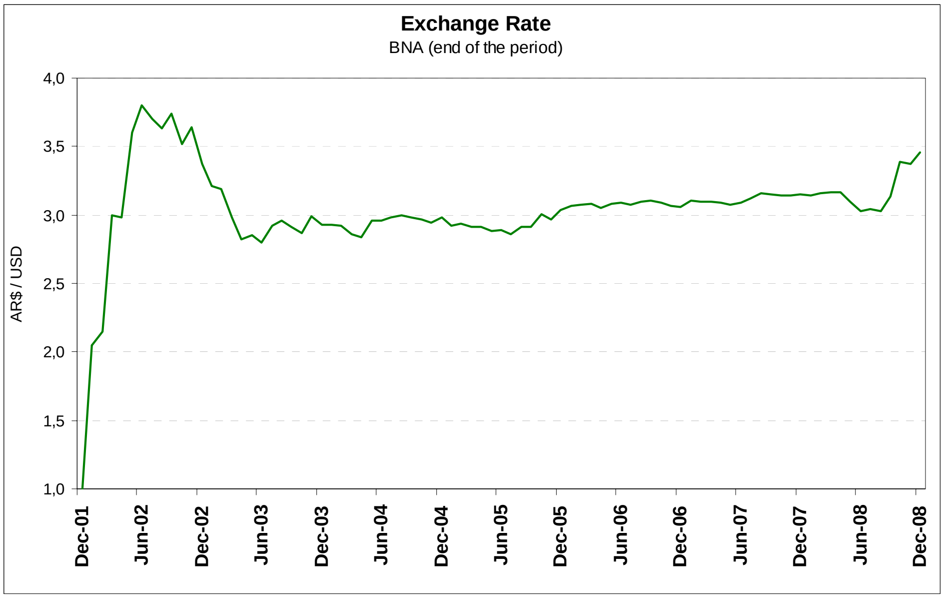


Source: MECON/ INDEC/BCRA
(p) preliminary data

Since mid 2008, uncertainty has increased worldwide as the crisis originated in the sub-prime mortgage sector worsened in the United States of America, with an impact on the real sector and volatility in the financial variables extending to the rest of the world. This not only produced a slowdown in growth of the developed economies but also negatively affected the product growth prospects worldwide.

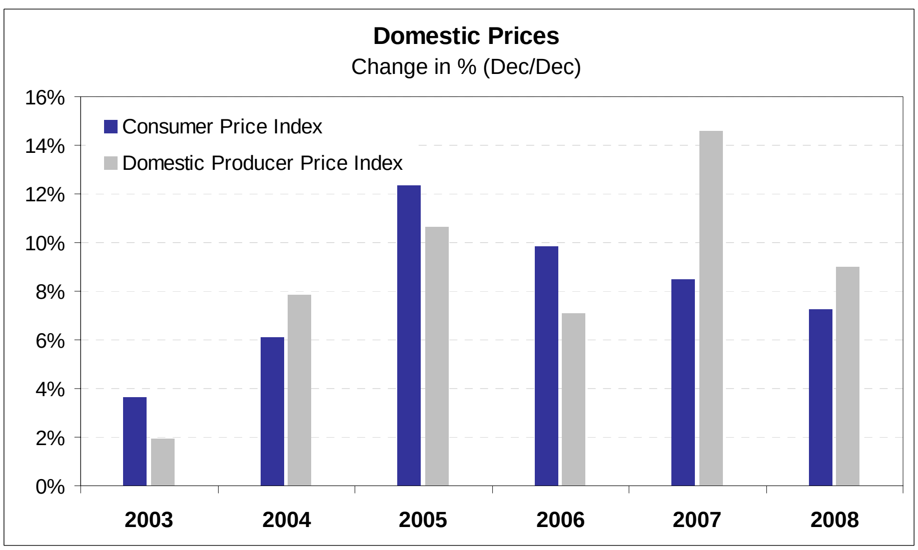
Furthermore, the crisis was evidenced by a fall in the prices of the main commodities exported by Argentina, even at historically high levels. Nevertheless, total exports for the year hit a record of US$ 70.6 billion (estimated), with a preliminar commercial balance near US$ 13,2 billion.

The exchange rate increased in the last few months of the year, reaching 3.45 $ per US$.



Source: BNA

As for the variations in domestic prices, the Consumer Price Index (CPI) recorded an annual variation of 7.2% (December 2008 as against December 2007), while the Producer Price Index (PPI) or Industrial Wholesale Price Index (WPI) increased 9%. The private sector wages have risen by approximately 18.6%.



Source: MECON/ INDEC

The internal conflict between the Government and the farming sector is worth mentioning, which arose after a bill intended to impose higher export duties on certain agricultural products had been sent to National Congress. Although the bill was finally voted down by the Senate, the measure mobilized the public opinion both in favor and against it, causing a social conflict.

In addition, in November 2008 the Government announced the nationalization of the AFJP private-funded pension managers, which were replaced by the pay-as-you-go system. The measure, approved by the National Congress, repealed the individual pension fund capitalization accounts at the AFJPs, and it is estimated that pension fund contributions for approximately $ 14 billion per annum and assets estimated at $ 80 billion have been transferred to the National Social Security Administration (ANSeS).

The Government also announced its intention to reopen the swap of public debt under suspension of payment for those holders who did not participate in the 2005 debt rescheduling (holdouts). This debt swap has not yet been set in motion.

Lastly, there is still pending the negotiation of the utility contracts, a matter which, in an environment where the high inflation and salary claims repeatedly impact on costs, is essential for the future of the Company.

THE GAS INDUSTRY IN ARGENTINA

Natural gas is the main source of energy in Argentina; its use is even aproximately 30% higher than the average use in the region.

Supply for primary energy by source (2007) [%]:

	Oil	Natural Gas	Coal	Nuclear Energy	Hydro-electricity
USA	39.9	25.2	24.3	8.1	2.4
Canada	31.8	26.3	9.5	6.6	25.9
Mexico	57.4	31.3	5.9	1.5	3.9
Total North America	**40.0**	**25.7**	**21.6**	**7.6**	**5.2**
Argentina	31.9	53.8	0.5	2.2	11.6
Brazil	44.5	9.1	6.3	1.3	38.8
Chile	55.8	13.9	11.6	-	18.7
Colombia	34.4	23.1	8.8	-	33.6
Ecuador	76.6	2.2	-	-	21.1
Peru	47.9	17.4	2.8	-	31.9
Venezuela	37.5	35.9	0.1	-	26.6
Others, South and Central America	59.4	20.8	1.8	-	18.0
Total South and Central America	**45.6**	**21.9**	**4.0**	**0.8**	**27.7**

Source: BP Statistical Review of World Energy

Since the privatization of the natural gas utility service at the end of 1992 and until 2008, a year-to-date growth of 94% in the domestic consumption of the fluid has been recorded, with a 262% growth in the demand for CNG and a 74% growth in industrial consumption. Also, the segment of electricity generation recorded an important increase of 113%, due to the intensification of the electric power consumption recorded in this period and the growth of the thermoelectrical sector.

Local gas consumption (1) – Millions of m3/day:

	1993	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Residential (2)	16.2	16.3	16.5	16.6	16.6	16.9	18.8	20.0	19.3	19.3	20.1	20.1	21.8	21.7	26.5	24.6
Commercial	2.4	2.4	2.6	2.5	2.7	2.6	2.8	2.9	2.8	2.7	2.8	3.1	3.1	3.0	3.4	3.2
Industrial (3)	18.0	20.9	21.0	21.5	22.9	23.6	22.5	23.2	22.7	22.9	25.3	26.5	27.2	29.9	29.7	31.2
Electricity generators	16.3	15.7	19.6	23.8	23.6	23.4	29.3	29.8	24.4	21.3	24.0	28.3	29.3	31.2	33.4	34.7
CNG	2.1	2.6	2.8	3.0	3.5	3.9	4.1	4.6	5.1	5.6	7.2	8.3	8.7	8.3	7.8	7.6
Others (4)	9.2	8.6	10.5	9.8	9.2	10.7	6.6	10.4	14.3	16.0	19.5	21.0	21.4	19.7	18.6	19.8
Total commercial use	**64.1**	**66.4**	**73.0**	**77.3**	**78.5**	**81.1**	**84.2**	**90.8**	**88.5**	**87.8**	**98.9**	**107.2**	**111.5**	**113.9**	**119.4**	**121.1**
Fields consumption and retained in pipelines	6.9	7.0	7.7	9.4	10.8	11.9	13.0	13.9	13.6	14.0	14.7	15.3	15.5	15.5	17.5	16.4
Total	**71.0**	**73.4**	**80.7**	**86.7**	**89.3**	**93.0**	**97.1**	**104.6**	**102.1**	**101.9**	**113.7**	**122.5**	**127.0**	**129.4**	**136.9**	**137.5**
Index	100	103	114	122	126	131	137	147	144	144	160	173	179	182	193	194

(1) Includes commercial off system by-pass and phisycal by-pass
(2) Includes SDB
(3) Not including RTP CERRI, included in Others
(4) Considers consumptions by RTP (MEGA, REFINOR, CERRI, TDF), official entities and aptagonic pipelines.

Source: ENARGAS; includes Off System and physical by-pass

Although winter was much less severe in 2008 than in 2007, gas consumption in Argentina increased 0.5% compared to 2007.

In line with the less severe winter, the residential and commercial consumption of natural gas showed negative rates of 7% in 2008 compared to 2007.

The lower residential consumption increased gas supply to the industrial segment in 2008 whose growth rate was 5.1% as against 2007.

CNG consumption in 2006 and 2007 showed for the first time negative annual growth rates of 4% and 6%, respectively. This negative trend continued in 2008 but with more attenuated values in the order of 3%.

The electricity generating sector showed a growth rate of 3.9% in 2008 vis-à-vis 7% in 2007. The lower growth rate is due to the downturn in the growth of demand for electric power, from annual rates of 5% to 2.9% in 2008.

In 2008, the annual production of natural gas was 50.4 MMMm3, 58.8% of those coming from the Neuquén basin, 13.9% from the Northwestern basin, 9.7% from the San Jorge Gulf basin, and 17.6% from the Austral basin.

Proved reserves of natural gas in Argentina at the end of 2007 were 394 MMMm3, and the actual horizon of reserves is 7.7 years.

The decrease in proved reserves, besides being related to the maturity of some of its basins, is directly related to other two issues: the growth in demand, driven by the control of prices in the gas chain (which includes the freezing of carriage and distribution rates), with the consequent growing dispersion of the price of alternative fuels, and the poor investment necessary for reserves renewal.

Natural gas – Reserves and Production at December 2007 [Millions of cubic meters]

Basin	Proved reserves	Provable reserves	Proved +50% Provable	Production	Horizon: [Proved reserves/Production] (Years)
Austral	109,704	72,257	145,832	9,271	11.8
San Jorge Gulf	36,425	13,901	43,375	4,946	7.4
Neuquén	171,743	61,678	202,583	29,949	5.7
Northwestern	75,674	19,488	85,418	6,828	11.1
TOTAL ARGENTINA	393,546	167,324	477,208	50,993	7.7

Source: Energy Secretariat

The Argentine Government executed agreements for importing natural gas from Bolivia, which in 2005 represented 4% of the total volume injected into the carrying system; 4.5% in 2006; 4.1% in 2007; and 2% in 2008. Additionally, a Liquefied Natural Gas replenishment tanker connected to the Bahía Blanca node between May and August 2008 contributed injections for 1% of the annual supply by the system. These volumes contributed to a certain extent to covering the decrease in domestic supply.

REGULATORY ISSUES

Public Emergency Law

In its capacity as provider of a national utility service, TGN is subject to a significant state regulation, based in the Gas Law No. 24,076 (“Gas Law”) and exercised by the National Gas Regulation Agency (“ENARGAS”).

In January 2002, the Public Emergency and Exchange Regime Reformation Law No. 25,561 (“LEP”) unilaterally modified the amount of the considerations of the License Agreements executed in 1992 between the National Government and the licensees which provided the services of natural gas carriage and distribution within the framework of Law No. 24,076.

License renegotiation

Subsequently, the National Executive Branch ("PEN") issued Decree No. 293/02, by which the Ministry of Economy was put in charge of renegotiating the agreements. The original date contemplated for finishing the process, for which norms and work plans were established, was June 2002. This date was successively extended by the National Congress to December 2009.

In July 2003, by the decision of the Nestor Kirchner Administration, the Renegotiation Committee created by Decree No. 293/02 was replaced by the Utility Contract Analysis Department ("UNIREN"), created by Decree No. 311/03 within the framework of the Ministries of Economy and Production and Federal Planning, Public Investment and Services. The UNIREN's duties include that of carrying out the process for the renegotiation of contracts established in Law No. LEP, executing agreements subject to the concurrence of the PEN, submitting legislative projects concerning possible rate adjustments, and preparing a Draft of the General Regulatory Framework.

In addition, Law N° 25,790 has established that the decisions the National Executive Branch adopts in relation to the renegotiation process shall not be restricted or conditioned by the stipulations contained in the regulatory frameworks of the respective public utility service concession or license contracts. This Law also establishes that the National Executive Branch shall send the proposed renegotiation agreements to Congress and that the Congress shall decide in favor of or against the proposal within 60 calendar days following receipt of the proposal. If no decision is made by Congress at expiration of that term, the said proposal shall be deemed to have been passed. If the proposal is rejected, the National Executive Branch shall resume the renegotiation of the respective agreements.

On May 18, 2005, a public hearing called by the UNIREN was held for the purpose of considering the unilateral proposal for the adjustment of TGN's license, prepared by the UNIREN in July 2004. On November 11, 2005, UNIREN sent TGN a new draft contractual renegotiation memorandum of understanding, informing the latter that said draft "represents the limit of the possibilities that the National Government can offer in order to reach an agreement". Although said draft added some elements discussed between the parties, it received certain observations from the Company, such as the fact that it fails to offer a temporary adjustment proposal and a methodology for approaching a comprehensive rate review, and that it requires from TGN an indemnity in favor of the National Government for potential adverse rulings in the context of judicial or arbitral proceedings initiated by third parties due to the effects of the LEP on the License.

In the fiscal year 2006, the UNIREN sent to TGN a new draft memorandum of understanding, which included as a novelty a transitional rate increase of 10% with a maximum of 15% on the average gas rate to end users. TGN observed that said draft memorandum of understanding maintained the guidelines of the previous one, sent in 2005.

TGN considers that the main obstacle to reach a complete renegotiation agreement is the National State's insistence that an indemnity provision be added for its benefit, under which the effects of judgments or arbitration awards requiring Argentina to pay indemnifications supported by the LEP on the License would be transferred to TGN.

Although no significant progress had been seen in the License renegotiation process until August 2008, on September 16, 2008 the Company received from the UNIREN a temporary agreement proposal ("Temporary Agreement") which did not provide an indemnity to the National State and contemplated a transitional rate regime effective September 1, 2008 whereby a 20% increase would be applied to the remuneration for TGN's regulated activity in effect at August 31 of that year.

The proposal was approved by the Board of Directors of TGN, and TGN executed the Temporary Agreement on October 7, 2008, ad referendum of the extraordinary meeting of shareholders of TGN which ratified the said agreement on December 4, 2008.
The Temporary Agreement sets forth that TGN shall assign its rights over the incremental revenues in favor of a specific fund which shall operate as a trust destined for the payment of the works detailed in an annex to the Temporary Agreement.

The Temporary Agreement assumed that the LEP would no longer apply after December 31, 2008, which did not occur since it has been postponed until December, 2009, so the parties should have reached a consensus by that date with regard to the modalities, term and appropriate time for the execution of a Memorandum of Understanding for a Comprehensive Contractual Renegotiation. Failing this, if the National Executive Branch deems proper, it would resolve upon the validity of the Temporary Agreement and the UNIREN, in turn, would proceed to make the recommendations it considered appropriate to the National Executive Branch, as provided for in Section 1, sub-sect. e) of Decree N° 311/03 and Section 11 of Joint Resolutions Nos. 188/03 and 44/03 of the Ministries of Economy and Planning.

The Temporary Agreement has not been ratified by the National Executive Branch so far, consequently it has not yet come into force. At December 31, 2008 no economic effects have been produced in relation to the Temporary Agreement.

At the date of issue of the fiscal year 2008 financial statements of TGN no significant progress had been made to ensure compliance with the objective to sign an agreement in the short term. Furthermore, it cannot be assured that the final outcome of the renegotiation will effectively restore the balance of the License and award a fair redress to TGN for the damage suffered as a result of the LEP.

FINANCIAL SITUATION

Debt payments postponement and intervention established by the ENARGAS

In view of the continuous deterioration of the Company’s economic and financial equation derived from the delay in the domestic rate increases, combined with a fall in revenues from gas carriage for export as a result of the restrictions on gas exports, the widespread cost increases and the considerably higher exchange rate at year end, on December 22, 2008, the Board of Directors of TGN has decided: (i) to prioritize the safe and reliable provision by TGN of the public utility natural gas carriage service; (ii) to adhere to the going concern principle; and (iii) to ensure the equal treatment of all its financial creditors. Consequently, it has been necessary for TGN to postpone the principal and interest payments that fell due in December 2008, for US$ 22.2 million.

Although this decision was made to explicitly maintain the safe and reliable provision by TGN of the public utility natural gas carriage service, as called for by the Gas Law N° 24,076 and Section 10 of LEP, on December 29, 2008 ENARGAS Resolution I/587 established the intervention in TGN for 120 days and designated an intervener with powers of co-administration, surveillance and control of all the usual acts of administration and disposition that may affect the normal provision of the public utility gas carriage service by TGN under the License. By this resolution, the ENARGAS also established that a comprehensive audit should be conducted at TGN. That audit is in charge of the intervention and is currently in process.

TGN considers that Resolution I/587 is partially illegal on the grounds that the ENARGAS does not have powers to designate an intervener/co-administrator of the licensee companies regulated and controlled by it and subject to Law N° 24,076. TGN also considers that Resolution I/587 is unfounded inasmuch as the decision to postpone payment of financial obligations poses no risk to the continuity of the public utility service provided by the Company. For those reasons, TGN filed a direct appeal against the said resolution with the Federal Court of Appeals on administrative litigation in and for the City of Buenos Aires, Panel I.

Moreover, in January 2009, the CNV (Argentine Securities Commission) declared the decision adopted by the Board on December 22, 2008 irregular and ineffective for administrative purposes, on the grounds that the respective Board meeting minutes had not been transcribed to the book while the meeting was being held or immediately after termination thereof. TGN considers that the CNV declaration, which involves neither the nullity nor the stay of the decision made by the Board of Directors, is a null and void act which departures from applicable law; for this reason, TGN filed a direct appeal with the Commercial Court of Appeals.

To meet financial covenants, TGN has decided to start preparing a sustainable debt schedule to be submitted to the consideration of creditors, with a view to rescheduling its financial liabilities.

In line with current accounting standards, the Company discloses its entire financial debt as current because, as set forth in the Trust Agreement regulating the terms and conditions of the restructured Negotiable Obligations, failure to pay the principal or interest installments upon maturity empowers holders representing not less than 25% of the outstanding principal on each Series of Negotiable Obligations to accelerate the maturity and demand immediate repayment of the outstanding principal on each such Series by giving written notice to TGN. On January 12, 2009 TGN was notified by Law Debenture Trust Company of New York (the “Trustee”) of the intention not to accelerate the maturity of the outstanding debt balances, and confirmed that it had received no instruction from the holders of Negotiable Obligations which made it believe that the said acceleration might take place. No new communications have been received so far.

Implementation of a Global Program for the Issuance of Ordinary Non-convertible Negotiable Obligations

By virtue of the resolutions adopted by the Board of Directors of TGN on December 11, 2007, and of the Ordinary Shareholders' Meeting held on January 22, 2008, there was resolved the creation of a new global program for the issuance of common bonds, non-convertible into shares, which qualify as bonds under the terms of Law No. 23,576 (text given by Law No. 23,962) with a face value of up to US$ 400 million, or their equivalent in other currency in circulation at any moment. The duration of said Global Program is of five years counted as from the date of approval by the CNV. The implementation of this program was authorized by CNV Resolution No. 15,928 on July 17, 2008.

THE ACTIVITY OF TGN

With its 6,062 km pipelines, TGN is a company engaged in carrying natural gas via high-pressure pipelines for the central and northern regions of Argentina.

Through its two main route pipelines, the Northern and the Central-Western pipelines, the Company supplies 8 of the 9 distributors, and numerous electricity generation plants and industries in the local market, located across 14 Argentine provinces.

In addition, TGN's system carries gas to central and northern Chile, through the Gas Andes and NorAndino pipelines, to the Province of Entre Ríos and the Uruguayan riverside area through the Entrerriano pipeline, and to southern Brazil by the pipeline to Uruguayana.

Since the beginning of its activities in 1992, TGN expanded its carrying capacity from 22.6 MMm3/day to 54.44 MMm3/day[1], which represents an increase of more than 140% 2. The expansions, as well as the numerous maintenance and system reliability works, required investments for approximately US$ 1,15 billion on behalf of TGN.

In physical terms, these expansions required the construction of new 1,312 km pipelines, the construction of 5 new compressor plants, and the installation of 14 turbo-compressor units in the existing plants, which added 150,000 HP in installed capacity.

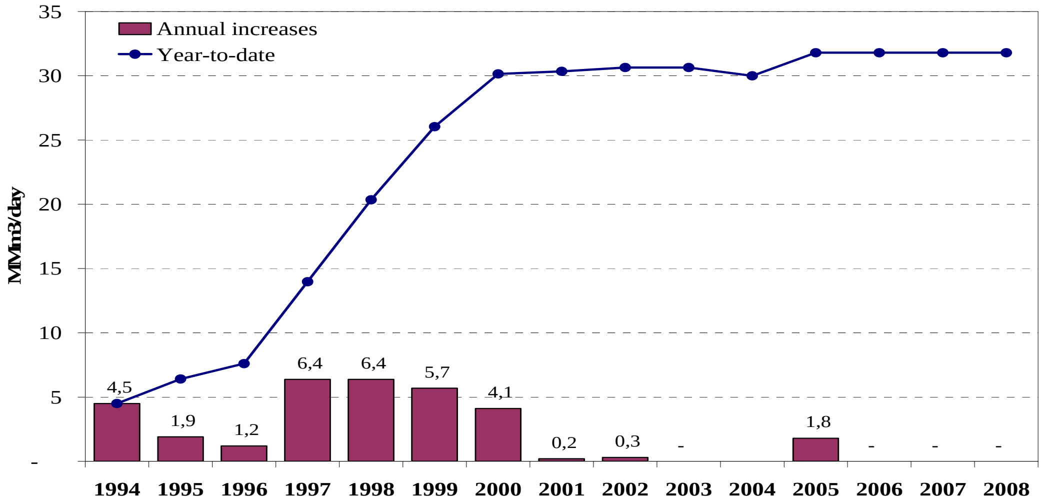
Additionally, TGN acted as Project Manager in the "2005 Expansion" performed applying the financial trust methodology created by the National Government which added 211 km gas pipelines, 25,710 HP and 3 turbo-compressor units.

