

TRANSPORTADORA DE GAS DEL NORTE S.A.

Financial Statements as of the year ended December 31, 2009,  
presented in comparative form

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

	<u>Page</u>
Annual Report .....	
Summary of Information .....	F-2
Balance Sheets as of December 31, 2009 and 2008 .....	F-10
Statements of Operations for the years ended December 31, 2009 and 2008	F-11
Statements of Changes in Shareholders' Equity for the years ended	
December 31, 2009 and 2008 .....	F-12
Statements of Cash Flows for the years ended December 31, 2009 and 2008	F-13
Notes to the Financial Statements as of and for the years ended December	
31, 2009 and 2008 .....	F-14
Report of Independent Auditors .....	

**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 statement of income, changes in shareholders' equity and cash flows, notes, exhibits and additional information required by section 68 of the Buenos Aires securities exchange commission, for the 18<sup>th</sup> fiscal year ended December 31, 2009.

**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  
Alfonso Mario Lago  
Ignacio Casares  
Bruno Seilhan  
Mauricio Russo  
Ernesto Guillermo Leguizamón

**Alternate Directors**

Santiago Marfort  
Néstor Raffaelli  
Rubén Nasta  
Miguel Vásquez  
Angel Carlos Luis Rabuffetti  
Claudio Hirschler  
Wan Zulkiflee Wan Ariffin  
Leonardo Fernández  
Jorge Iglesias  
Marco Quiroga Cortinez  
Fernando José Mantilla  
Hugo Carranza  
Samuel Szydlo  
Alejandro Jorge Geretto

**Syndics' comitee**

**Regular Syndics**

Julio Abínzano  
Matías María Brea  
Juan José Valdez Follino

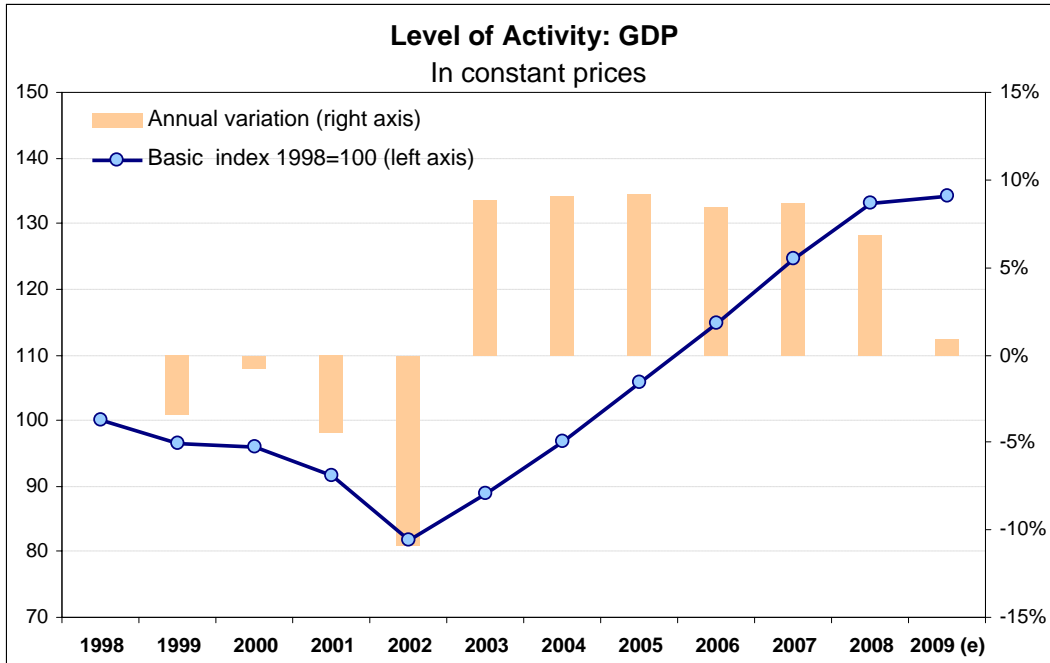
**Alternate Syndics**

Juan Carlos Pitrelli  
Andrea Barbagelata  
Alberto Luis Tessadro

ANNUAL REPORT OF TRANSPORTADORA DE GAS DEL NORTE S.A., CORRESPONDING TO THE EIGHTEENTH FISCAL YEAR INITIATED ON JANUARY 1, 2009 AND ENDED ON DECEMBER 31, 2009

MACROECONOMIC CONTEXT

After six consecutive years of growth at annual rates higher than 5%, the Argentine economy showed a slight increase in the estimated level of activity of approximately 0.9%.

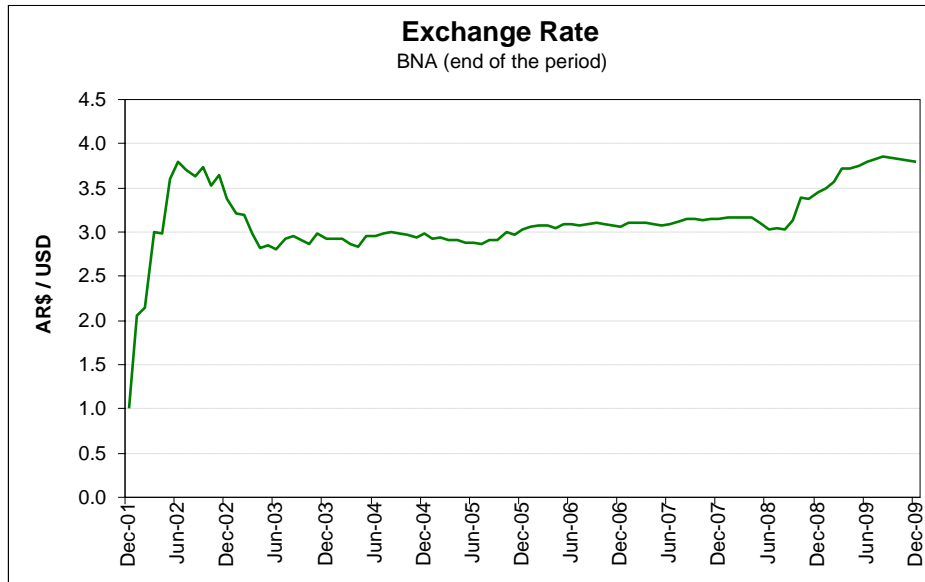


Source: MECON/ INDEC  
(e) Estimated value

On the international level, after the late 2008 financial crisis, economic activity has begun to favorably stir with positive signs in the US, EU and Japan, encouraged by expansionary government policies, which seem to indicate that the phase of contracting economies might be over.

While the currencies of most world economies have risen against the dollar, the Argentine peso continued to depreciate, reaching an exchange rate of \$3.8 per US\$ in December 2009 (a devaluation of 10% p.a.). In the past few years, several factors have led to an important capital flight and to increases in the foreign currency position of economic agents. Towards the end of 2009, however, devaluation expectations lowered, slowing down the capital flight. The financial conditions in Argentina have improved, showing a slight decrease in the dollar market price, an increase in peso-denominated deposits and in the price of securities, and a lower country risk level.

In December 2009 the government announced that it would pay the current public debt falling due in 2010 in that year with Central Bank exceeding reserves for approximately \$ 6,500 million, through the creation of the "Bicentennial Fund for Debt-Shedding and Economic Stability". Thus, creditors could request the early payment of their coupons, accepting a discount. This fund was subsequently derogated and substituted by a "Debt-Shedding Fund", affecting exceeding Central Bank reserves for a similar amount in order to honor financial debt with international institutions and private creditors. Likewise, 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), together with possible negotiations with the IMF and the Club de Paris.