Since late 2007 and throughout 2008, the first phase of the new expansion plan organized by the National Government took place in the form of trusts based on Decree N° 180/04. In this "2006 - 2008 Expansion Plan" TGN acts as Project Manager. The works placed into operation at December 2008 consisted in building 347 km gas pipelines and a new 10,310-HP compressor plant. These work projects allowed increasing the carrying capacity of the Northern Gas Pipeline by 1.5 MMm3/day between the Lumbreras compressor plant and the Litoral delivery region and final sections; plus 1.404 MMm3/day of the Central-Western Gas Pipeline between the Beazley compressor plant and La Dormida measurement and regulation station (in the Cuyo region).

[1] Includes 1.8 MMm3/d of the extension under the 2005 trust. They do not include 1.5 MMm3/d corresponding to the first stage of the "2006-2008 Extension", which will be put into operation in the first months of 2009.

[2] The 31.8 MMm^3/day do not take into consideration the Termoandes contract (1.4 MMm^3/day), which was not renewed in 2004.

New carrying capacity – Annual and year-to-date [MM$^{m3/d}$ /day]



Evolution of the TGN system

	Units	*1994 1995*	*1996 - 1997*	*1998 - 1999*	*2000 - 2001*	*2002 - 2003*	*2004 – 2005*	*2006 - 2007*	*2008*	*Totals*
New added pipelines	km	242	455	168	380	-	309	-	347	1,899
Added compression capacity	HP	27,600	-	90,800	21,600	-	33,410	-	10,310	183,720
Increase in capacity	MMm3/d	6.4	7.6	12.1	4.3	0.3	1.2	-	-	31.8

At year end, the Company’s uninterruptible carriage contracts totaled 54.44 MMm3/day, 22.57 MMm3/day of which corresponded to the Northern System and 31.87 MMm3/day, to the Central-Western Pipeline System.

In the context of the current difficulties in the process of recomposing its License, and of the strict operating conditions that have characterized the last few years, the role played by the Company in the modernization and improvement of its assets should be highlighted, which facilitated the quality and reliability of the natural gas service for large sectors of our economy.

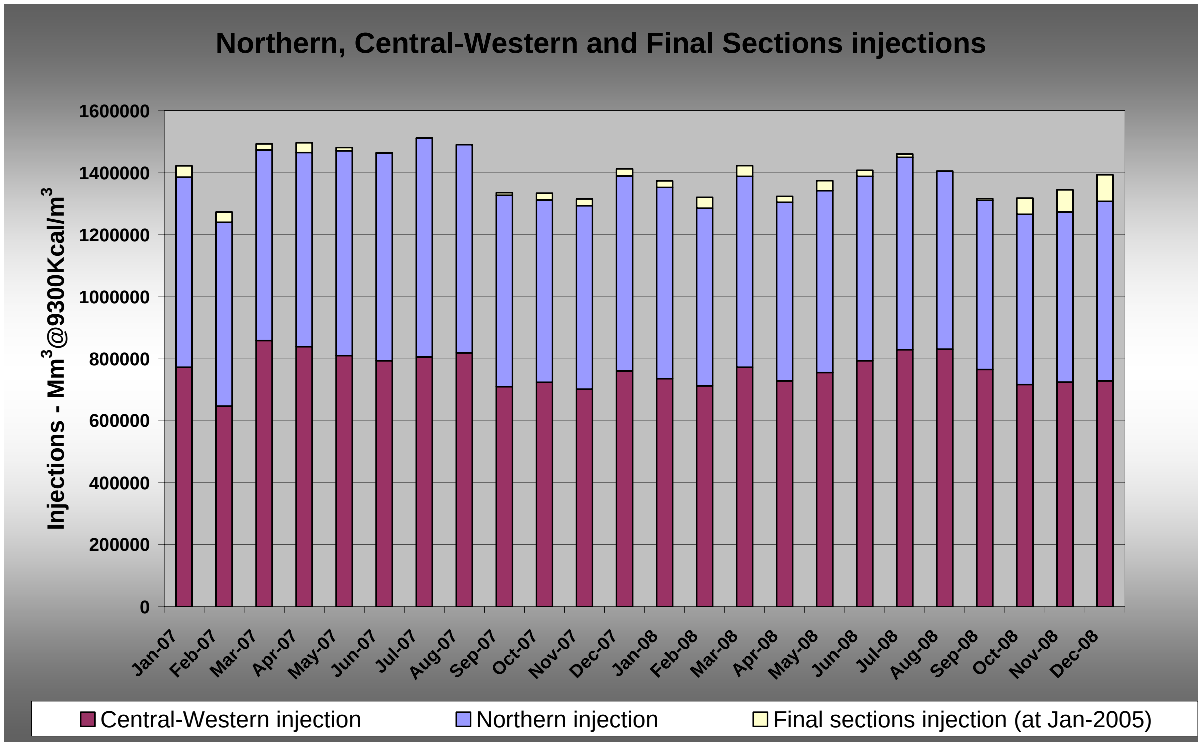
MAIN OPERATIONAL ISSUES

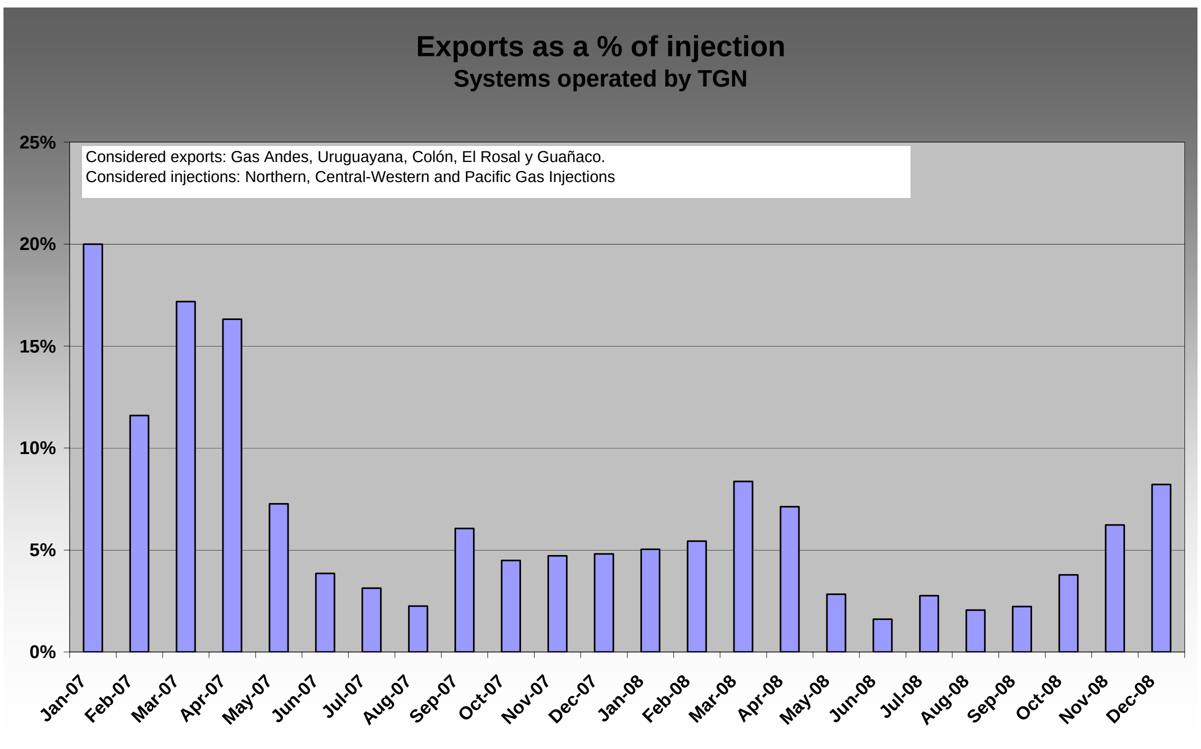
Gas carriage

The annual carried volume reached a value of 18.1 MMMm3. The lower annual carried gas volume (compared to the previous year), was due to the reduction in imports of gas from Bolivia during winter, as against the same period of 2007, from 6 MMMm3/day to 2 MMMm3/day, and to the decrease in natural gas production in the Neuquina basin. This situation imposed stricter restrictions on exports to ensure supply to domestic demand.

Also, to help mitigate the impact of this shrinkage, ENARSA installed at MEGA facilities, in the Bahía Blanca port, a Liquefied Natural Gas (LNG) replenishment tanker connected to the Transportadora de Gas del Sur S.A. system, which contributed 439 MMm3 between June and September 2008, reaching peaks of 7 MMm3/day.

Exports decreased compared to the previous year by 47% (by 749 MMm3), from 9.3% of the volume carried in 2007 to 5.2% in 2008.





Gas dispatch operations were characterized, as in 2007, by an active presence of government agencies in terms of controls and interventions. In particular, weekly meetings were held which were attended by the ENARGAS and officers of the Ministry of Federal Planning, Public Investment and Services, at which the authorities established the dispatch guidelines. The authorities also indicated the daily volumes that each user would be authorized to consume in times of greater demand.

Redirecting of the transportation capacity

In April 2004, the ENARGAS adopted a regulatory resolution establishing: (i) the reassignment to the distributor GasNea and the sub-distributor Redengás of certain firm transportation capacity volume which originally corresponded to the firm transportation contract entered into by and between TGN and YPF S.A. (”YPF”) in 1998 for up to 2.8 MM m3/d to supply a power plant in Uruguayana, Brazil; (ii) that YPF would continue paying TGN the export rate for the total reserved transport capacity and (iii) YPF would charge GasNea and Redengás the rate for the portion of the reassigned volume.

In April 2006, at a request of YPF, the ENARGAS issued two resolutions establishing: (i) the extension the abovementioned reassigments for an additional year (ii) that GasNea and Redengas would pay TGN for the reassigned volume the peso rate as opposed to the US dollar rate applicable to the contract entered into by and between TGN and YPF; (iii) that GasNea and Redengás must pay TGN the peso rate for the capacity reassigned between April, 2004 and April, 2006, and (iv) obliging TGN to reimburse YPF for the proportional part of the transportation rate in US dollars collected by TGN from April, 2004 to April, 2006 for the reassigned volume. In relation to the latter point, the Company had been carrying an allowance of US$ 3.5 million that has been reverted at the end of fiscal year 2008 since TGN considers that the right to collect that account has prescribed.

The motions for reconsideration of the two resolutions filed by TGN were dismissed by the ENARGAS in June 2007. TGN filed an appeal before a higher administrative authority as it considered that the ENARGAS lacks jurisdiction over the adoption of those resolutions, which also infringe the Company’s vested rights.

In April 2007 the ENARGAS renewed for the term of one year, the redirectings of transport capacity to Gasnea and Redengas of a volume of firm transport capacity equal to 0.770 MMm3/d.

In May 2007 the ENARGAS instructed TGN to apportion the reallocation of certain transportation capacity originally destined for various direct loaders (other than distributors) of the Central-Western Gas Pipeline, in favor of the distributor Ecogás Cuyo, for a term of one year counted as from the implementation of the measure, renewable at the discretion of the ENARGAS. TGN requested that the precautionary measure be reconsidered because it understands that the ENARGAS does not have jurisdiction to take that measure, as it affects the Company’s vested rights and, in the alternative, that the ENARGAS dispenses with the application of the “useful disruption of supply” criterion.

In April 2008, ENARGAS issued a regulatory order –without resolving the claims filed by TGN- whereby it modified its prior decisions approving a criterion for flexible redirecting for the benefit of GasNea, Ecogás Cuyo and Redengás, according to which the uninterruptible demand from those entities which exceeds their firm capacity contracted with TGN shall be satisfied affecting the abovementioned YPF transportation contract or the export contracts with delivery in La Mora where necessary, as a result of the unavailable transportation in the system. The total volume awarded according to this mechanism from May 2008 to April 2009 (which may be extended at the discretion of ENARGAS) is 1.575 MMm3/day.

The regulatory order establishes that payments YPF is to make to TGN by virtue of that mechanism shall include a deduction arising from the transportation capacity that might not be authorized for that loader because of the redirecting stipulated, and that the redirected volumes shall be invoiced to the companies using them at the applicable firm rate charged. It should be noted that from 2004 to the present, TGN did not have the need to redirect the carrying capacity hired by YPF, which had always been made available to the loader.

Drop in the Company’s revenues

As a result of the increase in domestic demand for gas, the Argentine government took measures which still apply to secure that natural gas supply would be primarily destined to meet the said demand. This included restrictions on gas exports, which adversely affected the sales of gas abroad. For this reason, the use of associated firm carriage has had a steady decline.

In view of the above measures, the loaders of gas for export have reacted in different manners, the most aggressive one being the suspension of their payments.

Controversy raised by Eléctrica Santiago S.A.

In February 2008, the Chilean customer "ESSA" communicated to TGN its unilateral decision to terminate the firm transportation contract, arguing the alleged impossibility of fulfillment of the contractual purpose, and informed that it was thus ceasing to pay the applicable rate with effect as from January 1, 2008. TGN rejected this line of argument, and demanded compliance with the contract. TGN is still making the hired transportation capacity available to ESSA, and issuing invoices for the service rendered. Considering the rate in force as of December 31, 2008, the annual invoicing to ESSA for the firm transportation service amounts to US$ 10.0 million.

In March 2008, the Company was notified of the controversy (claim) filed by ESSA against TGN before the ENARGAS, invoking the jurisdictional powers of said entity under section 66 of Law No. 24,076. The purpose of the controversy is to request the ENARGAS to declare the termination of the firm transportation contract through no fault of any of the parties as from December 21, 2007, with the argument that the provision of the public service of gas transportation is impossible to fulfill, due –according to ESSA- to the unforeseeable extinction of their right to have natural gas liable to be exported from Argentina. Subsidiarily, ESSA alleges the frustration of the contract's purpose, and requests that ENARGAS establish a special rate applicable to a reserve of transportation capacity that cannot be used due to lack of gas.

In May 2008, the Company answered the complaint requesting that ENARGAS be dismissed for lack of jurisdiction and requesting, in the alternative, that the complaint be rejected on the grounds that under applicable common law provisions, the regulatory framework, and the contract (i) none of the reasons for termination invoked by ESSA exist, and (ii) that gas supply is a risk run exclusively by the loader.

In October 2008, the ENARGAS sustained the motion filed by TGN and declared that does not have jurisdiction to mediate in the dispute raised by ESSA. In December 2008, the Company filed action for collection of pesos, reserving the right to increase the amount claimed as unpaid invoices accumulate.

YPF S.A. debt for the provision of carriage services

In view of the carrying capacity redirecting established by the ENARGAS, as referred to above, YPF started to irregularly pay the invoices for carriage services actually provided by TGN, alleging a partial availability of capacity. Also, in February 2007 it requested a thorough review of the carriage contract on the (unreasonable in the opinion of TGN) grounds that the measures adopted by the National Government in relation to gas exports had affected the economic and financial equation of the said contract in an unforeseen manner. TGN rejected these allegations and demanded compliance. Since 2008 last quarter, YPF ceased to pay for the service, rejecting the propriety of the claim and the total invoiced amount. This situation coincides with AES Uruguayana (YPF Brazilian customer, and final consumer of the transported gas) payment´s suspension, alleging YPF´s unfulfillment.

Considering that YPF had not remedied its situation despite the reiterated claims sent by the Company, on February 9, 2009 a pre-trial mediation hearing was held at the instigation of TGN, as required by law, prior to the ordinary action for collection of pesos and the second mediation was held on February 23 at which the parties also reached no agreement.

On January 5 and February 2, 2009 YPF paid $ 1.8 million and $ 4.1 million, respectively, remaining unpaid a balance of $ 89.7 million (at the date os issuance of these financial statements) due for the firm carriage services accrued up to December 31, 2008.

Maintenance and integrity of premises

In line with the policy the Company has historically been applying in terms of the integrity of its operational fixed assets, this year a series of maintenance and improvement activities were carried out involving gas pipelines, compressor plants, measurement and regulation stations and complementary facilities.

The supply and reliability indicators reached percentages of 93.8% and 97.2%, respectively, which more than complied with current regulatory requirements.

The following works were done in gas pipelines:

- Conditioning of 4 water crossings in the Northern System

- Coating of 34 km pipelines in the Northern System
- Passage of instruments through pipelines for inspection in sections of the Northern and Central-Western Systems totaling approximately 900 km
- Overhauls of 6 motocompressors and 4 turbo-compressors

With regard to the relationship with the owners of the areas of land intersected and crossed by gas pipelines, progress was made in the regularization of administrative right of way agreements, covering approximately 80% of the affected areas of land by year end.

Actions under the Program for the Prevention of Damage by Third Parties continued, which included an aerophotogrametric flight over the Central-Western System; the eradication of 15 constructions situated in the security strip; the replacement of posters with “no excavation” warnings to protect underground pipelines; and the contact with landowners.

QUALITY, SAFETY AND ENVIRONMENT

The Company has continued applying and improving its Quality, Safety and Environmental policies during the year.

Within that framework, and particularly as regards Safety at the Workplace, several workshops with activities and training sessions have been held for staff with direct responsibility over operative tasks, supervisors and managers. During the workshops, professionals linked to the industry participated and issues related to raising awareness about labor and industrial safety were addressed.

The activities in the safety field were also part of the Enlargements 2006 - 2008 projects. TGN in its role of Project Manager led the Safety Executive Committee of contractors, thus contributing experience and knowledge to the prevention of incidents.

As regards road safety, by year-end a new version of the “TGN Policy” was published, which incorporated concepts relating to pedestrian safety and extended its scope to TGN suppliers. Actions commenced in previous years towards safe driving training continued.
In addition, an activity for children of the staff of the Company’s Headquarters was carried out.

Raising awareness of environmental protection was the objective of a joint campaign of Transportadora de Gas del Sur S.A. and the Argentine Business Council for Sustainable Development, which included posters and mural posters publicity.

As for Industrial Risk Management, specific studies on the risk of Miraflores and La Mora Compressor Plants were performed to identify and evaluate operative risks. Further, a risk study was carried out on the Headquarters building.

TGN specialists continue participating in interdisciplinary forums (CEADS, IAPG, Futuro Sustentable) which allowed the exchange of best practices-related experiences.

During 2008, TGN has been working on the implementation of an Integrated Management System (“SIG”), now finally in place.

In November and December 2008, Det Norske Veritas performed a two-stage audit and recommended that TGN Integrated Operation Management System be ISO 9001(Quality), ISO 14001 (Environment) and OHSAS 18001 (Occupational Health and Safety) certified.

TECHNOLOGY, SYSTEMS AND COMMUNICATIONS MANAGEMENT

Measures taken during the year regarding information technology primarily aimed at maintaining the standard of service throughout time, in line with the demands of the activities of the Company, thus continuing the updating process commenced in 2007.

In the area of communications, the first phase of the project aimed at completely renewing the communication systems was completed, replacing the totality of the radio equipment and radiant systems that comprise the backbone of the network between the San Jerónimo Plant and the Tucumán Plant. Additionally, the bid was awarded for purchases that allowed, in a subsequent phase, the renovation of equipment between Headquarters in Buenos Aires and the San Jerónimo Plant and the relocation of other equipment between the Tucumán Plant and the Campo Durán Plant Intake (Salta).

A second important project in the area of communications consisted in replacing the telephone system of Headquarters and the Ferreyra Plant for an IP phone system. This project included the renewal of all the networking and cabling systems in the Headquarters building. For the second phase, purchase of necessary equipment and software has already been awarded to a bidder. This phase consists in the implementation of the same technology solution for the San Jerónimo, Dean Funes, Tucumán, Miraflores, Beazley Compressor Plants and the General Alvear maintenance base.

As to technology applications, three relevant projects were carried out. The first one consisted in the implementation of an automatic invoicing module, which allowed for reducing the time spent in invoicing and minimizing the risk of making errors.

The second was the implementation of the payments portal, which is supplementary to the supplies portal. As a result, suppliers can check the status of their invoices and payment orders and print withholding related certificates on-line.

The third project is the Geographic Information System ("GIS") which allows for presentations and work in a graphic form with the main gas pipeline data. The GIS is integrated to SAP and it is possible to convert all data related to the route, pipes, flaws, coatings, soils, crosses, cathodic protection, parcels, constructions, etc. into data that can then be analyzed.

In the operative technology area and as an additional activity, TGN implemented a new SCADA system for Gas Pipes of the Pacific in its Control Center at Concepción (Republic of Chile).

HUMAN RESOURCES

The extension of the Northern and Central-Western gas pipelines, where the Company acts as Project Manager, supported the need for new professionals and technicians highly specialized in the energy market.

The activities related to personnel training and development carried out during fiscal year 2008 should also be highlighted.

In this regard, an Assessment Center Program was implemented under the methodology of meetings and group interviews, where 125 employees participated and which clearly contributed to self-management and staff development. This also led to management decisions as regards employee redeployment and rotation. Consequently, training needs and areas of improvement were recognized and addressed through the implementation of programs such as "Leadership Development" (with 44 participants) and "Professional Development" (with 81 participants) aimed at strengthening and developing those skills and capabilities considered important for the Company and its personnel.

Simultaneously, and as part of the above process, programs were launched driving management growth and the training of leaders to encourage them as effective and reliable communicators of knowledge and experience through the Coach Training Program with 24 employees participating.

The Knowledge Transfer Center was created to turn the knowledge and experience of trained personnel into an available asset to address specific training needs. The Center was opened with the purpose of generating a common space for the various sectors of TGN to interact.

78% of total TGN employees received 15,700 hours of training during the year.

As part of the Human Resources annual plan, the Company also financed undergraduate and graduate courses.

CORPORATE SOCIAL RESPONSIBILITY

During the year, the Corporate Social Responsibility (CSR) management developed strategies to articulate the relations between the Company and the different individuals connected with the gas carriage industry.

In conjunction with the "2006 - 2008 Extension" projects, new players stepped in modifying the relation TGN has built with its neighboring communities, especially those of the Northern System, where projects of major impact have been carried out.

Furthermore, as a consequence of the global crisis that has impacted on the society's expectations, new demands started to be noticed over the past few months of the year.

Programs were designed to favor the areas of greater sensitivity, especially the provinces of Salta and Jujuy which were recipients of more complex actions. First, the Risk Governance program was implemented, in which different sectors of the cities of the Department of General San Martín participated, to better cope with emergencies in case of natural disasters. Within the framework of this project, workshops were organized for the Toba and Wichi ethnic communities from Misión La Loma, just across from the city of Embarcación. In addition, the "Value Chain" pilot program was put into effect to train local suppliers.

The remaining programs were aimed at supporting projects to raise citizens' standards in all aspects and train them in safety issues and the protection of the environment. These programs were implemented in the Provinces of La Pampa, Mendoza, San Luis, Córdoba, Tucumán, Salta and Jujuy.

A CSR Newsletter was launched in the second half of the year to improve communication and strengthen coordination between the members of the organization. In this Newsletter is published all the latest information and projects are promoted based on proposals received.

REMUNERATION POLICY

The Board remuneration is fixed for each fiscal year by the Meeting of Shareholders. The salary policy for the upper echelons of the Company establishes a fixed monthly basic remuneration and an additional item payable annually composed of a fixed and a variable portion. While the fixed portion is set according to the level of responsibility of each position and based on market values, the variable portion consists of an additional item associated with the accomplishment of goals.

The Company's policy does not envisage option or other plans for its employees.

DECISION-MAKING POLICY

The Bylaws provide that the Board of Directors of the Company shall be composed of fourteen regular directors and fourteen alternate directors and shall be responsible for TGN management and administration. The directors' term of office shall be one year as from the moment of their appointment by the Meeting of Shareholders. Out of the fourteen directors: (i) nine (9) regular directors and their respective alternate directors are appointed by Class A shares at a Special Meeting of the said class; (ii) four (4) regular directors and their respective alternate directors are appointed by Class B shares at a Special Meeting of the said class; and (iii) one (1) regular director and his respective alternate director are appointed by Class C shares at a Special Meeting of the said class. At least one (1) Class A director and one (1) Class B director shall act as independent directors, in accordance with Decree N° 677/2001 and applicable CNV rules. The director appointed by Class C shares shall not act in that capacity.

TGN's controlling company, Gasinvest S.A., is empowered to appoint most of the regular and alternate Directors. Gasinvest S.A.´s shareholders have executed a Shareholders Agreement for the purpose of regulating certain ISSUES relating to their indirect participation in TGN, such as the number of Directors each shareholder can appoint, and the decisions and actions which must have their unanimous approval.

The Shareholders Agreement establishes that the following actions and decisions must have the unanimous agreement of Compañía General de Combustibles S.A., Techint Compañía Técnica Internacional and Total Gas y Electricidad Argentina S.A. (jointly referred to as the Managing Companies):

i. Amendments to the bylaws or other equivalent documents of TGN,
ii. Any consolidation or merger of TGN with another Company,
iii. The adoption of activity plans, investment plans and annual financial plans or budgets, and any modification thereto,
iv. Increase or diminution of the TGN Board and/or any other committee of the Company,
v. The issuance or redemption of TGN shares,
vi. Dissolution, winding-up or reorganization proceedings of TGN,
vii. The declaration or payment of dividends or any other distribution by TGN, which is not in accordance with the dividend policy established in the activities plan,

viii. Any investment of TGN in another company,

ix. The execution of any contract to which TGN is a party and which involves total payment or the purchase or sale by TGN of assets which, valued at their book value, shall exceed US$ 3.0 million in one or more operations within a six-month period,

x. Any material change in the conduction of TGN, and

xi. Selection of the independent auditor of TGN.

The Shareholders Agreement establishes the creation of an Executive Committee consisting of the President of the Board, the General Manager and the Operations Manager. It is the Executive Committee's duty to analyze in a previous manner all the issues that must be resolved by CGC, Techint and Total as per the Shareholders' Agreement.

Additionally, Gasinvest S.A., its shareholders (the Managing Companies) and the former shareholder CMS –which sold all of its shares in TGN to Blue Ridge Investments LLC, as shown by the communication dated June 5, 2008 signed by both of them and addressed to TGN- entered into an agreement by which all contracts for the supply of goods and/or services are to conform to mechanisms to ensure the necessary participation of a plurality of technically and economically qualified bidders so that those contracts are made under market conditions, in line with the TGN organization and administration policies and regulations. It was also established that the contracts for the purchase of goods and/or services with a company and/or its parent companies and/or subsidiaries which in the aggregate exceed the amount of US$ 4 million shall be approved by the Board of Directors.

The internal supervision of the Company is the responsibility of a Syndics' Committee consisting of three regular syndics and three alternate ones, of which: (i) two (2) regular syndics and their alternate syndics are appointed at a Special Meeting of Class A and Class C shares acting jointly, at least one regular syndic being required to act as an independent syndic, and (ii) one (1) regular syndic and his alternate syndic are appointed at a Special Meeting of Class B shares.

The Syndics' Committee shall hold its sessions with the presence of the absolute majority of its members, and its decisions are adopted by the majority of votes present, without prejudice to the rights of the dissenting syndic. The members of the Syndics' Committee have the duty and the right to attend Board and Shareholders' Meetings, call them, demand the inclusion of items in the agenda, and, in general, supervise all the affairs of the Company and its compliance with the law and the bylaws.

AUDITING COMMITTEE

As per the provisions of the Public Offering Transparence Regime contemplated in Decree No. 677/01, companies who publicly offer their shares must set up an Auditing Committee with several members, among which there must be no less than three members of the Board, and whose majority must be independent, as per the terms of General Resolution (National Securities Committee) No. 400/02.

During the fiscal year 2008, TGN's Auditing Committee performed the duties assigned to it by the law and its internal regulations, following an Annual Plan informed to the Board and the Supervision Committee, and whose results are included in the report issued when presenting and publishing the annual financial statements of the Company.

The Auditing Committee took all measures pertinent for exercising its powers. The Company ensured the attendance of its administrators, managers, supervision body members and external auditors to all the sessions they were summoned to; the Auditing Committee received ample cooperation and all the information required.

INTERNAL CONTROL

The Internal Audit Management, acting as the Board's consulting body, is responsible for the regular evaluation of the internal control systems to optimize the quality of the processes carried out, their documentation and reporting. Internal control is a process carried out by the Management and the rest of personnel, which has been designed to provide reasonable assurance as to the accomplishment of the objectives of the organization, bearing in mind the efficacy and efficiency of the operations, the reliability of the financial information and compliance with applicable laws and regulations.

In this regard, the Internal Audit Management carries out procedures to comply with the "Annual Audit Plan", conducive to monitoring the critical operating, patrimonial, legal, regulatory, and IT systems-related risks. The Audit Committee of TGN is assisted by the Internal Audit Management to become aware of the identified control weaknesses, as well as the corrective measures adopted.

DISCLOSURE OF THE COMPANY'S BALANCES AND TRANSACTIONS WITH ITS PARENT COMPANY, SUBSIDIARIES AND FOREIGN RELATED COMPANIES

Complementarily to the information disclosed in Note 5 to TGN financial statements at December 31, 2008, the balances and transactions of each company are described below.

The shareholders of TGN, of its parent company Gasinvest S.A., of its foreign related companies and Transportadora de Gas del Mercosur S.A. have been included as related parties.

Further, the Board members and Syndics have been included as the Company's key managerial staff members.

Balances at December 31, 2008 (in thousands of pesos):

Trade receivables	
Other related parties	
Transportadora de Gas del Mercosur S.A.	581
Total other related parties	**581**

Other receivables	
Parent company	
Gasinvest S.A.	8
Total parent company	**8**
Foreign related companies	
Comgás Andina S.A.	430
Companhia Operadora de Rio Grande do Sul	183
Total Foreign related companies	**613**
Other related parties	
Tecgas N.V.	2
Transportadora de Gas del Mercosur S.A.	228
Total Other related parties	**230**
Company's key managerial staff	
Advance Directors' and Syndics' fees	1,759
Total Company's key managerial staff	**1,759**

Trade payables	
Current	
Foreign related companies	
Comgás Andina S.A.	21
Subtotal Foreign related companies	**21**

Other related parties	
Total Gas y Electricidad Argentina S.A.	892
Tecgas Argentina S.A. (The Netherlands Antilles)	705
Petronás Argentina S.A.	474
Compañía General de Combustibles S.A.	1,027
Transportadora de Gas del Mercosur S.A.	53
Subtotal Other related parties	**3,151**
Total Current trade payables	**3,172**

Non-current	
Other related parties	
Total Gas y Electricidad Argentina S.A.	406
Tecgas Argentina S.A. (The Netherlands Antilles)	406
Petronás Argentina S.A.	274
Compañía General de Combustibles S.A.	406
Total Non-current Trade payables	**1,492**

Other debts	
Company’s key managerial staff	
Directors’ and Syndics’ fees provision	2,012
Total Company’s key managerial staff	**2,012**

Transactions for fiscal 2008 (in thousands of pesos):

Parent company	
Other income and expenses, net	
Gasinvest S.A.	25

Foreign related companies	
Net sales	
Comgás Andina S.A.	98
Operating costs	
Comgás Andina S.A.	(25)
Other income and expenses, net	
Comgás Andina S.A.	20

Other related parties	
Net sales	
Transportadora de Gas del Mercosur S.A.	2,756
Operating costs	
CMS Gas Transmission Company	(1,384)
Total Gas y Electricidad Argentina S.A.	(4,364)
Tecgas Argentina S.A. (The Netherlands Antilles)	(2,207)
Compañía General de Combustibles S.A.	(2,207)
Transportadora de Gas del Mercosur S.A.	10
Petronás Argentina S.A.	(1,482)
Total Operating costs	**(11,634)**

Expenses paid on behalf of third parties	
Transportadora de Gas del Mercosur S.A.	134

Company’s key managerial staff	
Directors’ and Syndics’ fees	(1,792)
Fees for professional services	
Compañía General de Combustibles S.A..	(791)

PROPOSED ALLOCATION OF PROFITS

In fiscal 2008 a net loss of $ 33,534 thousand was reported which the Board of Directors has proposed offsetting against the discretionary reserve for future dividends, the final balance of which would amount to $ 275,585 thousand.

Autonomous City of Buenos Aires, March 9, 2009

Eduardo Ojea Quintana
President

TRANSPORTADORA DE GAS DEL NORTE S.A.

In accordance with the terms of General Resolution 368/01 and its modifications issued by the National Securities Commission (CNV), we detail below an analysis of the results of the operations of Transportadora de Gas del Norte S.A.[(1)] ("TGN" or "the Company") and its financial situation, which should be read together with the attached financial statements.

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION

**** Net Result for the year ended December 31, 2008***

(in millions of pesos)

	Year ended 12.31.					
	2008	**2007**	**Variation $**	**2006**	**2005**	**2004**
Net Revenues						
Gas transportation service	523.0	521.8	1.2	474.2	433.7	410.2
Allowances for disputed amounts	(51.0)	(31.6)	(19.4)	4.0	(2.7)	(3.1)
Discount as per Decrees No 292/1520/814	(1.7)	(1.6)	(0.1)	(1.7)	(1.6)	(1.6)
Subtotal Gas transportation service	**470.3**	**488.6**	**(18.3)**	**476.5**	**429.4**	**405.5**
Gas Pipeline O&M services	26.2	18.7	7.5	19.0	17.1	16.5
Management fees – Gas Trust Program	8.0	11.3	(3.3)	11.3	3.9	-
Subtotal Gas pipeline operation and maintenance service and other services	**34.2**	**30.0**	**4.2**	**30.3**	**21.0**	**16.5**
Net Revenues	**504.5**	**518.6**	**(14.1)**	**506.8**	**450.4**	**422.0**
Cost of services						
Operating and maintenance costs	(168.8)	(149.2)	(19.6)	(132.1)	(141.4)	(119.7)
Fixed assets depreciation	(122.0)	(116.7)	(5.3)	(112.0)	(112.2)	(110.0)
Intangible assets amortization	-	-	-	-	-	(1.2)
Subtotal	**(290.8)**	**(265.9)**	**(24.9)**	**(244.1)**	**(253.6)**	**(230.9)**
Gross Profit	**213.7**	**252.7**	**(39.0)**	**262.7**	**196.8**	**191.1**
Administrative and selling expenses	(52.9)	(49.0)	(3.9)	(76.2)	(58.9)	(56.0)
Operating Income	**160.8**	**203.7**	**(42.9)**	**186.5**	**137.9**	**135.1**
Gain from equity investments, net	1.1	0.9	0.2	1.3	0.9	1.3
Financial and holding results	(189.7)	(134.2)	(55.5)	(195.4)	(210.6)	(205.0)
Gain on debt restructuring	-	-	-	243.9	3.8	9.9
Other (expense) income, net	1.7	3.0	(1.3)	(4.7)	(2.9)	3.5
Net (loss) income before income tax	**(26.1)**	**73.4**	**(99.5)**	**231.6**	**(70.9)**	**(55.2)**
Income Tax	(7.4)	(13.7)	6.3	(16.3)	25.3	24.9
Net (loss) income for the year	**(33.5)**	**59.7**	**(93.2)**	**215.3**	**(45.6)**	**(30.3)**
EBITDA(2)	**304.1**	**337.3**	**(33.2)**	**307.5**	**256.6**	**258.3**

(1) Company not encompassed by the Optional Statutory System of Public Offering for Mandatory Purchase.

(2) Income before financial and holding results, gain on debt restructuring, depreciation, amortization, income tax and charges for consumable goods not entailing outlays of funds.

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)

(in millions of pesos)

	12.31.08	12.31.07	12.31.06	12.31.05	12.31.04
Total Assets	2,639	2,614	2,648	3,113	2,983
Total Liabilities	1,361	1,302	1,370	2,262	2,085
Shareholders' Equity	1,278	1,312	1,278	851	898

The net result for the years ended December 31, 2008 and 2007 was a $ 33.5 million loss and a $ 59.7 million gain, respectively.

The following paragraphs describe the reasons for the main variations in TGN results and some economic-financial indexes will be disclosed in connection to the Company’s equity.

** Net Revenues*

Below is a summary of the TGN’s net revenues by type of service for the last five financial years:

(in millions of pesos)

	Year ended 12.31.									
Type of service	**2008**	**%**	**2007**	**%**	**2006**	**%**	**2005**	**%**	**2004**	**%**
Gas transportation	470.3	93.2	488.6	94.2	476.5	94.0	429.4	95.3	405.5	96.1
Gas Pipeline O&M services	34.2	6.8	30.0	5.8	30.3	6.0	21.0	4.7	16.5	3.9
Total net Revenues	**504.5**	**100.0**	**518.6**	**100.0**	**506.8**	**100.0**	**450.4**	**100.0**	**422.0**	**100.0**

- Gas Transportation services

The revenues corresponding to the gas transportation services amounted to $ 470.3 million during the year ended December 31, 2008, compared to $ 488.6 million during 2007. The net decrease of $ 18.3 million resulting from the combined effect of the following main variations:

i. a net $ 19.4 million decrease due to the setting up during 2008 of higher allowances for disputed receivables, mainly caused by the situations related to export clients described in Notes 12.f), 12.h) and 12.i) to the Company’s financial statements;

ii. a $ 31.2 million decrease corresponding to 2007 fines to certain clients (according to the Service regulations in force), not recorded in 2008;

iii. higher invoicing of interruptible services and interchange and displacement services for $ 6.7 million;

iv. an increase of $ 20.7 million in the export revenues due to the increase of the PPI (Producer Price Index) index applicable to the year, and

v. an increase of $ 5.2 million as a result of the increase in the exchange rates which had an impact on the services billed in dollars.

- Gas pipeline operation and maintenance and works management services

Sales in this segment amounted to $ 34.2 million during the year compared with the $ 30.0 million amount in the previous year. Of the net increase of $ 4.2 million:

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)

**** Net Revenues (Cont.)***

- Gas pipeline operation and maintenance and works management services (Cont.)

i. a $ 3.3 million decrease correspond to the lower income accrued in 2008 related to works management fees under gas Trust Programs (Note 14.b)), Since there have been significant delays in payments by Nación Fideicomisos, the respective billings has suspended since last April and the income have been recognized based on the costs incurred for those works.

ii. a $ 5.2 million increase correspond to the income related to new commercial agreements, and

iii. a $ 2.3 million increase correspond to variations in the price of agreements in force.

**** Cost of services***

(in millions of pesos)

	Year ended 12.31.									
	2008	**%**	**2007**	**%**	**2006**	**%**	**2005**	**%**	**2004**	**%**
Fees for professional services	4.5	1.5	2.4	0.9	2.4	1.0	2.3	0.9	0.7	0.3
Salaries, wages and other personnel benefits and social security contributions	56.5	19.4	45.7	17.2	38.9	15.9	35.4	14.0	23.0	10.0
Fees for technical operator services	9.5	3.3	15.0	5.6	6.2	2.5	6.0	2.4	5.9	2.6
Foreign staff residence	2.2	0.8	2.2	0.8	1.6	0.7	1.7	0.7	2.5	1.1
Consumption of spare parts and materials	14.5	5.0	13.6	5.1	12.8	5.2	14.3	5.6	14.0	6.1
Gas imbalance	0.9	0.3	0.2	0.1	2.4	1.0	4.1	1.6	2.3	1.0
Maintenance and repair of fixed assets and third party services and supplies	41.2	14.2	40.6	15.3	43.8	17.9	52.3	20.6	50.3	21.8
Communications, freight and transportation, travel expenses	8.1	2.8	6.0	2.3	6.0	2.5	7.4	2.9	6.4	2.8
Insurance	5.4	1.9	5.2	2.0	5.3	2.2	5.2	2.1	6.5	2.8
Rentals and office supplies	1.9	0.7	1.9	0.7	1.8	0.7	1.8	0.7	1.5	0.6
Easements	7.2	2.5	6.2	2.3	4.4	1.8	6.3	2.5	5.2	2.3
Taxes, rates and contributions	0.5	0.1	0.4	0.2	0.4	0.2	0.5	0.2	0.4	0.2
Fixed assets depreciation	122.0	42.0	116.7	43.9	112.0	45.9	112.2	44.2	110.0	47.6
Intangible assets amortization	-	-	-	-	-	-	-	-	1.2	0.5
Materials and spare parts slow-moving and obsolescence	14.6	5.0	8.9	3.3	5.2	2.1	3.1	1.2	-	-
Others	1.8	0.5	0.9	0.3	0.9	0.4	1.0	0.4	1.0	0.3
Total	**290.8**	**100.0**	**265.9**	**100.0**	**244.1**	**100.0**	**253.6**	**100.0**	**230.9**	**100.0**
% of Costs of services on net revenues	**57.6%**		**51.3%**		**48.2%**		**56.3%**		**54.7%**	

Some significant variations between 2008 and 2007 million are presented below:

i. $ 10.8 million in salaries, wages and other personnel benefits and social security contributions as a result of pay increases granted by the Company;

ii. An increase of $ 5.7 million in obsolete and slow-moving spare parts and consumption materials due to the variation in the year in the allowance for those items with a percentage of use lower than that compatible with regular maintenance management;

iii. An increase of $ 5.3 million in fixed asset depreciation directly related to the placing into service of projects under way at the end of the previous year; and

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)

** Cost of services (Cont.)*

iv. A decrease of $ 5.5 million in the accrued technical operator's fees for advisory services and fees for technical audit services, by application of the provisions of the Contract for Technical Assistance and Assistance to the Audit Area (Note 1.c.iv)), with the limitations mentioned in Note 10.vi).

** Administrative and Selling expenses*

(in millions of pesos)

	Year ended 12.31.									
	2008	**%**	**2007**	**%**	**2006**	**%**	**2005**	**%**	**2004**	**%**
Salaries, wages and other personnel benefits and social security contributions	24.1	45.6	20.8	42.4	19.2	25.2	15.0	25.5	12.2	21.8
Fixed assets depreciation	1.7	3.2	1.7	3.5	1.6	2.1	1.6	2.7	1.6	2.9
Fees for professional services	5.7	10.8	4.0	8.2	3.2	4.2	2.2	3.7	2.6	4.6
Taxes, rates and contributions	24.6	46.6	25.1	51.2	19.4	25.5	18.2	30.9	14.9	26.6
Communications, freight and transportation, travel expenses	1.3	2.5	1.2	2.4	1.1	1.4	1.2	2.0	1.0	1.8
Maintenance and repair of fixed assets and third party services and supplies	2.1	4.0	1.9	3.9	1.9	2.5	1.9	3.2	1.9	3.4
Rentals and office supplies	1.0	1.9	0.8	1.6	0.6	0.8	0.7	1.2	0.7	1.3
Intangible assets amortization	-	-	-	-	-	-	-	-	0.2	0.4
Doubtful accounts	(1.7)	(3.2)	1.9	3.9	4.2	5.5	2.0	3.4	3.2	5.7
Contingencies	(8.8)	(16.7)	(12.6)	(25.7)	22.6	29.7	13.8	23.4	16.0	28.5
Fees for Directory and the Committee of Syndics	1.8	3.4	2.1	4.3	1.1	1.4	-	-	-	-
Fees for technical operator services	-	-	-	-	-	-	1.0	1.7	0.7	1.2
Others	1.1	1.9	2.1	4.3	1.3	1.7	1.3	2.3	1.0	1.8
Total	**52.9**	**100.0**	**49.0**	**100.0**	**76.2**	**100.0**	**58.9**	**100.0**	**56.0**	**100.0**
% of Administrative and Selling expenses on net revenues	**10.5**		**9.4**		**15.0**		**13.1**		**13.3**	

The main causes of the net increase of $ 3.9 million, between 2008 and 2007, are listed below:

i. an increase of $ 3.3 million in salaries, wages and other personnel benefits and social security contributions as a result of pay increases granted by the Company,

ii. $ 1.7 million in higher fees for professional services, due to costs relating to advisory services in different areas of the Company's activity.

iii. A net increase of $ 3.8 million in recoveries disclosed under the Litigation account, the most significant amounts of which are the reversal in 2008 of a provision for $12.1 million for contingencies related to the redirecting of carrying capacity, as explained in Note 12.f), and another reversal in 2007, related to the charges for the official assessments of income and value added taxes on interest accrued on the Global Negotiable Obligation Issue Programs, as explained in Note 12.d) for $ 20 million; and

iv. a decrease of $ 3.6 million in bad debts, attributable mainly to agreements reached with customers in the fiscal year and to the settlement of pending claims at the end of the previous year;

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)

* Financial and Holding Results

(in millions of pesos)

	Year ended 12.31.				
	2008	**2007**	**2006**	**2005**	**2004**
Interests and indexing generated by liabilities	(75.7)	(100.0)	(205.8)	(187.7)	(179.5)
Bank commissions, expenses and taxes on banking and financial operations	(8.1)	(7.5)	(6.2)	(8.2)	(6.1)
Income (loss) on discounting of non current and current liabilities	0.2	(0.1)	0.2	-	-
Result of repurchases of debt	1.1	1.6	-	-	-
Fees for guarantee of loan agreements	-	-	(1.7)	(3.0)	(3.4)
Subtotal financial result generated by liabilities before exchange rate differences	**(82.5)**	**(106.0)**	**(213.5)**	**(198.9)**	**(189.0)**
Interests, indexing and expenses generated by assets	1.3	5.8	20.7	12.6	3.6
Holding results generated by assets	8.8	9.3	14.8	5.3	5.4
(Loss) income on discounting of non-current and current assets	(22.3)	(10.7)	(0.5)	0.3	1.6
Subtotal financial result generated by assets before exchange rate differences	**(12.2)**	**4.4**	**35.0**	**18.2**	**10.6**
Exchange rate differences:					
Generated by liabilities	(105.3)	(34.0)	(30.3)	(36.3)	(31.0)
Generated by assets	10.3	1.4	13.4	6.4	4.4
Subtotal exchange rate differences	**(95.0)**	**(32.6)**	**(16.9)**	**(29.9)**	**(26.6)**
Total	**(189.7)**	**(134.2)**	**(195.4)**	**(210.6)**	**(205.0)**

Financial and holding losses for the year 2008 amounted to $ 189.7 million loss, that is, higher losses of $ 55.5 million compared with the loss of $ 134.2 million recorded in the previous year. The most important reasons for the variations in financial and holding results are presented below:

i. $ 62.4 million increase related to Exchange rate differences generated by assets and liabilities. The US dollar exchange rates in force at the end of fiscal year 2008 were US$ 1 = $ 3.413 and $ 3.453 (buying and selling exchange rates, respectively), while at the end of 2007 exchange rates were US$ 1 = $ 3.109 and $ 3.149 (buying and selling exchange rates, respectively). Note 17.(e) shows a breakdown of the US dollar-denominated assets and liabilities existing at year end and the comparative information.

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)

- **Summary of the Statement of Cash Flows**

(in millions of pesos)

	Year ended 12.31.				
	2008	**2007**	**2006**	**2005**	**2004**
Net (loss) income for the year	**(33.5)**	**59.7**	**215.3**	**(45.6)**	**(30.3)**
Adjustments to arrive to cash net flow arising from operating activities	349.8	274.4	71.3	286.8	270.0
Subtotal	316.3	334.1	286.6	241.2	239.7
Net changes in assets and liabilities	(73.0)	(31.9)	(83.3)	22.6	8.9
Net cash flows provided by operating activities	**243.3**	**302.2**	**203.3**	**263.8**	**248.6**
Purchase of fixed assets	(45.5)	(59.7)	(60.0)	(90.6)	(68.5)
Collection of cash dividends	1.4	5.3	-	0.5	-
Decrease of other investments	-	-	-	-	187.3
Net cash flows (used in) provided by investing activities	**(44.1)**	**(54.4)**	**(60.0)**	**(90.1)**	**118.8**
Payment of debt	(54.6)	(118.3)	(418.3)	(39.4)	(12.5)
Interest paid	(61.6)	(85.4)	(191.2)	(47.4)	(59.8)
Attachments on debt	-	-	-	(4.3)	-
Increase (decrease) in customer advances	0.5	(0.1)	(1.2)	(3.1)	4.4
Payment of cash dividends *(3)*	-	(25.7)	-	-	-
Net cash used in financing activities	**(115.7)**	**(229.5)**	**(610.7)**	**(94.2)**	**(67.9)**
Financial and holding result generated by cash and cash equivalents	**5.3**	**6.7**	**33.6**	**18.4**	**7.1**
Net increase (decrease) in cash	**88.8**	**25.0**	**(433.8)**	**97.9**	**306.6**
Cash and cash equivalents as of beginning of the year	**64.1**	**39.1**	**472.9**	**375.0**	**68.4**
Cash and cash equivalents as of end of the year	**152.9**	**64.1**	**39.1**	**472.9**	**375.0**

(in millions of pesos)

	Year ended 12.31.				
	2008	**2007**	**2006**	**2005**	**2004**
Cash and cash equivalents					
Cash and banks	135.5	62.9	24.6	4.7	12.6
Mutual funds in foreign currency	-	-	2.9	309.9	174.4
US Treasury bills in USD	17.4	-	-	-	-
Time deposits in foreign financial institutions	-	-	-	131.3	166.3
Mutual funds in $	-	1.2	11.6	27.0	18.7
Stock exchange securities in $ and others	-	-	-	-	3.0
Cash and cash equivalents as of end of the year	**152.9**	**64.1**	**39.1**	**472.9**	**375.0**

(3) On December 14, 2007 the Board of Directors of TGN, in the exercise of the powers vested in it by the Ordinary Meeting of Shareholders held on April 10, 2007, approved a cash dividend distribution for $ 25.7 million.

II) MAYOR EVENTS FOR FISCAL 2008 AND BUSINESS PROSPECTS

* Financial aspects

The postponement of payments of the financial debt and the intervention established by the ENARGAS

Due to the steady deterioration of the Company’s economic and financial equation, which is due to the continuous freezing of domestic rates, together with a fall in revenues from transportation of exports caused by the limitations in the dispatchment of gas balances, a widespread increase in its costs and the significant growth of the exchange rate at the end of the present year, on December 22, 2008, The Board of Directors of TGN has decided: (i) to prioritize the safe and reliable provision by TGN of the public utility natural gas carriage service; (ii) to adhere to the going concern principle; and (iii) to ensure the equal treatment of all its financial

II) MAYOR EVENTS FOR FISCAL 2008 AND BUSINESS PROSPECTS (Cont.)

* Financial aspects (Cont.)

The postponement of payments of the financial debt and the intervention established by the ENARGAS (Cont.)

creditors. In view of this, it has been necessary for TGN to postpone the principal and interest payments that fell due in December 2008 for U$S 22.2 million.

Although this decision was made to explicitly maintain the safe and reliable provision by TGN of the public utility natural gas carriage service, as called for by the Gas Law N° 24,076 and Section 10 of the Public Emergency Law, on December 29, 2008, through Resolution I/587 the ENARGAS established an intervention in TGN for 120 days and designated an intervener with powers of “corporate co-administration” and “surveillance and control of all the usual acts of administration and disposition that may affect the normal provision of the public utility gas carriage service” by TGN under the License. The said resolution also established that a comprehensive audit should be conducted at TGN. This audit is in charge of the intervener and is currently under way.

Further information is provided on these issues in Notes 1.c.vi) and 10 to the Company’s financial statements as of December 31, 2008.

* Commercial issues

The main commercial issues for fiscal 2008, which impact on the future prospects of the TGN business and on which further information has been provided in the Notes to the December 31, 2008 financial statements of the Company are the following:

The Argentine economic context (Note 1.b)); the pending renegotiation of rates charged for TGN’s regulated business (Note 1.c.iii)); the decline in revenues from carried gas for export (Note 1.c.v)); the commercial situation with the customer AES Paraná (Note 12.c)); the redirecting of the gas carrying capacity (Note 12.f)); the commercial situation with the customer Eléctrica Santiago S.A. (Note 12.h)); and the commercial situation with the customer YPF S.A. (Note 12.i)).

III) COMPARATIVE BALANCE SHEET STRUCTURE AT DECEMBER 31, 2008, 2007, 2006, 2005 and 2004

(in millions of pesos)

	As of 12.31.				
	2008	**2007**	**2006**	**2005**	**2004**
Current Assets	245	179	169	577	451
Non-current Assets	2,394	2,435	2,479	2,536	2,532
Total	**2,639**	**2,614**	**2,648**	**3,113**	**2,983**
Current Liabilities	1,309	208	195	1,533	1,269
Non-current liabilities	52	1,094	1,175	729	816
Subtotal	**1,361**	**1,302**	**1,370**	**2,262**	**2,085**
Shareholders’ Equity	1,278	1,312	1,278	851	898
Total	**2,639**	**2,614**	**2,648**	**3,113**	**2,983**

TRANSPORTADORA DE GAS DEL NORTE S.A.

IV) COMPARATIVE STRUCTURE OF RESULTS FOR THE YEARS ENDED DECEMBER 31, 2008, 2007, 2006, 2005 and 2004

(in millions of pesos)

	Year ended 12.31.				
	2008	**2007**	**2006**	**2005**	**2004**
Ordinary operating income	160.8	203.7	186.5	137.9	135.1
Financial and holding results, net	(189.7)	(134.2)	(195.4)	(210.6)	(205.0)
Gain from equity investments, net	1.1	0.9	1.3	0.9	1.3
Gain on debt restructuring	-	-	243.9	3.8	9.9
Other (expenses) income, net	1.7	3.0	(4.7)	(2.9)	3.5
Income before income tax	(26.1)	73.4	231.6	(70.9)	(55.2)
Income Tax charge	(7.4)	(13.7)	(16.3)	25.3	24.9
Net (loss) income for the year	**(33.5)**	**59.7**	**215.3**	**(45.6)**	**(30.3)**

V) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2008, 2007, 2006, 2005 and 2004

Volume delivered in millions of cubic meters:

According to the type of carrying agreement

	Year ended 12.31.				
	2008	**2007**	**2006**	**2005**	**2004**
Firm transportation	14,267	14,955	16,434	15,846	16,382
Interruptible transportation and exchange and shifting	3,833	3,404	2,575	2,241	1,791
Total	**18,100**	**18,359**	**19,009**	**18,087**	**18,173**

According to the type of source

	Year ended 12.31.				
	2008	**2007**	**2006**	**2005**	**2004**
Norte Gas pipeline	7,039	7,460	7,333	7,823	7,300
Centro-Oeste Gas pipeline	11,061	10,899	11,676	10,264	10,873
Total	**18,100**	**18,359**	**19,009**	**18,087**	**18,173**

VI) COMPARATIVE INDICATORS AT DECEMBER 31, 2008, 2007, 2006, 2005 and 2004

	Year ended 12.31.				
	2008	**2007**	**2006**	**2005**	**2004**
Current liquidity (1)	0.19	0.86	0.86	0.38	0.36
Solvency (2)	0.94	1.01	0.93	0.38	0.43
Freezing Capital (3)	0.91	0.93	0.94	0.81	0.85
Result on investment (4)	(0.03)	0.05	0.20	(0.05)	(0.03)

(1) Current assets over current liabilities
(2) Shareholders' Equity over total liabilities
(3) Non-current assets over total assets
(4) Net income (loss) over average Shareholders´ Equity

Autonomous City of Buenos Aires, March 9, 2009

The Board of Directors
Eduardo Ojea Quintana

TRANSPORTADORA DE GAS DEL NORTE S.A.

Balance Sheets as of December 31, 2008 and 2007
(in thousands of Argentine Pesos, except per share amounts)

	December 31, 2008	December 31, 2007
ASSETS		
Current Assets		
Cash and banks	$ 135,575	$ 62,929
Short-term investments (Note 17.(c))	18,405	4,099
Accounts receivables, net (Note 4.a))	55,695	76,055
Other receivables, net (Note 4.b))	23,237	24,430
Materials and spare parts, net (Note 4.c))	12,176	11,359
Total Current Assets	245,088	178,872
Non-current Assets		
Accounts receivables, net (Note 4.a))	36,202	-
Other receivables, net (Note 4.b))	184,228	180,958
Materials and spare parts, net (Note 4.c))	33,289	34,866
Fixed Assets, net (Note 17.(a))	2,115,686	2,196,075
Investments (Note 17.(b))	1,467	1,778
Other assets	23,291	21,006
Total Non–Current Assets	2,394,163	2,434,683
Total Assets	**2,639,251**	**2,613,555**
LIABILITIES AND SHAREHOLDERS´ EQUITY		
Current Liabilities		
Accounts payable (Note 4.d))	26,388	27,676
Debt (Note 10.a))	1,212,965	104,931
Salaries and social security payable	20,054	11,368
Taxes payable (Note 4.e))	10,839	10,945
Customer advances	503	-
Others (Note 4.f))	6,077	3,818
Subtotal	1,276,826	158,738
Contingencies (Note 12 and 17.(d))	32,008	49,378
Total Current Liabilities	1,308,834	208,116
Non–Current Liabilities		
Accounts payable (Note 4.d))	1,492	153
Debt (Note 10.b))	-	1,049,404
Others (Note 4.f))	16,858	15,527
Subtotal	18,350	1,065,084
Contingencies (Note 12 and 17.(d))	33,839	28,593
Total Non–Current Liabilities	52,189	1,093,677
Total Liabilities	**1,361,023**	**1,301,793**
Shareholders´ Equity	**1,278,228**	**1,311,762**
Total Liabilities and Shareholders´ Equity	**$ 2,639,251**	**$ 2,613,555**

The accompanying notes are an integral part of these financial statements

TRANSPORTADORA DE GAS DEL NORTE S.A.

Statements of Operations for the years ended December 31, 2008 and 2007

(in thousands of Argentine Pesos, except per share amounts)

		December 31, 2008		December 31, 2007
Net revenues (Note 4.g))	$	504,485	$	518,544
Cost of services (Note 17.(f))		(290,789)		(265,941)
Gross Profit		**213,696**		**252,603**
Selling expenses (Note 17.(f))		(5,532)		(20,855)
Administrative expenses (Note 17.(f))		(47,341)		(28,111)
Operating income		**160,823**		**203,637**
Gain from equity investments, net		1,079		884
Financial and holding results, net				
Generated by assets:				
Interest and indexing		1,852		6,244
Exchange rate differences		10,309		1,415
Others (Note 4.h))		(14,091)		(1,814)
Subtotal		(1,930)		5,845
Generated by liabilities:				
Interest and indexing		(75,649)		(99,977)
Exchange rate differences		(105,342)		(33,996)
Others (Note 4.h))		(6,779)		(6,033)
Subtotal		(187,770)		(140,006)
Other incomes, net (Note 4.i))		1,700		3,014
Net (loss) income before income tax		**(26,098)**		**73,374**
Income tax charge (Note 7)		(7,436)		(13,723)
Net (loss) income for the year	**$**	**(33,534)**	**$**	**59,651**
(Loss) income per share in pesos (Note 6)		(0.0763)		0.1358

The accompanying notes are an integral part of these financial statements

TRANSPORTADORA DE GAS DEL NORTE S.A.

Statements of Changes in Shareholders' Equity
for the years ended December 31, 2008 and 2007
(in thousands of Argentine Pesos, except per share amounts)

	Shareholders' contributions			Legal reserve	Voluntary reserve for future dividends	Retained earnings	Total shareholders' equity
	Common stock	Inflation adjustment of common stock	Total				
Balances as of December 31, 2006	**439,374**	**506,053**	**945,427**	**46,205**	**125,588**	**160,574**	**1,277,794**
Resolution adopted by the Ordinary Meeting of Shareholders held on April 10, 2007:							
Setting up of the legal reserve	-	-	-	8,029	-	(8,029)	-
Allocation to the voluntary reserve for future dividend distributions	-	-	-	-	152,545	(152,545)	-
Board Meeting Resolution dated December 14, 2007:							
Distribution of cash dividends (Note 11.d))	-	-	-	-	(25,683)	-	(25,683)
Net income for the year	-	-	-	-	-	59,651	59,651
Balances as of December 31, 2007	**439,374**	**506,053**	**945,427**	**54,234**	**252,450**	**59,651**	**1,311,762**
Resolution adopted by the Ordinary Meeting of Shareholders held on April 22, 2008:							
Setting up of the legal reserve	-	-	-	2,982	-	(2,982)	-
Allocation to the voluntary reserve for future dividend distributions	-	-	-	-	56,669	(56,669)	-
Net loss for the year	-	-	-	-	-	(33,534)	(33,534)
Balances as of December 31, 2008	**439,374**	**506,053**	**945,427**	**57,216**	**309,119**	**(33,534)**	**1,278,228**

The accompanying notes are an integral part of these financial statements

TRANSPORTADORA DE GAS DEL NORTE S.A.

Statements of Cash Flows for the years
Ended December 31, 2008 and 2007
(in thousands of Argentine Pesos, except per share amounts)

	December 31, 2008	December 31, 2007
Cash and cash equivalents as of beginning of the year.	$ 64,131	$ 39,191
Cash and cash equivalents as of end of the year (Note 4.j))	152,961	64,131
Net increase in cash	**88,830**	**24,940**
Cash flows from operating activities		
Net (loss) income of the year	(33,534)	59,651
Adjustments to arrive to cash net flow arising from operating activities:		
Income tax	7,436	13,723
Depreciation of fixed assets	123,707	118,378
Net book value of fixed assets written off	2,232	2,367
Increase in allowances and provisions, net	59,559	30,339
Financial and holding results generated by liabilities	75,649	99,977
Other financial and holding results	82,275	10,543
Gain on equity investments	(1,079)	(884)
Net changes in assets and liabilities:		
Increase in accounts receivable	(68,380)	(35,061)
Increase in other receivables	(674)	(18,932)
Increase in materials and spare parts and other assets	(2,714)	(1,345)
Increase in accounts payable	51	6,198
Increase in salaries and social security payable	8,686	3,932
(Decrease) increase in taxes payable	(7,149)	10,059
Increase in other payables	3,590	3,814
Decrease in contingencies	(6,339)	(525)
Net cash flows provided by operating activities	**243,316**	**302,234**
Cash flows from investing activities		
Collection of cash dividends	1,390	5,287
Purchase of fixed assets	(45,550)	(59,672)
Net cash used in investing activities	**(44,160)**	**(54,385)**
Cash flows from financing activities		
Payment and repurchase of debt	(54,598)	(118,292)
Debt interests paid	(61,582)	(85,429)
Payment of cash dividends	-	(25,683)
Increase (decrease) in customer advances	503	(149)
Net cash used in financing activities	**(115,677)**	**(229,553)**
Financial and holding results generated by cash and cash equivalents		
Interests, exchange rate differences and other results generated by cash and cash equivalents	5,351	6,644
Total financial and holding results generated by cash	**5,351**	**6,644**
Net increase in cash and cash equivalents	**$ 88,830**	**$ 24,940**

The accompanying notes are an integral part of these financial statements

1. Situation of the Company and regulatory framework

(a) Formation of the Company

Transportadora de Gas del Norte S.A. (“the Company” or “TGN”) was organized on November 24, 1992 as a result of the enactment of Laws Nos. 23,696 and 24,076 (“Law on Gas”) and the issuance of National Executive Branch (“PEN”) Decree No. 1,189/92, whereby the privatization of the natural gas transportation and distribution services and the setting up of the companies that would receive the licenses to operate those services were established.

The Company was granted a license (the “License”) pursuant to which TGN is authorized to provide the public service of gas transportation through the exclusive utilization of two former Gas del Estado S.E. (“GdE”) pipelines in the northern and central-western regions of Argentina.

(b) Argentine economic context, energy crisis and its impact on the economic and financial position of the Company

In view of the major changes in the main macroeconomic variables Argentina has recorded since the end of 2001, as from January 2002 the National Government issued laws, executive orders and regulations that involved a profound change to the then prevailing economic model, which had the following material effects on the Company:

(i) The Public Emergency Law (LEP) established the pesification of the rates of transportation of natural gas destined for the domestic market and the repeal of the semi-annual adjustment mechanism based on the Producer Price Index (“PPI”). Furthermore, this law authorized the National Executive Branch to renegotiate the public works and services contracts and rates. At the date of issuance of these financial statements, no substantial progress has been made regarding rates renegotiation.

Note 1.c) details several issues relating to the rates, the License and the implications of the amendments introduced by that law within the Company’s regulatory framework.

(ii) As from 2004 the Argentine Government adopted a series of measures to redistribute in the short term the effects of the energy sector crisis derived from a natural gas and electricity shortage. The Energy Secretariat, the Fuel Undersecretariat and the ENARGAS have issued a number of rules establishing precautionary measures to prevent a shortfall in domestic natural gas supply and its effects on the wholesale electricity supply, including measures severely restricting exports of natural gas to first ensure the supply of domestic consumption. The creation of a trust fund was established to finance investments in the expansion of the capacity of the natural gas transport and distribution systems. Note 12.f) and h) describes certain aspects regarding the redirecting of the transport capacity and the contractual controversy related to the customer Eléctrica Santiago S.A.

Several contractual disputes with significant impacts regarding export customers (Section c.v) and c.vi) presented below and Note 12.f), h) and i)) have been generated by the described situation.

TGN considers that these governmet measures could produce negative results regarding its transportation agreements.

(iii) In April 2004, the National Executive Branch established the creation of the Gas Electronic Market (“MEG”) with a view to improving assignment efficiency in the gas industry. Consequently, the spot sales of natural gas and the remaining transport capacity are to be made through this market. Effective May 2005 the MEG started to administer the resale of capacity and services provided by gas distributors.

Until December 31, 2008 no effects have been produced on the revenues from sales recognized by TGN. The Company considers that the start-up of the MEG

1. Situation of the Company and regulatory framework (Continued)

(b) Argentine economic context, energy crisis and its impact on the economic and financial position of the Company (Continued)

will have an uncertain effect on income relating to the transported gas sold on that market.

(iv) The change in the economic enviroment and the legal and regulatory conditions in which the Company is currently operating and the current status of the renegotiation of the License, give rise to uncertainty as to the future net cash that will enable it to recover non-current assets, re-payment of the financial debts, the future development of its business and the normal continuity of the Company´s operations.

(v) As indicated in Note 1.c.vi) and in Note 10, on December 22, 2008 the Board of Directors of the Company decided to postpone the payment of the principal and interest installments on the Negotiable Obligations that fell due in December 2008. Furthermore, on December 29, 2008, through Resolution I/587 the ENARGAS established an intervention in TGN for 120 days, as well as a comprehensive audit that would be in charge of the intervener, and is currently under way.

The impact generated by all the measures adopted so far by the National Government on the balance sheet and financial position of the Company as of December 31, 2008 was calculated on the basis of evaluations and estimates made by the Company’s Board of Directors at the date its financial statements were prepared.

The future development of the economic crisis might require that the Government modify some measures adopted or issue additional regulations. However, it is important to remark that actual future results could differ from the evaluations and estimates made at the date preparing these financial statements and these differences could be significant.

(c) Regulatory framework

c.i) General

The Law on Gas and its regulations, together with the License, the Transfer Agreement, the Bidding Terms and Conditions for the privatization of GdE and the resolutions adopted by the National Gas Regulatory Entity (“ENARGAS”) establish the legal framework within which the Company carries out its business activities.

The License was granted for an original term of thirty five years. However, the Natural Gas Act and the License provide that TGN may apply to ENARGAS for a renewal of the License for an additional ten-year term. ENARGAS is required at that time to evaluate the Company’s performance and make a recommendation to the Executive Branch of the Argentine Government.

c.ii) Regulation of transportation rates

The regulatory regime applicable to gas transportation companies is established under the Natural Gas Act and the License. Rates are regulated by ENARGAS. The Law on Gas establishes that rates must cover reasonable operating costs, taxes and amortization charges, enable obtaining reasonable profit margins similar to those derived from other comparable or equivalent risky activities and must be related to the degree of efficiency in the providing of the services.

In accordance with the original conditions of the License, rates were subject to the following until expiration thereof:

(i) Adjustments for the five-yearly review of rates by the ENARGAS, which affect as far as possible the "X" efficiency factor and "K" investment factor, where "X" reduces the rate as a counterpart for increased efficiency and "K" increases rates to encourage unprofitable investments;

1. Situation of the Company and regulatory framework (Continued)

(c) Regulatory framework (Continued)

c.ii) Regulation of transportation rates (Continued)

(ii) Non-recurring adjustments to reflect the variations in the costs resulting from changes in tax regulations (except in the case of variations in income tax), and

(iii) Unplanned adjustments for other objective and justifiable reasons at the discretion of the ENARGAS.

Regarding the rate setting mechanism, as mentioned in Note 1.b), the LEP on Public Emergency established the pesification of the rates of transportation of natural gas destined for the domestic market and the repeal of the semi-annual adjustment mechanism based on the PPI.

c.iii) Licence

Under the provisions of LEP, the Argentine Government is entitled to renegotiate the terms of the licenses granted for the provision of public services based on the following criteria:

- The impact of the rates on the competitiveness of the economy and the distribution of people’s income;
- The quality of the services and the investment plans, as contractually agreed;
- The customers´ interests and accessibility to the services;
- The safety of the systems; and
- The profitability of the companies.

At present, the Unit for the Renegotiation and Analysis of Public Utility Services Contracts (“UNIREN”) is responsible for the renegotiation process. This Unit was created in July 2003 within the jurisdiction of the Ministries of Economy and Production (“MEP”) and Federal Planning, Public Investment and Services (“MPFIPyS”). Law No. 25,790 dated October 2003 established that the decisions to be made by the PEN throughout the renegotiation process would not be limited to or conditioned by the stipulations contained in the regulatory frameworks for the concession or license contracts involving the respective public utility services.

As from March 2005 various public hearings were called to deal with the adaptation proposals formulated by the UNIREN or the preliminary agreements reached between the companies and the UNIREN, as the case may be. The hearing attended by TGN was held on May 18, 2005, at which only a unilateral proposal that had been formulated by the UNIREN in July 2004 and that TGN considers unsatisfactory was analyzed. So far, the Company has not been able to negotiate or reach any agreement with the UNIREN considered reasonable for TGN.

TGN considers that the main obstacle to reach a complete renegotiation agreement is the National State’s insistence that an indemnity provision be added for its benefit, under which the effects of judgments or arbitration awards requiring Argentina to pay indemnifications supported by the LEP on the License would be transferred to TGN.

Although until August 2008 there was no significant progress on the renegotiation process of the License, on September 16, 2008, the Company received from UNIREN a proposal for a temporary agreement (“Temporary Agreement”) envisaging a transition tariff regime as from September 1, 2008 on which a 20% increase is applied to the remuneration of the ruled domestic activity of TGN in force at August 31, 2008.

The proposal has been approved by the Board of Directors of TGN and the Temporary Agreement has been subscribed by TGN on October 7, 2008, ad referendum of the Extraordinary Shareholders’ Meeting, which ratified the subscription on December 4, 2008.

1. Situation of the Company and regulatory framework (Continued)

(c) Regulatory framework (Continued)

c.iii) Licence (Continued)

The Temporary Agreement establishes that TGN will assign the rights of the resulting incremental revenue to a specific fund that will be set up as a trust for the payment of works and/or tasks detailed in a document attached to the Temporary Agreement.

The Temporary Agreement assumed that at December 31, 2008, Law 25,561 would no longer be effective, which did not occur since the that law will actually be in force until December 31, 2009. Consequently, by that date the parties should had agreed on the methodology, term and time of the execution of an Overall Contractual Renegotiation Minute. Otherwise, the Executive Branch, if it deems it convenient, would rule on the enforcement of the Temporary Agreement and, in turn, UNIREN would make the necessary recommendations to the Executive Branch pursuant to section 1 (subsection e) of Decree No. 311/03 and section 11 of the Joint Resolution No. 188/03 and No. 44/03 of the Ministries of Economy and Planning.

The Temporary agreement has no been ratified by the Executive Branch yet. Consequently, it has not been in force at the date of issuance of these financial statements. As of December 31, 2008 the Temporary Agreement proposal have not produced any economic effect.

At the date of issue of the fiscal year 2008 financial statements of TGN no significant progress had been made to ensure compliance with the objective to sign a comprehensive agreement in the short term. Furthermore, it cannot be assured that the final outcome of the renegotiation will effectively restore the balance of the License and award a fair redress to TGN for the damage suffered as a result of the LEP.

c.iv) Technical assistance agreement

Within its regulatory framework, TGN receives auditing assistance and technical assistance from its shareholders and their related companies. Such assistance covers issues relating to system performance, security, environment, preventive maintenance, in-house procedures, training, information technology systems and compliance with certain international standards governing the gas transportation industry.

The contract for Auditing and Technical Assistance currently in force, with the latest amendment made in February 2006, will expire on December 31, 2017. In consideration for the services under the contract, an annual compensation is envisaged, which shall be the higher of (i) US$ 3,000,000 or (ii) 7% of EBIT for each year.

There are certain restrictions and limitations on payments of the previously mentioned fees, as explained in Note 10.

In consideration of the decision to postpone the due dates of TGN financial debt adopted on December 22, 2008, the Board of Directors resolved to temporarily suspend effective December 31, 2008 the payments of fees envisaged in the Contract for Technical Assistance and Assistance to the Audit Area.

c.v) Decrease in revenues from carriage of gas for export

At the end of fiscal year 2007, approximately 50% of TGN revenues (in pesos) derived from contracts for the carriage of natural gas to Chile, Brazil and Uruguay, at US dollar-denominated rates PPI-adjusted semiannually.

Effective February 2004, the Argentine government adopted a series of measures which still apply, to ensure a natural gas supply sufficient to satisfy domestic demand.

1. Situation of the Company and regulatory framework (Continued)

(c) Regulatory framework (Continued)

c.v) Decrease in revenues from carriage of gas for export (Continued)

These measures, which involve restrictions on exports of gas, have increasingly limited the sales of gas abroad. Consequently, the use of the firm carriage capacity hired by loaders for export has gradually and decreased.

In fiscal year 2008, 20% of that carriage capacity was used on average. As a result, in 2008 all exporting loaders stated that they were experiencing difficulty in continuing to pay the fixed cost of reservation of gas carriage capacity, or ceased to pay the rate in whole or in part (such as Eléctrica Santiago S.A. and YPF S.A., respectively), paid under protest (Gasoducto Norandino S.A. and Colbun S.A.) initiated legal action to obtain the rescission without negligence of the carriage contracts in effect (such as Eléctrica Santiago S.A.), or announced their intention to start legal action (such as Compañía Eléctrica San Isidro S.A.). Colbún S.A. has paid under protest, and reserved its right to file for refund, the amounts for carriage services since October 2007, alleging contract noncompliance by TGN in view of the application of the redirected carrying capacity as indicated by the authorities. It has also paid the December 2008 invoice late. In February 2009 TGN was summonsed to attend an out-of-court mediation hearing requested by the customer Compañía Eléctrica San Isidro S.A. which was held on February 24, the parties having reached no agreement.

Without prejudice to these loaders’ contractual obligation to pay for the reservation of firm carriage capacity until expiration of the contract, the behaviors exhibited, in addition to the decline in exportable balances of natural gas, generate uncertainty as to the future collectibility of export customer balances.

ESSA and YPF carry outstanding balances of $ 34.3 million and $ 95.6 million, respectively, at December 31, 2008, so the Company has set up an allowance for $ 62 million to cover the uncollectible amounts due for the carriage service.

On January 5 and February 2, 2009 YPF paid $ 1.8 million and $ 4.1 million, respectively, thus an outstanding balance of $ 89.7 million remaining –at the closing date of these financial statements- for the firm carriage services accrued until December 31, 2008.

In terms of annual revenues (in pesos) these clients represents the 22% of the transportation revenues of the Company.

c.vi) Debt payments postponement and intervention established by the ENARGAS

As explained in Note 10, on December 22, 2008, the Board of Directors of TGN decided that it was necessary for TGN to postpone the principal and interest payments that fell due in December 2008 for U$S 22.2 million.

Although this decision was made to explicitly maintain the safe and reliable provision by TGN of the public utility natural gas carriage service, as called for by the Gas Law and Section 10 of the LEP, on December 29, 2008, through Resolution I/587 the ENARGAS established the intervention in TGN for 120 days and designated an intervener “*with powers of co-administration, surveillance and control of all the usual acts of administration and disposition that may affect the normal provision of the public utility gas carriage service by TGN under the License*”. By this resolution, the ENARGAS also established that a comprehensive audit should be conducted at TGN.

TGN considers that Resolution I/587 is partly illegal on the grounds that the ENARGAS does not have powers to designate an intervener/co-administrator of the

1. Situation of the Company and regulatory framework (Continued)

(c) Regulatory framework (Continued)

c.vi) Debt payments postponement and intervention established by the ENARGAS (Continued)

licensee companies regulated and controlled by it and subject to Law N° 24,076. TGN also considers that Resolution I/587 is unfounded inasmuch as the decision to suspend payment of financial obligations poses no risk to the continuity of the public utility service provided by the Company. For those reasons, TGN filed a direct appeal with the Federal Court of Appeals on Administrative Litigation in and for the City of Buenos Aires, Panel I, which, at the date of issuance of these financial statements, has not been resolved.

2. Preparation of financial statements

(a) Purpose of these financial statements

The financial statements have been translated from the original Financial Statements for the year ended December 31, 2008 including the summary of information required by General Resolution Nº 368/01 prepared in Spanish originally issued in Argentina. The translation into English has been made solely for the convenience of English – speaking readers, and certain notes have been rephrased to facilitate the understanding of legislation and the local economic environment. The additional information to the notes to the financial statements required by section 68 of the Buenos Aires Stock Exchange Regulations for local purpose has not been included.

(b) Basis of presentation

These financial statements are stated in thousands of pesos, and were prepared in accordance with accounting disclosure and valuation standards contained in Technical Pronouncements issued by the Argentine Federation of Professional Councils in Economic Sciences (“FACPCE”), as approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires (“CPCECABA”), and with CNV resolutions.

Furthermore, the provisions of ENARGAS Resolution No. 1,660/00 (as amended by Resolution No. 1,903/00) regulating certain valuation and disclosure criteria for the regulated natural gas transport and distribution activity have been applied. These criteria are similar to those established by professional accounting standards in force.

(c) Presentation of financial statements in constant Argentine Pesos

The financial statements have been prepared in constant currency recognizing the overall effects of inflation through August 31, 1995. Restatement of financial statements was discontinued from that date to December 31, 2001 because this was a period of monetary stability. From January 1, 2002 to March 1, 2003 the effects of inflation were recognized due to the existence of an inflationary period. As from that date, restatement of financial statements was discontinued again.

The criterion required by the CNV differs from that previously required by professional accounting standards in force, under which financial statements were to be restated until September 30, 2003. Nevertheless, at December 31, 2008 this deviation has not had a significant impact on the financial statements of TGN. The rate used for restatement of items for the pertinent year was the internal wholesale price index.

2. Preparation of financial statements (Continued)

(d) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year.

The Company’s Board of Directors makes estimates to be able to calculate at a given time the allowance for doubtful accounts, depreciation charges, the recoverable value of assets, the income tax charge and provisions for contingencies. Future actual results may differ from those estimates and assessments made at the date these financial statements were prepared.

The changes in the economic environment, the legal and regulatory framework in which the Company is currently operating, the current status of the renegotiation of the License and the consecuences of the gas supply shortage (mentioned in Note 1) affect Board of Directors’ estimates. There can be no assurance as to the future net cash inflows sufficient to recover the net book value of non-current assets, the payment of the financial liabilities, the future development of its business and the normal continuity of the Company´s operations.

(e) Comparative Information

The figures at December 31, 2007 that are disclosed in these financial statements for comparative purposes arise from financial statements at these date.

Also, certain reclassifications of the comparative information have been made to conform to the current year presentation.

3. Summary of significant accounting policies

Below is a detail of the most important accounting standards and policies used by the Company in preparing these financial statements, which have been applied consistently with those of the previous year.

(a) Cash and banks

Cash and banks are stated at face value.

(b) Foreign currency assets and liabilities

Foreign currency assets and liabilities have been valued at year end exchange rates.

(c) Short-term investments

Short-term investments in mutual funds have been valued at the prices of units at the end of each year. Government securities have been valued at estimated net realizable value.

(d) Accounts receivables, net and Accounts payable

Non-current trade receivables have been valued on the basis of the best estimate of the amount to be collected, discounted at a discount rate to reflect the time value of money and the specific risks associated with the transaction estimated at the time of its addition to assets.

The rest of the accounts receivables and the accounts payable have been stated at nominal value. The values thus obtained do not differ significantly from those that would have been obtained if current accounting standards had been applied, which require those items to be valued at the cash price estimated at the

3. Summary of significant accounting policies (Continued)

(d) Accounts receivables, net and Accounts payable (Continued)

transaction date plus interest and implicit financial components accrued at the internal rate of return determined at that time.

(e) Other receivables, net and other liabilities

Other non-current receivables, prepaid expenses and other receivables of a similar nature have been valued on the basis of the best estimate of the sum to be used, discounted at a rate reflecting the time value of money and the specific risks attaching to the transaction estimated at the date of their addition to assets. The assets and liabilities derived from deferred tax and minimum presumed income tax have been stated at nominal value.

Other sundry receivables and liabilities have been stated at nominal value plus financial results accrued at year end, where applicable. The values thus obtained do not differ significantly from those that would have been obtained if current accounting standards had been applied, which require those items to be valued based on the best estimate of the amount receivable and payable, respectively, discounted at a rate reflecting the time value of money and the specific risks attaching to the transaction estimated at the date of their addition to assets and liabilities.

(f) Investments

The investments in the foreign related companies Comgas Andina S.A. (“COMGAS”) and Companhia Operadora de Rio Grande do Sul (“COPERG”) have been valued according to the equity method of accounting, on the basis of the financial statements of those companies December 31, 2008 and 2007 (Note 17.(b)).

The professional accounting standards used by those foreign related companies in the preparation of their financial statements are similar in all material respects to those used by the Company.

The Company has decided to fully cover with an allowance its investment in the Brazilian company COPERG because that business fell short of expectations. This company had been originally established to provide operation and maintenance services involving the gas pipeline that would extend from Uruguayana to Porto Alegre. The construction of this pipeline has been postponed and the possibility of this infrastructure work being actually performed is unknown. At present, the service provided by COPERG is limited to a region adjoining the Brazilian-Argentine border. Consequently, it is estimated that the reduced level of activity of that company will not allow recovering the value of the investment in it.

(g) Materials and spare parts, net

Materials and spare parts are stated at replacement cost. Where necessary, provision is made for obsolete, slow moving or defective inventory. Materials and spare parts have been broken down into current and non-current on the basis of the estimated consumption plan approved by the Company’s Board of Directors.

Considering the economic and financial projections prepared by the Company based on their best estimates as pointed out in Note 2.d), and the resolution of the uncertainties mentioned in Notes 1.b) and 1.c), the book value of materials and spare parts does not exceed their recoverable value.

(h) Fixed assets, net

Fixed assets received from GdE have been valued at their transfer price stated in the Transfer Agreement. The assets acquired or built after the takeover date have been valued at acquisition or construction cost, including the costs of materials, labor and overheads.

The Company has considered as elements forming part of the value of addition to assets of fixed assets the net costs of financing investment works with third

3. Summary of significant accounting policies (Continued)

(h) Fixed assets, net (Continued)

parties' capital, the construction of which extends over time, until they are placed into service.

All amounts have been restated for inflation in accordance with applicable regulations (see Note 2.c)), and are disclosed net of their accumulated depreciation.

Accounting and tax depreciation charges are calculated according to the straight line method at annual rates sufficient to extinguish the original values at the end of their useful lives. In determining the useful life, the ENARGAS regulations have been considered, among other parameters.

Furthermore, from 2005 to December 31, 2008 a pipeline recoating campaign was carried out over a length of 191.4 km. In accordance with ENARGAS Resolutions Nos. 1,660/00 and 1,903/00, $ 64.4 million were capitalized, becoming part of the Company's Essential Fixed Assets and, consequently, of its Tariff Base.

Considering the economic and financial projections prepared by the Company on the basis of the best estimate in accordance with the guidelines stated in Note 2.d) and the resolution of the uncertain situations mentioned in Notes 1.b) and 1.c), the aggregate fixed asset book value does not exceed recoverable value. In this regard, the Company regularly monitors the performance of the variables considered in those projections to analyze the impact they may have on the recoverability of essential fixed assets.

(i) Other assets-Gas stored

Gas stored in pipelines is stated at replacement value plus the average cost of transportation, which does not exceed its recoverable value.

(j) Debt

At December 31, 2008 loans were valued at nominal value of principal and interest due calculated at contractual rates, because of the circumstances described in Note 10.

As of December 31, 2007 debt had been valued on the basis of the best estimate of amounts payable, discounted at the internal return rate determined at the beginning of the transaction. These rates did not differ significantly from market rates which reflected the evaluation of the time value of money and specific risks attaching to those debts.

(k) Income tax

The Company has recognized the income tax charge according to the deferred tax method, thus considering the timing differences between measurements of accounting and taxable assets and liabilities. The main timing differences stem from the provisions for contingencies, the allowance for doubtful accounts, disputed amounts and the materials and spare parts obsolescence allowance, and from the valuation and useful life of fixed assets.

For purposes of determining the deferred assets and liabilities, the tax rate that is expected to be in force at the moment of their reversal or use has been applied to the timing differences identified and tax loss carry-forwards, under the legal regulations enacted at the date of issue of these financial statements.

3. Summary of significant accounting policies (Continued)

(l) Minimum presumed income tax (MPIT)

The Company is subject to a tax on minimum presumed income. This tax is supplementary to income tax. The tax is calculated by applying the effective tax rate of 1% on certain production assets valued according to the tax regulations in effect as of the end of each year. The Company's tax liabilities will be the higher of these two taxes. However, if the tax on minimum presumed income exceeds income tax during one fiscal year, such excess may be computed as a prepayment of any income tax excess over the tax on minimum presumed income that may arise in the next ten fiscal years.

The Company has recognized the notional minimum income tax accrued and paid until December 31, 2008 as credit, due to the fact that it estimates that in future fiscal years it may be able to record it as a payment on account of income tax. The aforementioned credit has been recorded at its nominal value.

The Company recognized minimum presumed income tax accrued in the year ended December 31, 2007 and the one paid in previous years as a credit since it estimates it can be computed as a prepayment on account of income tax. The mentioned credit has been computed at its nominal value.

(m) Allowances and provisions

- Allowance for doubtful accounts (charged to Selling Expenses): set up on the basis of an individual analysis of the recoverability of the receivables portfolio.

- Allowance for disputed amounts (charged to Net Revenues): set up on the basis of an individual analysis of the recoverability of the receivables portfolio.

- Allowance for slow-moving and obsolete spare parts and materials (charged to Cost of Services) has been set up in accordance with TGN policies on those materials and other items which remain in stock of inventories for security and regular maintenance purposes, and have recorded no turnover over a period of time.

- Provision for contingencies (charged to Administrative Expenses and Selling Expenses, according to their nature): set up to cover possible payments claimed from the Company under lawsuits to which it is a defendant.

(n) Shareholders' equity accounts

The account "Common stock" is shown at its historical nominal value. The difference between common stock stated in constant currency and the historical nominal capital stock is shown under "Inflation Adjustments of common stock", making up the shareholders' equity.

The voluntary reserve for future dividends and retained earnings (accumulated deficit) have been restated in accordance with the guidelines indicated in Note 2.c).

(o) Profit and loss accounts

Statements of operation accounts have been stated in nominal currency except for: (i) charges for used assets (fixed assets depreciation and disposals), calculated according to the values of those assets; (ii) results from equity investments, calculated by the equity method of accounting and (iii) the use of

3. Summary of significant accounting policies (Continued)

(o) Profit and loss accounts (Contineud)

inventories and the charge for spare parts, slow-moving and obsolete consumption materials determined based on the value of those assets.

(p) Revenue recognition

Firm transportation revenues are recognized based on the accrued contracted capacity reserved regardless of actual usage. For interruptible transportation service contracts, revenues are recognized upon the delivery of natural gas. For operating and maintenance service contracts, revenues are recognized when services are provided.

Decrees No. 292, 1,520 and 814 of the Argentine Government provided for a reduction in certain social security benefits paid by companies. However, Resolution 234/95 of ENARGAS stated that gas transportation companies should pass this benefit through their customers via a reduction in their monthly billings. The benefits passed by the Company on to the customers have been disclosed under a net revenues line adjustement account.

The Company records an allowance for differences between the total amount invoiced and the estimate of the recoverability of certain balances in contractual and regulatory dispute, such as the cases described in Note 12.f), h), i) and Note 1.c.v) to these financial statements (redirection of gas), fines and index-adjustments. These allowances are recorded adjusting the net revenues line.

Total gross revenue taxes are included in selling expenses for all periods indicated. Following ENARGAS resolutions, the effect of gross revenue tax rates are passed through the customers via an increase in the monthly billings for regulated services.

Revenues from Management Contract fees relating to gas trust programs (as described in Note 14.b)) have been recognized on the basis of the estimated degree of progress of the respective jobs and the portion incurred of the expenses budgeted for them.

(q) Balances and transactions with related parties

Intercompany receivables and liabilities arising from sundry transactions with the controlling shareholder, foreign related parties and other related parties have been valued according to the conditions agreed by the parties involved.

As for the information presented in Note 5, foreign related parties´ shareholders, TGN´s shareholders, shareholders of Gasinvest S.A. (TGN´s controlling shareholder) and Transportadora de Gas del Mercosur S.A. have been considered as related parties. Additionally, directors and syndics have been considered as “Personnel who play a key role in Company´s management”.

Also, TGN is to comply with a series of negative covenants under its current financial agreements. Restrictions on operations with related parties are described in Note 10.

(In thousands of Argentine Pesos, except per share amounts)

4. Breakdown of the main accounts

		December 31, 2008		December 31, 2007
a) Accounts receivable, net				
Current				
Gas transportation services				
Billed				
Distributors	$	15,771	$	14,049
Industrial		34,515		63,799
Generators		8,567		8,608
Unbilled		35,614		38,584
Subtotal		94,467		125,040
Other services				
Billed		654		112
Unbilled		1,600		1,342
Subtotal		2,254		1,454
Allowance for doubtful accounts (Note 17.d))		(8,778)		(9,289)
Allowance for disputed amounts (Note 17.d))		(32,248)		(41,150)
Total	**$**	**55,695**	**$**	**76,055**
Non Current				
Gas transportation services				
Billed				
Industrial	$	64,452	$	-
Generators		24,811		-
Unbilled		8,890		-
Subtotal		98,153		-
Allowance for disputed amounts (Note 17.d))		(61,951)		-
Total	**$**	**36,202**	**$**	**-**
b) Other receivables, net				
Current				
Gas transportation services				
VAT, net	$	313	$	-
Tax credits – withhondings and perceptions		2,015		1,568
Other tax credits		-		837
Directors’ and management fees (Note 5)		1,759		1,863
Prepaid expenses		5,225		7,691
Receivables from transactions on behalf of third parties		5,007		7,850
Subtotal		14,319		19.809
Other services				
Management fees – Gas Trust Program (Note 14)	$	1,338	$	830
Receivable with controlling shareholder (Note 5)		8		8
Foreign related parties (Note 5)		613		469
Other related parties (Note 5)		230		250
Receivables from transactions on behalf of third parties		2,962		1,762
Advances to employees		1,193		559
Receivables from sundry transactions		3,460		3,853
Subtotal		9,804		7,731
Allowance for doubtful accounts (Note 17.(d))		(886)		(3,110)
Total	**$**	**23,237**	**$**	**24,430**
Non-current				
Gas transportation services				
Deferred tax asset, net (Note 7)	$	74,209	$	74,602
Minimum presumed income tax (Note 7)		92,638		84,379
Gross revenue tax withholdings		113		602
Deposit in escrow and disputed tax payments		7,316		6,888

(In thousands of Argentine Pesos, except per share amounts)

4. Breakdown of the main accounts (Continued)

		December 31, 2008		December 31, 2007
b) Other receivables, net – Non Current (Continued)				
Guarantee deposits		529		444
Allowance for deposit in escrow and disputed tax payments (Note 17.(d))		(7,316)		(6,888)
Subtotal		167,489		160,027
Other services				
Management contract fees relating to gas trust programs (Note 14)		15,878		20,416
Sundry		861		515
Subtotal		16,739		20,931
Total	**$**	**184,228**	**$**	**180,958**
c) Materials and spare parts, net				
Current				
Materials and spare parts	$	12,176	$	11,359
Total		**12,176**		**11,359**
Non-current				
Materials and spare parts		101,152		88,127
Allowance for slow-moving and obsolescence (Note 17.(d))		(67,863)		(53,261)
Total	**$**	**33,289**	**$**	**34,866**
d) Accounts payable				
Gas transportation services				
Current				
Suppliers	$	2,930	$	2,961
Foreign related parties (Note 5)		21		-
Others related parties (Note 5)		3,151		6,450
Unbilled services		20,286		18,265
Total		**26,388**		**27,676**
Non-Current				
Others related parties (Note 5)		1,492		153
Total	**$**	**1,492**	**$**	**153**
e) Taxes payable				
VAT, net	$	-	$	785
Gross revenue tax		312		1,237
Minimum presumed income tax		6,267		4,904
VAT withholdings		1,344		1,310
Income tax withholdings		2,622		2,585
Gross revenue tax withholdings		294		124
Total	**$**	**10,839**	**$**	**10,945**
f) Others				
Current				
Easements	$	3,900	$	1,410
Other related parties (Note 5)		-		85
Directors’ and management fees (Note 5)		2,012		2,029
Customer´s warrants and others		165		294
Total		**6,077**		**3,818**
Non-current				
Easements		16,858		15,527
Total	**$**	**16,858**	**$**	**15,527**
g) Net revenues				
Gas transportation services				
Gas transportation services	$	522,983	$	521,762
Discounts as per Decrees No. 292/1520/814 (Note 3.(p))		(1,721)		(1,582)
Allowance for disputed amounts (Note 3.(p))		(51,001)		(31,610)

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the years ended December 31, 2008 and 2007
(In thousands of Argentine Pesos, except per share amounts)

4. Breakdown of the main accounts (Continued)

		December 31, 2008		December 31, 2007
g) Net revenues (Continued)				
Subtotal Gas transportation services....................		470,261		488,570
Other services				
Pipeline O&M services..............................		26,243		18,677
Management fees – Gas Trust Program (Note 14).......		7,981		11,297
Subtotal other services		34,224		29,974
Total	**$**	**504,485**	**$**	**518,544**
h) Financial and holding results, net:				
Generated by assets:				
Bank commissions and expenses	$	(509)	$	(433)
Holding results		8,782		9,279
Loss on discounting of non-current and current assets		(22,364)		(10,660)
Total		**(14,091)**		**(1,814)**
Generated by liabilities:				
Bank commissions, expenses and taxes on banking and financial operations		(8,061)		(7,545)
Result of repurchases of debts		1,099		1,629
Loss on discounting of non-current and current liabilities		43		(161)
Discounts		140		44
Total	**$**	**(6,779)**	**$**	**(6,033)**
i) Other income, net				
Result of disposal of fixed assets and other expenses	$	1,506	$	1,799
Recovery of contingencies		195		1,311
Donations		(1)		(96)
Total	**$**	**1,700**	**$**	**3,014**
j) Cash and cash equivalents:				
Cash and banks	$	135,575	$	62,929
Mutual funds in $		-		1,202
US Treasury Bills in US$		17,386		-
Cash and cash equivalents as shown in the statements of Cash flows	**$**	**152,961**	**$**	**64,131**

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the years ended December 31, 2008 and 2007
(In thousands of Argentine Pesos, except per share amounts)

5. Balances and transactions with related parties

Balances with related parties

		December 31, 2008		December 31, 2007
Accounts receivable:				
Other related parties	$	581	$	266
Other receivables:				
Current:				
Receivable with controlling shareholder (Note 4.b))		8		8
Foreign related parties (Note 4.b))		613		469
Other related parties (Note 4.b))		230		250
Directors' and management fees (Note 4.b))		1,759		1,863
Accounts payable:				
Current:				
Foreign related parties (Note 4.d))		21		-
Other related parties (Note 4.d))		3,151		6,450
Non-Current:				
Other related parties (Note 4.d))		1,492		153
Others:				
Other related parties(Note 4.f))		-		85
Directors' and management fees (Note 4.f))		2,012		2,029

Transactions with related parties

		December 31, 2008		December 31, 2007
Controlling shareholder:				
Other income	$	25	$	25
Foreign related parties:				
Net revenues		98		66
Cost of services		(25)		-
Others		20		117
Other related parties:				
Net revenues		2,756		2,601
Cost of services		(11,634)		(17,225)
Others		-		50
Full expenses by third party account		134		140
Directors' and management fees:				
Fees for Directory and the Committee of Syndics (Note 17.(f))		(1,792)		(2,069)
Professional fees		(791)		(888)

6. Income per share

Income per ordinary share have been calculated as the quotient obtained by dividing the results for the year ended December 31, 2008 and 2007, by the weighed average of outstanding ordinary shares, which made a total of 439,373,939 shares at those dates.

At December 31, 2008 and 2007 there are no debt securities convertible into shares, so no diluted earnings per share have been disclosed.

(In thousands of Argentine Pesos, except per share amounts)

7. Income tax and MPIT

A breakdown of the Company's deferred tax assets and liabilities as of December 31, 2008 and 2007 are presented below:

	December 31, 2008	December 31, 2007
Deferred tax assets and liabilities:		
Accounts receivable	$ 43,929	$ 17,405
Other receivables	9,935	11,445
Fixed assets	(21,617)	(22,043)
Materials and spare parts	23,752	18,641
Other assets	(6,500)	(5,700)
Accounts payable	1,401	1,992
Debt and expenses related to debt restructuring	5,213	10,822
Contingencies	18,096	22,189
Tax loss carry forwards	-	87,621
Allowance for tax loss carry-forwards	-	(67,770)
Net deferred tax asset	**$ 74,209**	**$ 74,602**

According to General Resolution No. 487/06 of the National Securities Commission (CNV), and by the application of the professional accounting standards in force as from 2006 (CD Resolution No. 93/05 of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires, C.P.C.E.C.A.B.A), the Company chose to recognize the inflation adjustment contained in the accounting valuation of the fixed assets as a permanent difference.

Had there been regonized the inflation adjustment as a temporary difference, the deferred liability would have increased by approximately $ 355.3 million, and its reversal would have taken place in a total approximate term of 19 years, according to the following annual detail:

Year	**Inflation adjustment that would be reversed**	**Effect on the income tax charge**
	Million $ (projected figures – not audited)	
2009	52.5	18.4
2010	52.4	18.3
2011	51.7	18.1
2012	51.2	17.9
2013	50.3	17.6
2014	50.2	17.6
2015	49.9	17.5
2016	49.3	17.3
2017	48.8	17.1
2018	43.2	15.1
2019	42.7	14.9
2020	41.1	14.4
2021	40.2	14.1
2022	39.4	13.8
2023	33.1	11.6
2024	29.0	10.2
2025	27.3	9.6
2026	23.0	8.1
2027	239.7	83.7
Total	**1,015.0**	**355.3**

(In thousands of Argentine Pesos, except per share amounts)

7. Income tax and MPIT (Continued)

A reconciliation between current income tax expense and the amounts obtained by applying the Company’s statutory income tax rate to pre-tax income is presented below:

		December 31, 2008		December 31, 2007
Net income before income tax	$	(26,098)	$	73,374
Income tax rate		35%		35%
Income tax charge at statutory tax rate		9,134		(25,681)
Permanent differences:				
Inflation adjustment		(18,611)		(18,909)
Non-deductible expenses		(24)		(7,609)
Variation in the estimated tax loss carry-forward compared with the actual tax loss carry-forward for fiscal year 2006		-		4,164
Change in valuation allowance		-		33,905
Gain from equity investments, net		378		309
Others		1,687		98
Income tax charge	**$**	**(7,436)**	**$**	**(13,723)**
Current income tax charge		(7,043)		-
Deferred income tax charge		(393)		(13,723)
Income tax charge	**$**	**(7,436)**	**$**	**(13,723)**

Below is a reconciliation between the charge to earnings of the year for income tax, and the assessed tax for the year for fiscal purposes:

	12.31.08	12.31.07
Recorded income tax	**(7,436)**	**(13,723)**
Temporary differences:		
Variation in valuation for doubtful accounts	(25,014)	(21,980)
Variation in valuation of fixed assets	(426)	1,951
Variation of the provision for contingencies	4,093	12,114
Variation of debt and expenses relating to debt restructuring	5,609	(290)
Variation of the provision for inventories	(5,111)	(3,114)
Variation of tax loss carryforwards	19,851	26,589
Other net temporary differences	1,391	(1,547)
Total tax assessed for fiscal purposes (estimated)	**(7,043)**	**-**

The balance of the tax loss carryforwards recorded by the Company liable to offsetting against tax profits of the year ended December 31, 2008, is the following:

Year	Amount	Expires in
Tax loss carryforward of fiscal year 2004	38,447	2009
Tax loss carryforward of fiscal year 2005	18,275	2010
Use during fiscal year 2008 - estimated	(56,722)	
Total tax loss carryforward accumulated at December 31, 2008	**-**	

On the other hand, below is a detail of the breakdown of the credit for the minimum presumed income tax accumulated at December 31, 2008:

Year	Amount	Expires in
2002	12,959	2012
2003	14,097	2013
2004	15,366	2014
2005	16,295	2015
2006	12,362	2016
2007	13,426	2017
2008 (estimated)	15,176	2018
2008 (estimated consumption)	(7,043)	
Balance at the closing of the year (Note 4.b))	**92,638**	

There have been taken into consideration for the calculation of the deferred tax, the projections of future taxable income. The projections have been built on

(In thousands of Argentine Pesos, except per share amounts)

7. Income tax and MPIT (Continued)

the basis of the best estimate, in accordance with the guidelines pointed out in Note 2.d), and taking into consideration the resolution of the uncertainties mentioned in Notes 1.b) and 1.c), referring to the modifications of the Argentine economic context and of the legal and contractual framework in which the Company operates. On the basis of said projections, the book value of the assets for deferred tax and for minimum presumed income tax does not exceed its recoverable value.

8. Segment information

The following table shows additional information about the income statements at December 31, 2008 and 2007 and the main balance sheet captions of the Company at December 31, 2008 and 2007 segregated by business segment:

For the year ended December 31, 2008	**Gas transportation services**		**Others**	**Total**
	Domestic	**Exports**		
Net revenues .... $	241,722	228,539	34,224	504,485
Cost of services, administrative and selling expenses (before depreciation and amortization)	(176,112)	(24,233)	(19,610)	(219,955)
Depreciation and amortization	(104,780)	(18,853)	(74)	(123,707)
Other income, net	1,440	259	1	1,700
Gain from equity investments, net	-	-	1,079	1,079
Financial and holding results, net	(160,676)	(28,910)	(114)	(189,700)
Income tax	(56,533)	44,679	4,418	(7,436)
Net income for the year .... $	**(254,939)**	**201,481**	**19,924**	**(33,534)**

As of December 31, 2008	**Gas transportation services**		**Others**	**Total**
	Domestic	**Exports**		
Fixed assets, net.......................... $	1,791,986	322,431	1,269	2,115,686
Accounts receivable, net...................	39,520	50,123	2,254	91,897
Debt.......................................	1,027,381	184,856	728	1,212,965
Other net assets...........................	240,218	43,222	170	283,610
Shareholders' equity.......................	1,044,343	230,920	2,965	1,278,228
Purchase of fixed assets...................	38,581	6,942	27	45,550

For the year ended December 31, 2007	**Gas transportation services**		**Others**	**Total**
	Domestic	**Exports**		
Net revenues .... $	267,558	221,012	29,974	518,544
Cost of services, administrative and selling expenses (before depreciation and amortization)	(150,336)	(30,357)	(15,836)	(196,529)
Depreciation and amortization	(100,266)	(18,041)	(71)	(118,378)
Other income, net	2,553	459	2	3,014
Gain from equity investments, net	-	-	884	884
Financial and holding results, net	(113,634)	(20,446)	(81)	(134,161)
Income tax	17,601	(28,543)	(2,781)	(13,723)
Net income for the year .... $	**(76,524)**	**124,084**	**12,091**	**59,651**

As of December 31, 2007	**Gas transportation services**		**Others**	**Total**
	Domestic	**Exports**		
Fixed assets, net .... $	1,860,075	334,682	1,318	2,196,075
Accounts receivable, net	41,745	32,856	1,454	76,055
Debt	977,721	175,921	693	1,154,335
Other net assets	164,289	29,560	118	193,967
Shareholders' equity	1,088,388	221,177	2,197	1,311,762
Purchase of fixed assets	50,542	9,094	36	59,672

Net sales and accounts receivable were allocated on the basis of the market of destination.

8. Segment information (Continued)

Cost of services, selling and administrative expenses (before depreciation) were allocated according to the volume of contracted capacity for geographically defined regions.
Income tax was apportioned based on the net income or loss of each segment.
Shareholders´ equity resulted from the algebraic aggregate of assets and liabilities.
When fixed assets were identified with a geographical region they were apportioned on the basis of the volume of contracted capacity for that region. If no such identification existed, they were apportioned to fixed assets of a similar nature.
The other items have been allocated following the fixed asset criterion.

9. Restricted assets

Certain restrictions with respect to Essential Assets

(i) A substantial portion of the assets transferred by GdE (mainly pipelines, high-pressure branch lines, compressor plants and high-pressure control and measurement stations), has been defined in the License as "Essential Assets" for the performance of the licensed service. Pursuant to the License, the Company is required to segregate and maintain the Essential Assets, together with any future improvements, in accordance with certain standards defined in License. The Company may not, for any reason, dispose of, encumber, lease, sublease or lend Essential Assets for purposes other than the provision of the licensed service without ENARGAS´ prior authorization.

(ii) As established in the financial agreements held for the restructuring of the financial debt in 2006, TGN may not sell assets, unless certain conditions are met, as described in Note 10.

10. Debt

In view of the circumstances indicated in Note 1.b), as from 2002 the Company needed to postpone payment of certain financial debts which included negotiable obligation issue programs and loans from domestic and foreign financial institutions.

In August 2006 TGN publicly launched an offer to exchange its financial debt, which was accepted by 99.94% of creditors of the total debt subject to restructuring and, upon execution of the Out-of-court Reorganization Agreement with the accepting creditors, on September 29, 2006 TGN consummated the exchange privately, without requesting approval from the court.

This pro rata offer consisted of (i) a cash payment of up to US$ 52.4 million, (ii) the delivery of up to 87,874,754 new Class C Common shares representative of 20% of the Company's Capital to be issued as a result of the capitalization of the US$ 68.0 million financial debt, (iii) new ordinary non-convertible Class A negotiable obligations for up to US$ 249,999,970, and (iv) new ordinary non-convertible Class B negotiable obligations denominated in US dollars for US$ 203,630,111.

The abovementioned issuance of Class C shares was approved by the ENARGAS on June 23, 2006. This amendment was registered with the Public Registry of Commerce on August 18, 2006. The public offering of the Negotiable Obligations under the exchange and Class C shares was authorized by CNV Resolution No. 15,466 dated September 14, 2006.

The Negotiable Obligations outstanding at December 31, 2008 have the following characteristics:

(In thousands of Argentine Pesos, except per share amounts)

10. Debt (Continued)

	Ordinary non-convertible Class A negotiable obligations	Ordinary non-convertible Class B negotiable obligations
Amount	VN US$ 250.0 million	VN US$ 203.6 million
Due date	December 31, 2012	December 31, 2012
Amortization	They are amortized every six month: at 9% in 2005, 12% during 2006 and 2007, 13.5% in 2008 and 2009, 15% in 2010 and 2011, and 10% in 2012	In a one-off payment
Interest	They accrue interest at an annual rate of 6.0% during 2005, at 6.5% between 2006 and 2010, and at 7.5% during 2011 and 2012, payable quarterly on March 31, June 30, September 30 and December 31 of each year.	They accrue interest at an annual rate of 7.0% during 2005, 7.5% during 2006 y 2007, 8.0% during 2008 y 2009, 9.0% during 2010, 9.5% during 2011 y 10% during 2012, payable quarterly on March 31, June 30, September 30 and December 31 of each year.

The main restrictions under the indebtedness agreements, the terms and conditions of which are detailed in the pertinent Offering Circular under the Negotiable Obligation issue program, which was published at the CNV on September 14, 2006, are the following:

(i) TGN shall use a portion of any excess cash either to mandatory prepayments or market purchase. The proceeds from any prepayment of principal shall be used first in proportion to the reduction of unpaid installments of the Series A negotiable obligations until their exhaustion and, upon redemption of the latter, to redeem Series B negotiable obligations.

Such *excess cash* is calculated semi-annually on the basis of the cash flow for the period and the computation of the cash balance at the end of the period. This cash shall be allocated to the redemption in advance or purchase of the negotiable obligations subject to the exchange (amount called *"creditor´s cash surplus"*), based on certain proportions defined in the contract, and then to the available basket amount.

The *"available basket amount"* is the amount in cash that TGN may use for discrtional purposes.

Creditor´s cash surplus and the *available basket amount* registered and available at the first semester of 2008 arise to US$ 1.1 millions and $ 7.9 millions, respectively.

(ii) TGN may not sell assets, unless the sales price is at least equal to the fair market value of those assets or at least 75% of the sales price is collected in cash or cash equivalents. In addition, the proceeds from the sale of an asset are to be used for purchases and/or advance repayments of principal on the negotiable obligations under the exchange, unless the proceeds from those sales are reinvested in new assets within twelve months following the carrying out of the operation.

(iii) TGN may not make dividend payments if it has incurred in default or if any grounds for default exist or if such payment is in excess of the available basket amount in each calculation period.

(iv) TGN may incur additional indebtedness for the following items: (a) for a total outstanding principal amount not exceeding US$ 15 million at any time and such indebtedness shall be incurred to finance the Company's business activities; (b) letters of credit, bank acceptances and similar obligations issued in the normal course of business not as security for indebtedness; (c) voluntary refinancing; (d) project finance investment provided that when allocating such indebtedness and the net proceeds thereof, the debt/EBITDA ratio for the latest four fiscal quarters is equal to or lower than 3:1, and the proceeds shall be applied exclusively to the financing of investments in capital goods; (e) TGN's

(In thousands of Argentine Pesos, except per share amounts)

10. Debt (Continued)

indebtedness that is subordinated to the prior and full payment of the negotiable obligations under the exchange for a total outstanding principal amount not in excess of US$ 35 million; (f) hedge or exchange rate agreements not entered into for speculative purposes, which will be prudent or necessary to cover or manage the risk attaching to the negotiable obligations under the exchange or to any permitted indebtedness; (g) for the purchase, settlement or payment of non-participating debt.

(v) TGN may incur capital expenditure for the following items: (a) non-programmed repair and maintenance of fixed assets or capital goods in case of emergency, taking into account the regulatory requirements, technical breakthroughs or improvements and environmental considerations; (b) maintenance for increasing amounts since 2006, except that if the amount of those investments in a given fiscal year is higher than the investment amount actually incurred, such difference may be added to the amount of permitted investments in maintenance only in the immediately following fiscal year; (c) development, purchase or construction, modification, expansion, enlargement and/or betterments of fixed assets or capital goods, except that such investments shall be made or paid by TGN only to the extent that they are financed or paid with customer advances; (d) investments financed with funds disbursed under permitted indebtedness or the proceeds from the issuance of shares; (e) investments relating to the purchase, construction, modification, development, expansion, enlargement and/or betterments of fixed assets or capital goods, provided that they are financed with the proceeds from the sale or any other type of disposal of fixed assets or capital goods; (f) investments in capital goods required by the Government with certain limitations.

(vi) The technical assistance fee (TAF) for each fiscal year may not exceed 4% of the EBITDA for that year, of which: (1) the amount the Company can pay in cash with funds not belonging to the Available Basket Amount may not exceed US$ 3 million for the fiscal year, or US$ 1 million for the fiscal year if an event of default or a ground for default has occurred and is continuing, and (2) all amounts in excess of the maximum established in clause (1) above shall be paid exclusively out of the Available Basket Amount. If in a given fiscal year TGN fails to pay the fees for technical assistance accrued for that fiscal year in full, the unpaid amount may be settled only during the immediately following fiscal year.

(vii) TGN may carry out transactions with related parties (such as purchase, sale, lease or exchange of goods or the providing of services, etc.) only to the extent that those transactions are arranged observing the arm’s length principle.

At December 31, 2008 and December 31, 2007, the breakdown of the Company’s loans is as follows:

	12.31.08	**12.31.07**
	Thousands of $	
a) Current		
Ordinary non-convertible Class A	495,767	100,923
Ordinary non-convertible Class B	717,198	-
Creditors not accepting the exchange offer	-	2,105
Adjustement to arrive at present value	-	1,903
Total current	**1,212,965**	**104,931**
b) Non Current		
Ordinary non-convertible Class A	-	399,956
Ordinary non-convertible Class B	-	641,231
Adjustement to arrive at present value	-	8,217
Total Non-current	**-**	**1,049,404**
Total Debt	**1,212,965**	**1,154,335**

Below is a reconciliation between the accounting balance of Series A and Series B Negotiable Obligations and the balance calculated at their nominal value under the financial agreements in effect since September 2006:

(In thousands of Argentine Pesos, except per share amounts)

10. Debt (Continued)

	12.31.08	12.31.07
	Thousands of $	
Total loans as per balance sheets	1,212,965	1,154,335
Adjustments to arrive at the present value (using an IRR)	-	(10,120)
Nominal capital plus interest accrued at a contractual rate	**1,212,965**	**1,144,215**

In March, 2008 TGN repurchased US$ 2.0 million of its financial debt corresponding to the Series A Negotiable Obligations and paid US$ 1.6 million. The result of those repurchases, which amounted approximately to $ 1.1 million, will be allocated to Financial and Holding Results generated by liabilities.

Furthermore, TGN settled the total debt it held with creditors that had not accepted the exchange offer made by the Company in September 2006. This settlement amounted to US$ 0.6 million.

Debt payments postponement

Due to the steady deterioration of the Company’s economic and financial equation, which is due to the continuous freezing of domestic rates, together with a fall in revenues from transportation of exports caused by the limitations in the dispatchment of gas balances, mentioned in Note 1.c.v), a widespread increase in its costs and the significant growth of the exchange rate at the end of the present year, on December 22, 2008, The Board of Directors of TGN has decided: (i) to prioritize the safe and reliable provision by TGN of the public utility natural gas carriage service; (ii) to adhere to the going concern principle; and (iii) to ensure the equal treatment of all its financial creditors. In view of this, it has been necessary for TGN to postpone the principal and interest payments that fell due in December 2008 for U$S 15.8 million and U$S 6.4 million, respectively.

To meet financial covenants, TGN has decided to start preparing a sustainable debt schedule to be submitted to the consideration of creditors, with a view to rescheduling its financial liabilities.

According to currently in force accounting standards and to the International Accounting Standard 1 (IAS 1) (supplementary to Argentina´s accounting standars), the Company classifies the complete financial debt balances into current liabilities since according to the Trust Agreement regulating the terms and conditions of the restructured Negotiable Obligations, failure to pay the principal or interest installments upon maturity empowers holders representing not less than 25% of the outstanding principal on each Series of Negotiable Obligations to accelerate the maturity and demand immediate repayment of the outstanding principal on each such Series by giving written notice to TGN.

On January 12, 2009 TGN was notified by the Law Debenture Trust Company of New York (the “Trustee”) of the intention not to accelerate the maturity of the outstanding debt balances, and TGN confirmed that it had not received any instruction from the holders of Negotiable Obligations which makes TGN anticipate that such acceleration will occur. Consequently, balances as of December 31, 2008 have been classified into current and non-current according to the original contractual terms. So far, TGN has received no further notice on this regard.

Creation of a Global Program for the Issuance of Ordinary Negotiable Obligations, Not Convertible for Shares

Resolutions adopted by the Board of Directors of TGN on December 11, 2007 and by the Ordinary Meeting of Shareholders held on January 22, 2008 established the creation of a new global program for the issuance of ordinary Negotiable

(In thousands of Argentine Pesos, except per share amounts)

10. Debt (Continued)

Creation of a Global Program for the Issuance of Ordinary Negotiable Obligations, Not Convertible for Shares (Continued)

Obligations not convertible for shares, which qualify as Negotiable Obligations under the terms of Law No. 23,576 (text pursuant to Law No. 23,962), for a nominal value of up to US$ 400 million or its equivalent in other currencies at any time. The duration of this Global Program shall be five years counted as from the date of its approval by the Argentine Securities Commission.

On July 17, 2008, CNV´s resolution N° 15,928 aproved the creation of the abovementioned program.

11. Shareholders´ equity

(a) Common stock

Common stock transactions as from commencement of operations are summarized as follows:

Item	Date	Thousands of $	Registration in the Superintendency of Corporations			
			Date	Nº	Book	Volume
Incorporation of the Company	11.24.92	12	12.01.92	11667	112	A
Capitalizations of irrevocable contributions:	12.28.92	267,255	03.07.94	1894	114	A
	03.25.94	84,232	06.09.94	5589	115	A
Issuance of new shares for capitalized loans (Note 10)	09.29.06	87,875	08.18.06	13005	32	-
Total		**439,374**				

(b) Limitation on the transferring of the Company's shares

Gasinvest, the controlling shareholder of the Company, and Gasinvest´s shareholders, are restricted by the Pliego and the Transfer Agreement as to dispose of a portion of their interests in the Company and Gasinvest, respectively. Unless a prior regulatory approval from ENARGAS is obtained, Gasinvest is precluded from reducing its interest in the Company to less than 51%. Likewise, the shareholders of Gasinvest are precluded from reducing their interest in Gasinvest without prior regulatory approval. However, restrictions are not applicable where shares are transferred among related parties of each shareholder. ENARGAS may approve the transfer of shares provided that (i) the shares are transferred in whole but not in part, or the new acquirer purchases all of the outstanding Class A shares of common stock and (ii) the quality of the service is not affected.

(c) Restriction on distribution of profits

Under the Argentine Commercial Law, the by-laws of the Company and rules and regulations of the CNV, a minimum of 5% of net income for the year calculated in accordance with Argentine GAAP must be appropriated by resolution of the shareholders to a legal reserve until such reserve reaches 20% of the outstanding capital (common stock plus inflation adjustment of common stock accounts). This legal reserve may be used only to absorb deficits.

Under the terms of the financial agreements, TGN shall not make dividend payments in the event of default or grounds for default in an adverse event period (as defined in the contract) or if such payment exceeds the Available basket amount in each calculation period (Note 10.iii)).

11. Shareholders´ equity (Continued)

(d) Voluntary reserves for future dividends

The sums included in this item were set up by the Shareholders' Meetings that approved the respective annual financial statements.

This reserve may be reversed by the Company's Board of Directors which, according to the powers vested in it by the Meeting of Shareholders, is empowered to dispose, at any time it may deem appropriate in the Company's interests, of its cash distribution, fully or partially, pro rata the respective shareholdings.

12. Contingencies

The Company is a party to several civil, taxes, commercial and labor proceedings and claims that have arisen in the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company's management based upon the information available at this time and consultation with external and internal legal counsel, that the expected outcome of these claims and legal actions, individually or in the aggregate, will not have a material effect on the Company's financial position, cash flows or results of operations in excess of the reserves that the Company has established to cover for potential losses under these claims. However, the actual outcome of these claims could differ from the estimated recorded amounts.

Following is a summary of the most significant claims and legal actions. At December 31, 2008 the allowance set up by the Company amounted to $ 65.8 million (Note 17.(d)).

(a) Gross Revenue Tax – Province of Salta

The Company has objected (in two different disputes) before the courts having jurisdiction in the Province of Salta to certain official assessments made by the Revenue Bureau of that province for the tax on the business activities for the market price of the so-called "retained gas". The Tax Authority claims payment of $ 2 million for the tax, $ 1.7 million for interest and $ 1 million for fines, corresponding to the fiscal periods from January 1996 to March 2004.

TGN paid the tax amount claimed for $ 2.0 million and interest for $ 2.4 million (including, in addition to the $ 1.7 million amount claimed by the Tax Authority, interest accrued between the official assessment date and the actual payment date).

In view of the uncertain outcome of this issue, reserving the pertinent rights, the Company paid the amounts claimed and has been paying the accrued tax since April 2004.

In July 2008, the Company was served notice of a negative ruling (ratifying the tax assessment) and as a result the Company filed an appeal before the local Supreme Court.

(b) Fines imposed by the ENARGAS

At the date of issuance of these financial statements, the Company records eighteen fines applied by the ENARGAS for a total amount of $ 5.9 million, of which six fines for $ 0.8 million have been appealed in the administrative orbit and twelve fines for $ 5.1 million have been appealed before the judicial courts.

On August 21, 2008, TGN was notified of ENRG I/396 Resolution through which the Company was imposed a fine of $ 3.5 million calculated at August 21, 2007 due to the application of Point 3, Exhibit I of Resolution ENRG No. 393/96.

On September 22, 2008, the Company filed a motion for reconsideration with an administrative court since it considered the fine inappropriate based on (i) serious errors in the calculations made by ENARGAS, (ii) ENARGAS incompetence to

12. Contingencies (Continued)

(b) Fines imposed by the ENARGAS (Continued)

impose penalties irrespective of Law 24,076 and the License, and (iii) the seizing nature of the penalty applied.

(c) Rescission of firm gas transportation contract with AES Parana S.C.A.

In July 1999, AES Parana S.C.A. ("AESP") and the Company had entered into a firm gas transportation contract (the "AES-TGN Agreement"), whereby the Company committed to transport up to 1.81 MMm3/day of natural gas as from an agreed-upon date for a period of 20 years. The gas transportation rate set in the contract was the ENARGAS-regulated rate for Loma La Lata - Litoral zones and included an additional contribution equal to 5.6% of such regulated rate. The execution of the contract would create the need to substantially expand the transportation system. In view of the political and economic changes occurred in December 2001, which led to the pesification and freezing of the transportation rates in January 2002, in February 2003 the Company had the pressing need to request the ENARGAS to rescind the gas transportation contract because performance thereof would become too burdensome.

In the alternative, TGN had previously called for a stay of the effects of the contract because of force majeure that prevented it from fulfilling its obligations arising under that contract. AES Paraná answered the complaint in May 2003, objecting to its prosecution and claiming damages for non-compliance with the contract.

In June 2006, both parties reached a transitory agreement by which they will: (i) suspend the prosecution of their respective claims and (ii) rescind the firm transportation contract if AES Parana obtains the providing of the transportation service of at least 1.5 MM m3/d (minimum volume) before December 1, 2008.

In 2008 AES Paraná notified TGN of the merger into AES Alicura S.A. ("AES"), the latter being the succeeding company.

In addition, since the commencement of the provision of the carriage service for the minimum volume and until December 2027, TGN shall pay a compensation amount equivalent to 36% of the Access and Use Charge ("CAU") applicable in each moment, calculated on the basis of the daily volume that remains available to AES upon completion of the enlargement works required for the provision of the carriage service. For the purpose of the calculation of the said compensation the volume may not be lower than the minimum volume. CAU is the monthly remuneration per daily cubic meter of reserved capacity that each loader shall pay TGN while the firm carriage service is provided for access to, use and availability of the said reserved capacity in favor of the loader.

Although the actual provision of the carriage service for the minimum volume had not started at December 1, 2008 and AES was empowered to terminate the agreement, in which case the parties would be free to continue with their respective actions, in February 2009 AES proposed a ninty-days term to negotiate the terms of an extension of the said temporary agreement. TGN accepted the proposal.

At December 31, 2008, the allowance amount recorded to settle possible claims being made by AES was calculated on the basis of the present value of compensation. The Company considers it is sufficient to settle eventual claims.

(d) Tax assessments related to payments to note holders

In December 2004 the Company was notified of two resolutions whereby the Argentine Tax Authority officially assessed income and value added tax amounts of $ 50.7 million and $ 31.7 million, respectively. These amounts include compensatory

12. Contingencies (Continued)

(d) Tax assessments related to payments to note holders (Continued)

interest and fines calculated based on the interest accrued on the Global Negotiable Obligation Issue Programs. TGN appealed these resolutions before the National Tax Tribunal.

Those resolutions are related to the verification of compliance with the necessary requirements for the yields paid to holders of Negotiable Obligations to be entitled to the benefits granted by Section 36 bis of Law No. 23,576.

In August 2007 the National Tax Authority acquiesced to the Company's claim dropping its claim of income tax in its entirety and in September 2007, it partially acquiesced to Company's claim regarding value added tax. The settlement of these claims was consented to by TGN, the National Tax Tribunal having yet to render judgment approving it. As a result of the acquiescence to the Company's claim by the Tax Authority, the latter's claim, which is restricted exclusively to value added tax on the Program relating to the International Finance Corporation ("IFC") and continues to be in dispute with the Company, was reduced to $ 14.6 million.

In December 2007 the Company was notified of a resolution whereby the Tax Authority assessed interest and fines relating to value added tax corresponding to those programs (for the period from January to May 2002, subsequent to that included in the assessments alluded to above). The claim amounts to $ 3.6 million.

The Company has appealed this new debt assessment resolution before the National Tax Tribunal.

On the basis of these developments, TGN recovered $ 20.0 million of the provision originally set up, allocating such recovery to Administrative Expenses - Lawsuits.

(e) Tax assessment related to fixed asset useful life

In December 2005, the Company received notices from federal tax authorities asserting deficiencies in corporate income taxes for the Company's 1999 to 2002 tax years. The total additional tax, including penalties and interest, through December 2005, amounts to $ 21.1 million. Tax authorities asserted that the Company underpaid income taxes through improper tax depreciation deductions. Tax authorities asserted that the tax depreciation should be 45 years representing the original term of the license plus the renewal period of 10 years. The Company believes that it properly reported its income tax in accordance with applicable laws and regulations. The Company filed an appeal with the tax authorities on February 17, 2006 in response to that notice. The appeal is pending resolution.

(f) Redirecting of the transportation capacity

In April 2004, the ENARGAS adopted a regulatory resolution establishing: (i) the reassignment to the distributor GasNea and the sub-distributor Redengás of certain firm transportation capacity volume which originally corresponded to the firm transportation contract entered into by and between TGN and YPF S.A. ("YPF") in 1998 for up to 2.8 MM m3/d to supply a power plant in Uruguayana, Brazil; (ii) that YPF would continue paying TGN the export rate for the total reserved transport capacity and (iii) YPF would charge GasNea and Redengás the rate for the portion of the reassigned volume.

In April 2006, at a request of YPF, the ENARGAS issued two resolutions establishing: (i) the extension the abovementioned reassigments for an additional year (ii) that GasNea and Redengas would pay TGN for the reassigned volume the peso rate as opposed to the US dollar rate applicable to the contract entered into by and between TGN and YPF; (iii) that GasNea and Redengás must pay TGN the peso rate for the capacity reassigned between April, 2004 and April, 2006, and (iv) obliging

12. Contingencies (Continued)

(f) Redirecting of the transportation capacity (Continued)

TGN to reimburse YPF for the proportional part of the transportation rate in US dollars collected by TGN from April, 2004 to April, 2006 for the reassigned volume. In relation to the latter point, the Company had been carrying an allowance of US$ 3.5 million that has been reverted at the end of fiscal year 2008 since TGN considers that the right to collect that account has prescribed.

The motions for reconsideration of the two resolutions filed by TGN were dismissed by the ENARGAS in June 2007. TGN filed an appeal before a higher administrative authority as it considered that the ENARGAS lacks jurisdiction over the adoption of those resolutions, which also infringe the Company’s vested rights.

In April 2007 the ENARGAS renewed for the term of one year, the redirectings of transport capacity to Gasnea and Redengas of a volume of firm transport capacity equal to 0.770 MMm3/d.

In May 2007 the ENARGAS instructed TGN to apportion the reallocation of certain transportation capacity originally destined for various direct loaders (other than distributors) of the Central-Western Gas Pipeline, in favor of the distributor Ecogás Cuyo, for a term of one year counted as from the implementation of the measure, renewable at the discretion of the ENARGAS. TGN requested that the precautionary measure be reconsidered because it understands that the ENARGAS does not have jurisdiction to take that measure, as it affects the Company’s vested rights and, in the alternative, that the ENARGAS dispenses with the application of the “useful disruption of supply” criterion.

In April 2008, ENARGAS issued a regulatory order –without resolving the claims filed by TGN- whereby it modified its prior decisions approving a criterion for flexible redirecting for the benefit of GasNea, Ecogás Cuyo and Redengás, according to which the uninterruptible demand from those entities which exceeds their firm capacity contracted with TGN shall be satisfied affecting the abovementioned YPF transportation contract or the export contracts with delivery in La Mora where necessary, as a result of the unavailable transportation in the system. The total volume awarded according to this mechanism from May 2008 to April 2009 (which may be extended at the discretion of ENARGAS) is 1.575 MMm3/day.

The regulatory order establishes that payments YPF is to make to TGN by virtue of that mechanism shall include a deduction arising from the transportation capacity that might not be authorized for that loader because of the redirecting stipulated, and that the redirected volumes shall be invoiced to the companies using them at the applicable firm rate charged. It should be noted that from 2004 to the present, TGN did not have the need to redirect the carrying capacity hired by YPF, which had always been made available to the loader.

(g) Stamp duty – Salta - Operation and Maintenance Contract

Revenue Bureau of Salta Resolution No. 1,649 dated November 7, 2006 confirmed an official assessment for $ 181.9 million including compensatory interest calculated until November 30, 2006 and imposed a fine on TGN for twice the amount assessed for $ 262.5 million because of alleged commission of tax fraud. TGN considers that the assessment made by the tax authority is excessive as it has resulted from serious calculation errors.

The instrument object of this assessment was the contract for the operation and maintenance of the expansion works under the Gas Trust Agreement entered into by TGN, the National State (Secretariat of Energy) and Nación Fideicomisos S.A. in December 2004, within the framework of the Basic Gas Infrastructure Investment Regime established by Decree No. 180/04 and (MPFIPyS) Resolution No. 185/04 (Note 14.a)).

12. Contingencies (Continued)

(g) Stamp duty – Salta- Operation and Maintenance Contract (Continued)

On November 29, 2006 TGN lodged a special appeal before the Governor, although holding Nación Fideicomisos S.A. liable for the damage the Company could suffer as a result of this legal proceeding. It should be borne in mind that the operation and maintenance contract contains a provision, which is valid between the parties but ineffective as against the Tax Authority, pursuant to which the final liability for payment of stamp duty, where applicable, should fall exclusively on the Trust.

(h) Controversy raised by Eléctrica Santiago S.A.

In February 2008, the Chilean customer “ESSA” communicated to TGN its unilateral decision to terminate the firm transportation contract, arguing the alleged impossibility of fulfillment of the contractual purpose, and informed that it was thus ceasing to pay the applicable rate with effect as from January 1, 2008. TGN rejected this line of argument, and demanded compliance with the contract. TGN is still making the hired transportation capacity available to ESSA, and issuing invoices for the service rendered. Considering the rate in force as of December 31, 2008, the annual invoicing to ESSA for the firm transportation service amounts to US$ 10.0 million.

In March 2008, the Company was notified of the controversy (claim) filed by ESSA against TGN before the ENARGAS, invoking the jurisdictional powers of said entity under section 66 of Law No. 24,076. The purpose of the controversy is to request the ENARGAS to declare the termination of the firm transportation contract through no fault of any of the parties as from December 21, 2007, with the argument that the provision of the public service of gas transportation is impossible to fulfill, due – according to ESSA - to the unforeseeable extinction of their right to have natural gas liable to be exported from Argentina. Subsidiarily, ESSA alleges the frustration of the contract’s purpose, and requests that ENARGAS establish a special rate applicable to a reserve of transportation capacity that cannot be used due to lack of gas.

In May 2008, the Company answered the complaint requesting that ENARGAS be dismissed for lack of jurisdiction and requesting, in the alternative, that the complaint be rejected on the grounds that under applicable common law provisions, the regulatory framework, and the contract (i) none of the reasons for termination invoked by ESSA exist, and (ii) that gas supply is a risk run exclusively by the loader.

In October 2008, the ENARGAS sustained the motion filed by TGN and declared that does not have jurisdiction to mediate in the dispute raised by ESSA.

In December 2008, the Company filed action for collection of pesos, reserving the right to increase the amount claimed as unpaid invoices accumulate.

i) YPF S.A. debt for the provision of carriage services

In view of the carrying capacity redirecting established by the ENARGAS, as referred to above, YPF started to irregularly pay the invoices for carriage services actually provided by TGN, alleging a partial availability of capacity. Also, in February 2007 it requested a thorough review of the carriage contract on the (unreasonable in the opinion of TGN) grounds that the measures adopted by the National Government in relation to gas exports had affected the economic and financial equation of the said contract in an unforeseen manner. TGN rejected these allegations and demanded compliance. Since 2008 last quarter, YPF ceased to pay for the service, rejecting the propriety of the claim and the total invoiced amount. This situation coincides with AES Uruguayana (YPF Brazilian customer and final consumer of the transported gas) payment´s suspension, alleging YPF´s unfulfillment.

12. Contingencies (Continued)

i) YPF S.A. debt for the provision of carriage services (Continued)

On January 5 and February 2, 2009 YPF paid $ 1.8 million and $ 4.1 million, respectively, remaining unpaid a balance of $ 89.7 million (at the date of issuance of these financial statements) due for the firm carriage services accrued up to December 31, 2008.

Considering that YPF had not remedied its situation despite the reiterated claims sent by the Company, on February 9, 2008 a pre-trial mediation hearing was held at the instigation of TGN, as required by law, prior to the ordinary action for collection of pesos. At the end of fiscal year 2008, YPF recorded a debt of US$ 28.4 million for the unpaid firm carriage service.

j) Intervention in TGN established by the ENARGAS

This issue is explained in further detail in Note 1.c.vi)

k) Declaration of the administrative inefficiency of the resolutions adopted by the Board of Directors on December 22, 2008

On December 22, 2008 the Board of Directors of the Company had the need to suspend payments of the financial debt installments (see Note 10). In January 2009, the CNV (Argentine Securities Commission) declared this decision irregular and ineffective for administrative purposes, on the grounds that the respective Board meeting minutes had not been transcribed to the book while the meeting was being held or immediately after termination thereof. TGN considers that the said declaration, which involves neither the nullity nor the stay of the decision made by the Board of Directors, is a null and void act which departures from current law; for this reason, TGN filed a direct appeal with the Commercial Court of Appeals.

13. TGN financial trusts

On March 8, 2004, in accordance with ENARGAS Resolution 2,877 and the Law N° 24,441, the Company (as “Trustor”) and HSBC Bank Argentina S.A. (as “Trustee”) entered into a Trust Agreement. Under the Trust Agreement, the trusts can be funded by private and/or public placement of securities for up to a total amount of US$ 50 million within a 5-year timeframe.

The Program envisages the possibility of financial trusts being set up for the issue of securities that are authorized for their public offering or not, so as to finance the expansion of the capacity of the Company’s gas pipeline systems.

The Program also establishes that, at expiration of the trust, the enlarged assets shall be exclusively assigned to the Company only, free of charge or encumbrances. While the trust is in force, the Company shall be responsible for the operation and maintenance of those assets.

On March 26, 2004, the TGN Serie 01 Trust was funded by the issuance of US$ 7.5 million in principal amount of securities to private contributors, the proceeds from which were used to finance the expansion of transportation capacity of 303,000 m3/d contracted by Metrogas S.A. (a Chilean gas distribution company). The TGN Serie 01 Trust expires on the earlier of September 30, 2019 or when securities are repaid, whichever occurs first.

On April 16, 2004, the TGN Serie 02 Trust was funded by the issuance of US$ 6.3 million in principal amount of securities to private contributors, the proceeds from which were used to finance the expansion of transportation capacity of 247,000 m3/d contracted by Colbun S.A. The TGN Serie 02 expires on the earlier of March 30, 2019 or when the securities are repaid, whichever occurs first.

13. TGN financial trusts (Continued)

The TGN Serie 01 Trust and the TGN Serie 02 Trust are not consolidated in the Company's financial statements.

Under the Trust Agreement, neither the Company nor the Trustee are liable with their own respective assets to pay, if principal and/or interest and/or taxes and expenses on the securities issued by the Trusts are dishonored. The holders of the securities will have no right to claim such difference from TGN or the Trustee and the limitation on TGN's liability as Technical Operator has been established in the contract.

The projects have been completed. At December 31, 2008 the investment amounts to $ 29 million and its residual value is approximately $ 24 million at that date.

14. Financial trusts for expansion on the local market organized by the Argentine Energy Secretariat

MPFIPyS Resolution No. 185/04, adopted under the aegis of Decree No. 180/04, provides for a Gas Trusts Program organized by the Energy Secretariat for the purpose of financing infrastructure works for the transportation and distribution of natural gas.

On April, 2006 the National Congress enacted the law vesting the PEN with the power to apply rate charges destined to finance those works.

a) Trust for the 2005 Northern Gas Pipeline expansion work

The Government requested the participation of TGN as licensee and of other companies as investors in order to undertake the expansion of the capacity of its system for the transportation of 1.8 MMm3/day of gas in the Northern Gas Pipeline. A local trust (the "trust") organized by the Energy Secretariat and administered by Nación Fideicomisos S.A., as trustee, entrusted TGN with the management of the Northern Gas Pipeline expansion works. TGN contributed US$ 8.4 million to the total cost of the works.

Expanded assets form part of the Gas Trust until it is liquidated, on which date, the Company has the option to have the ownership of the trust assets transferred to it.

In July 2005 TGN began to bill certain customers for the "Gas Trust Charge" on behalf of the "Gas Trust - Extension of the Northern Gas Pipeline" and for its account.

b) Trust for the 2006-2008 expansion work

Again, at the request of the Ministry of Energy, in September 2005, we called for a new open bid for capacity for the expansion of the Gasoductos Norte system. As a result, more than 15.2 MMm3/d were awarded.

This project will imply the construction of approximately 1,860 km of parallel pipelines, and the incorporation of 55,000 HP in additional power in three new plants and in two already existing compressor plants.

For this purpose on December, 2006 the Company, the Energy Secretariat and Nación Fideicomisos S.A. entered into the Supplementary Financial Trust Agreement for the Northern Gas Pipeline Work, the first amendment to this Contract and the Management Contract. The Operation and Maintenance Contract has not yet been entered into.

The total fee to be collected by TGN will be $ 75.8 million (before value added tax).

14. Financial trusts for expansion on the local market organized by the Argentine Energy Secretariat (Continued)

b) Trust for the 2006-2008 expansion work (Continued)

In view of the delay in the start of the works, by the end of 2007 the ENARGAS redefined the phases of the enlargement project and in October 2007 the works commenced in the Northern Gas Pipeline. Those works were almost completed in December 2008 (only some of them being still pending for the first months of 2009) and will permit increasing the carrying capacity by 1.5 MMm3/d in the Northern Pipeline between the Compressor Plant in Lumbreras (Salta) and the Litoral region (final sections of the pipeline and the Timbúes Power Plant).

To that end, new 319 Km gas pipelines and a 10,310 HP compression plant were built in the locality of Tío Pujio, province of Córdoba, and other existing compression plants and measurement and regulation stations were refurbished.

Additionally, at the instigation of the provincial authorities, progress was made in the construction of 28.3 Km gas pipelines between the Beazley compression plant and La Dormida measurement and regulation station to relief the pipelines satisfying most of the demand in the Cuyo region and will increase the mentioned pipe section´s transport capacity in 1.4 MMm3/d.

For the repayment of these investments, the ENARGAS created a specific new charge which amounts to 380% of the transportation rate in force and is being applied to all the users of the gas system except residential users, CNG, and the General Service-Small Users. The charge has been abated by 20% until December 2008.

To continue with the works, the ENARGAS formalized the following phase in mid 2008 as a result of which the carrying capacity would increase by 7.1 MMm3/d in the Northern Pipeline (including 1.5 MMm3/d in the first phase), and by 1.4 MMm3/d in the Central-Western Gas Pipeline. These works should have stated in the last months of 2008, but they are delayed.

At present, there is uncertainty regarding the execution chronogram and the scope works pending.

On March 17, TGN received from Nación Fideicomisos a note requesting, among other things, that a proposal for renegotiation of the management fee payment agreed be submitted. In view of this request and the significant delays in payments by Nación Fideicomisos, the respective billings have been suspended since April 2008. At December 31, 2008, the receivable billed for those fees under the contract terms originally agreed amounts to $ 60.4 million including VAT.

In the last quarter of 2008, the Company received from Nación Fideicomisos $ 18.0 million in cash, that jointly with the $ 17.9 million received in bonds, had been applied to past due invoices. Additionally, $ 7.5 million were collected in March 5, 2009, corresponding to 2008 January and February invoices.

The final net receivable registred by the Company amounts $ 15.9 million based on the estimate of the revenue accrual, as described in Note 3.p), and on the estimate of its present value.

15. “Importation of Natural Gas” administration trust

As provided for by Executive Branch Decree 2,067/08 and ENARGAS Resolutions Nos. I/563 and I/615, as from January 2009 the Company started to invoice effective November 2008 a new charge on behalf of the “Importation of Natural Gas” Administration Trust, to create a fund for such purpose.

15. "Importation of Natural Gas" administration trust (Continued)

TGN must not apply this charge to those customers that are connected with a Distributor or Sub-distributor or with power generation plants, and it is responsible for their collection, TGN being required to transfer the monthly collected amounts to the trust. Resolution I/615 establishes that in the case of partial collections, the payment received shall be apportioned to all the items included in the respective invoice.

16. Subsequent events

Subsecuent to December 31, 2008, there have been no other events, situations or circumstances that have impacted or could impact significantly on the net worth, or economic and financial situation of the Company that have not been mentioned in these financial statements.

17. Other financial statement information

The accompanying tables present additional statement disclosures required under Argentine GAAP.

(a) Fixed assets, net
(b) Investments
(c) Short-term investments
(d) Allowances and provisions
(e) Assets and liabilities in foreign currency
(f) Cost of services, administrative and selling expenses
(g) Aging of assets and liabilities

(in thousands of Argentine Pesos, except per share amounts)

17. Other financial statement information (Continued)

(a) Fixed Assets, net

Account	12.31.08												12.31.07
	Original values					Depreciation							
	At the beginning of the year	Increases	Disposals	Transfers	At the end of the year	At the beginning of the year	For the year %	For the year Ammount	Disposals	Transfers	Accumulated at the end of the year	Net book value	Net book value
Land	3,275	-	(1)	-	3,274	-	-	-	-	-	-	3,274	3,275
Buildings and constructions	76,495	-	(21)	238	76,712	18,690	2	1,531	-	-	20,221	56,491	57,805
Instalations and mixtures	2,067	-	-	277	2,344	554	4	86	-	-	640	1,704	1,513
Gas pipelines	2,019,450	-	(207)	6,311	2,025,554	580,440	3.33 and 2.22	55,836	(103)	697	636,870	1,388,684	1,439,010
Recoating (Note 3.h))	57,775	-	-	6,647	64,422	4,614	5.88	3,432	-	(768)	7,278	57,144	53,161
High-pressure branch lines	661	-	-	229	890	249	3.33 and 2.22	22	-	6	277	613	412
Compressor plants	840,108	-	(1,428)	12,605	851,285	337,204	4	49,211	(642)	38	385,811	465,474	502,904
High-pressure control and/or measurement stations	67,585	-	(991)	2,024	68,618	32,190	5	3,686	(578)	-	35,298	33,320	35,395
Other technical installations	45,353	-	-	1,190	46,543	23,372	6.67	2,478	-	(5)	25,845	20,698	21,981
Machinery, equipment and tools	23,276	-	(154)	1,093	24,215	18,980	10, 20 and 50	1,316	(134)	12	20,174	4,041	4,296
Computer and telecomunication Systems	72,279	-	(219)	1,055	73,115	45,458	10 and 20	4,139	(191)	26	49,432	23,683	26,821
Vehicles	16,474	-	(2,043)	2,880	17,311	13,933	20	1,148	(1,787)	(5)	13,289	4,022	2,541
Furniture and mixtures	9,769	-	(20)	167	9,916	8,740	10	258	(13)	(22)	8,963	953	1,029
Assets held at tirad parties	6,549	-	(16)	65	6,598	5,255	12.5	564	(16)	21	5,824	774	1,294
Work in process	43,786	34,968	(596)	(23,537)	54,621	-	-	-	-	-	-	54,621	43,786
Advances to suppliers	852	10,582	-	(11,244)	190	-	-	-	-	-	-	190	852
Total as of 12.31.2008	**3,285,754**	**45,550**	**(5,696)**	**-**	**3,325,608**	**1,089,679**		**123,707**	**(3,464)**	**-**	**1,209,922**	**2,115,686**	**-**
Total as of 12.31.2007	**3,231,538**	**59,672**	**(5,456)**	**-**	**3,285,754**	**974,390**		**118,378**	**(3,089)**	**-**	**1,089,679**	**-**	**2,196,075**

(in thousands of Argentine Pesos, except per share amounts)

17. Other financial statement information (Continued)

(b) Investments

					Book value		Information on the issuer						
							Principal activity	Latest financial statements					
Issuer	Class	Par value	Amount	Cost value	12.31.2008	12.31.2007		Date	Capital stock and capital adjustment	Other Reserves	Retained earnings	Shareholders' equity	% of direct holding
Non-current investments													
Comgas Andina S.A.	Common	(a) 1	490	246	1,467	1,778	Gas pipeline services	12.31.08	8	-	2,986	2,994	49.0
Companhia Operadora de Rio Grande do Sul........	Common	(b) 1	49	0.1	226	210	Gas pipeline services	12.31.08	-	133	327	460	49.0
Impairment of investment(Note 17.(d) and 3.f))					(226)	(210)							
Total....................					**1,467**	**1,778**							

(a) Chilean Pesos
(b) Brazilian Reais

(in thousands of Argentine Pesos, except per share amounts)

17. Other financial statement information (Continued)

(c) Short-term investments

	December 31, 2008	December 31, 2007
Mutual funds in $	$ -	$ 1,202
US Treasury Bills in US$	17,386	-
Government bonds – Discount bond	1,019	2,897
Total	**$ 18,405**	**$ 4,099**

(in thousands of Argentine Pesos, except per share amounts)

17. Other financial statement information (Continued)

(d) Allowances and provisions

		12.31.2008					12.31.2007
		Balances at the beginning of the year	Net increases		Decreases	Balances at the end of the year	Balances at the end of the year
Deducted from assets							
Current							
Allowance for doubtful accounts................		9,289	779	(2)	(1,290) (2)	8,778	9,289
Allowance for disputed amounts.................		41,150	(8,902)	(1)	-	32,248	41,150
Allowance for other receivables................		3,110	(30)	(2)	(2,194) (2)	886	3,110
Subtotal		**53,549**	**(8,153)**		**(3,484)**	**41,912**	**53,549**
Non Current							
Allowance for disputed amounts.................		-	61,951	(1)	-	61,951	-
Allowance for disputed tax payments and judicial escrow accounts..............................		6,888	428	(4)	-	7,316	6,888
Allowance for slow-moving and obsolescence		53,261	14,602	(5)	-	67,863	53,261
Allowance for impairment of COPERG (Note 17.(b) and 3.(f))..................................		210	16	(3)	-	226	210
Subtotal		**60,359**	**76,997**		**-**	**137,356**	**60,359**
Total allowances deducted from assets	$	**113,908**	**68,844**		**(3,484)**	**179,268**	**113,908**
Included in Liabilities							
Current							
Provision for contingencies....................		49,378	(14,515)	(4)	(2,855)	32,008	49,378
Non Current							
Provision for contingencies....................		28,593	5,246	(4)	-	33,839	28,593
Total provisions included in liabilities		**77,971**	**(9,269)**		**(2,855)**	**65,847**	**77,971**
Total as of 12.31.2008	$	**191,879**	**59,575**		**(6,339)**	**245,115**	**-**
Total as of 12.31.2007	$	**161,986**	**30,418**		**(525)**	**-**	**191,879**

(1) $ 51,001 charged to Net Revenues (Nota 4.g)), $ 9,487 to Exchange rate differences generated by assets and $ 91 to Selling Expenses – Allowance for doubtful accounts (Note 17.f)). Additionally, $7,530 from the allowance for disputed amounts have been allocated to customers bad credits.
(2) Charged to Selling Expenses – Allowance for doubtful accounts (Note 17.f)). Does not include $ 940 related to a client´s agreement, charged directly to Selling Expenses – Allowance for doubtful accounts (Note 17.f)).
(3) Charged to Gain from equity investments.
(4) $ 2,131 charged to Administrative expenses – Provision for contingencies (Note 17. f)) and $ (10,972) charged to Selling Expenses - Provision for contingencies (Note 17.f)).
(5) Recovery charged to Allowance for slow-moving and obsolescence (Note 17.f)).

17. Other financial statement information (Continued)

(e) Assets and liabilities in foreign currency

	12.31.2008					12.31.2007			
	Foreign currency class and amounts		Exchange rate		Amount in Thousands of $	Foreign currency class and amounts			Amount in Thousands of $
Assets									
Current assets									
Cash and banks									
Cash	US$	8	3.413	$	29	US$	11	$	33
Banks	US$	38,085	3.413		129,983	US$	18,572		57,739
					130,012				57,772
Short-term investments									
US Treasury Bills in USD	US$	5,094	3.413		17,386		-		-
Government bonds – Discount bonds	US$	299	3.413		1,019	US$	932		2,897
					18,405				2,897
Accounts receivable									
Gas transportation services (1)	US$	6,822	3.413		23,283	US$	19,057		59,248
Other services	US$	582	3.413		1,985	US$	874		2,717
					25,268				61,965
Other receivables									
Prepaid expenses on behalf of third parties and others	R$	126	1.46		183	R$	114		192
	US$	737	3.413		2,517	US$	609		1,893
					2,700				2,085
Total current assets				$	**176,385**			$	**124,719**
Non-current assets									
Accounts receivables									
Gas transportation sevices (1)	US$	36,303	3.413		123,902		-		-
					123,902		-		-
Other receivables									
Guarantee deposits	US$	200	3.413		683	US$	200		622
					683				622
Investments									
Comgas Andina (Note 17.b)	$ch	265,124	0.0055		1,467	$ch	276,705		1,778
					1,467				1,778
Total non-current assets				$	**126,052**			$	**2,400**
Total assets				$	**302,437**			$	**127,119**

US$: United States dollars
$ch : Chilean Pesos
R$: Brazilian Reais
(1) Nominal value of the gas transportation services receivables, not considering the allowances for doubtful accounts.

17. Other financial statement information (Continued)

(e) Assets and liabilities in foreign currency (Continued)

	12.31.2008					12.31.2007			
	Foreign currency class and amounts		Exchange rate		Amount in Thousands of $	Foreign currency class and amounts			Amount in Thousands of $
Liabilities									
Current liabilities									
Accounts payable									
Suppliers..	US$	15	3.453	$	52	US$	48	$	151
					-	£	53		335
Other related parties..................................	US$	873	3.453		3,015	US$	1,977		6,225
Foreign related parties................................	$ch	3,788	0.0056		21				-
					3,088				6,711
Debt (2)									
Ordinary non-convertible Class A	US$	143,576	3.453		495,767	US$	32,049		100,923
Ordinary non-convertible Class B	US$	207,703	3.453		717,198				-
Creditors not accepting the exchange offer					-	US$	668		2,105
					1,212,965				103,028
Total current liabilities				**$**	**1,216,053**			**$**	**109,739**
Non-current liabilities									
Accounts payable									
Other related parties	US$	432	3.453		1,492	US$	49		153
					1,492				153
Debt (2)									
Ordinary non-convertible Class A		-			-	US$	127,010		399,956
Ordinary non-convertible Class B		-			-	US$	203,630		641,231
					-				1,041,187
Total non-current liabilities				**$**	**1,492**			**$**	**1,041,340**
Total liabilities				**$**	**1,217,545**			**$**	**1,151,079**

US$: United States dollars
$ch : Chilean Pesos
R$: Brazilian Reais
£ : Pounds
(2) Debt nominal value

(in thousands of Argentine Pesos, except per share amounts)

17. Other financial statement information (Continued)

(f) Cost of services, administrative and selling expenses

	Total At 12.31.2008	Cost of services			Selling expenses			Administrative expenses	Investments in fixed assets	Total At 12.31.2007
		Transportation service	Other services	Total	Transportation service	Others services	Total			
Fees for Directory and the Committee of Syndics	1,792	-	-	-	-	-	-	1,792	-	2,069
Fees for professional services	10,767	879	3,575	4,454	171	-	171	5,531	611	6,871
Salaries, wages and other personnel benefits	67,957	38,355	7,660	46,015	601	-	601	19,972	1,369	55,468
Social security contributions	14,059	9,195	1,306	10,501	159	-	159	3,399	-	11,364
Fees for technical operator services	9,488	9,488	-	9,488	-	-	-	-	-	15,012
Foreing staff residences	2,156	2,156	-	2,156	-	-	-	-	-	2,208
Consumption of spare parts and materials	20,275	13,787	686	14,473	1	-	1	93	5,708	17,547
Gas imbalance	942	942	-	942	-	-	-	-	-	164
Third party services and supplies .	5,419	4,545	473	5,018	22	-	22	379	-	4,302
Maintenance and repair of fixed assets	62,921	33,487	2,680	36,167	14	-	14	1,675	25,065	63,233
Travel expenses	7,559	4,925	1,194	6,119	47	-	47	887	506	5,775
Freight and transportation	1,623	1,096	66	1,162	-	-	-	13	448	2,018
Communications	1,170	650	155	805	15	-	15	331	19	943
Insurance	5,756	5,410	1	5,411	1	-	1	344	-	6,161
Office supplies	1,787	636	131	767	17	-	17	894	109	1,470
Rentals	1,493	655	518	1,173	10	-	10	71	239	1,326
Easements	7,208	7,208	-	7,208	-	-	-	-	-	6,173
Taxes, rates and contributions	25,134	508	19	527	15,827	1,055	16,882	7,715	10	25,572
Fixed assets depreciation	123,707	121,901	74	121,975	247	-	247	1,485	-	118,378
Fixed assets expenses	4,973	35	-	35	-	-	-	-	4,938	5,315
Doubtful accounts	(1,704)	-	-	-	(1,704)	-	(1,704)	-	-	1,931
Contingencies	(8,841)	-	-	-	(10,972)	-	(10,972)	2,131	-	(12,624)
Material and spare parts slow-moving and obsolescence	14,602	14,602	-	14,602	-	-	-	-	-	8,897
Others.............................	2,579	1,700	91	1,791	21	-	21	629	138	1,807
Total at 12.31.2008	**382,822**	**272,160**	**18,629**	**290,789**	**4,477**	**1,055**	**5,532**	**47,341**	**39,160**	**-**
Total at 12.31.2007	**-**	**251,780**	**14,161**	**265,941**	**19,109**	**1,746**	**20,855**	**28,111**	**36,473**	**351,380**

(in thousands of Argentine Pesos, except per share amounts)

17. Other financial statement information (Continued)

(g) Aging of assets and liabilities

	12.31.2008			
	Short-term investments (a)	**Account receivables and other receivables (b)**	**Debt (c)**	**Other liabilities (d)**
a) Past due until				
12.31.2007	-	12,887	-	-
03.31.2007	-	3,229	-	-
06.30.2008	-	23,981	-	-
09.30.2008	-	13,744	-	-
12.31.2008	-	41,666	1,212,965	-
b) Without due date	18,405	219,587	-	11
c) To be due				
03.31.2009	-	77,807	-	50,769
06.30.2009	-	6,643	-	11,131
09.30.2009	-	1,518	-	975
12.31.2009	-	660	-	975
12.31.2010	-	8,035	-	8,429
12.31.2011	-	255	-	8,429
12.31.2012	-	529	-	-
12.31.2013	-	-	-	1,492
Total at 12.31.2008	**18,405**	**410,541**	**1,212,965**	**82,211**
Balances subject to adjustment	18,405	5,721	-	-
Balances not subject to adjustment	-	404,820	1,212,965	82,211
Total at 12.31.2008	**18,405**	**410,541**	**1,212,965**	**82,211**
a) Interest bearing balances	851	2,112	1,212,965	20,758
b) Non - interest bearing balances	17,554	408,429	-	61,453
Total at 12.31.2008	**18,405**	**410,541**	**1,212,965**	**82,211**

(a) Excludes Short-Term Investments and Equity Investmets.
(b) Excludes allowances.
(c) Classified into current liabilities (Note 10)
(d) Includes all non-financial liabilities, excluding Contingencies.

Free translation from the original in Spanish for publication in Argentina

Report of Independent Auditors

The President and Board of Directors of
Transportadora de Gas del Norte S.A.
Legal Address: Don Bosco 3672 Piso 3°
Autonomous City of Buenos Aires
TAX CODE N° 30-65786305-6

1. We have audited the accompanying balance sheets of Transportadora de Gas del Norte S.A. as of December 31, 2008 and 2007, and the related statements of operations, of changes in shareholders equity and of cash flows for the years then ended, and their supplementary notes. The preparation and issuance of these financial statements are the responsibility of the Company. Our responsibility is to issue an opinion on these financial statements based on our audit.

2. We conducted our audits in accordance with auditing standards generally accepted in Argentina. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and form an opinion on the fairness of the significant information disclosed in the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company, as well as evaluating the overall financial statements presentation. We believe that our audits and the reports of the other professionals mentioned in paragraph 1 provide a reasonable basis for our opinion.

3. Changes in economic conditions of the country and the modifications introduced by the National Government to the License under which the Company operates, as mentioned earlier in Note 1 to the attached financial statements, principally the suspension of the original regime to update tariffs, affect the economic and financial equation of the Company, generating uncertainty in respect to future development of its regulated business. The Company is in the process of renegotiating with the National Government the terms of the License. Furthermore, the impact of the energy crisis in Argentina on certain carriage services the Company provides could cause future actual results to differ from certain assessments and estimates made at the date of preparing the attached financial statements and those positive or negative differences could be significant.

Additionally, given that the Public Emergency Law and Reform of the Exchange Regime authorizes the Executive Branch to renegotiate tariffs and Project and Public Service contracts and that, at the date of issuance of this report, the result of this renegotiation is unknown and there is uncertainty as to whether the future net cash inflows will be sufficient to recover the net book value of non-current assets, and whether the Company will be able to repay its financial debts, as mentioned in Note 10 to the accompanying financial statements.

With regard to the recovery of non-current assets, as explained in Note 3.h) to the accompanying financial statements, the Company tested its fixed assets for recoverability based on which it estimates that their carrying value is not in excess of their recoverable value. The assumptions, premises and estimates of future events used in that test evidence the vision projected by the Company’s Board of Directors, which may occur or materialize in the future or not; furthermore, those assumptions, premises and estimates are affected mainly by the uncertainty regarding the rate adjustment and the evolution of certain commercial contracts. In view of this, we are not in a position to anticipate whether the premises used by the management in preparing its projections will materialize in the future in order to corroborate the recoverable value of fixed assets, the net book value of which amounts to $ 2,116 at December 31, 2008.

4. As mentioned in Note 1.c) to the attached financial statements, at December 31, 2008 the Company has contractual disputes with certain customers that provide gas carriage services for export for outstanding balances of $ 123.9 million not yet collected from those customers. In view of the uncertainty as to the possibility of recovering those receivables in the future, the balances due and pending collection have been partially covered by an allowance at the balance sheet date. In addition, as explained in Note 14.b), the Company is a party to the work management contract entered into in relation to the 2006-2008 expansion project and carries at December 31, 2008 a net receivable for $ 15.9 million for its services, which is in arrears under the contract terms agreed upon. There is a delay in the performance of this work project as well as limitations on its scope, the work schedules and conditions agreed under the contract being subject to possible changes in the future. Consequently, there is uncertainty as to the effects this situation could have on the value of receivables and allowances recorded and on the future revenues from those contracts.

5. As explained in Notes 1 and 10 to the attached financial statements, the Company’s Board of Directors decided to suspend effective December 22, 2008

principal and interest payments on its financial debt. At December 31, 2008, the Company carries financial debts denominated in US dollars for a total of US$ 351.3 million, and has not paid principal for US$ 15.8 million and interest for US$ 6.4 million on these debts. International Accounting Standard No. 1 (IAS 1), of complementary application to Argentine GAAP, provides that debts "in default" are to be disclosed as current in view of the possibility of creditors accelerating the maturities, regardless of the due dates originally agreed upon. Consequently, the Company has disclosed all balances due under loans, in current liabilities, because creditors may, under certain conditions, accelerate the maturities originally established and claim early repayment of their receivables.

6. The December 31, 2008 financial statements of TGN have been prepared following accounting principles applicable to a going concern; therefore, those financial statements do not include the effects of possible adjustments and/or reclassifications, if any, that might be required if the situations described above are not resolved in favor of the normal course of the Company's business. Consequently, the Company's financial statements should be read in the light of these uncertain circumstances.

7. In our opinion, subject to the effect that the possible adjustments and/or reclassifications could have on the financial statements, if any, and which could be required for the resolution of the situations described in points 3, 4, 5 and 6, the financial statements of TGN present fairly in all material aspects, its financial position at December 31 2008 and 2007, the results of its operations, the changes in its shareholder's equity and its cash flow for the years then ended, in conformity with accounting principles generally accepted in Argentina approved by the Professional Council of Economic Sciences of the Autonomous City of Buenos Aires.

8. In accordance with current regulations, we report that:

a) the financial statements of TGN have been transcribed to the Inventory and Balance Sheet book and are, as regards those matters that are within our competence, in conformity with relevant rules and regulations of the Commercial Corporation Law and the National Securities Commission;

b) the financial statements of TGN arise from accounting records carried in all formal aspects in accordance with current legal regulations that maintain the conditions of security and integrity based on those authorized by the National Securities Commission;

c) we have read the Summary of Activities and the additional information to the notes to the financial statements required by Section 68 of the Buenos Aires Stock Exchange Regulations (included in the Spanish version of the financial statements), on which, as regards those matters that are within our competence, we have no observation to make other than those indicated in points 3, 4, 5 and 6;

d) as of December 31, 2008, no debt is owed to the Integrated Retirement and Survivors' Benefit System according to the accounting records.

Autonomous City of Buenos Aires, March 9, 2009

PRICE WATERHOUSE & Co. S.R.L.

By (Partner)

Daniel A. López Lado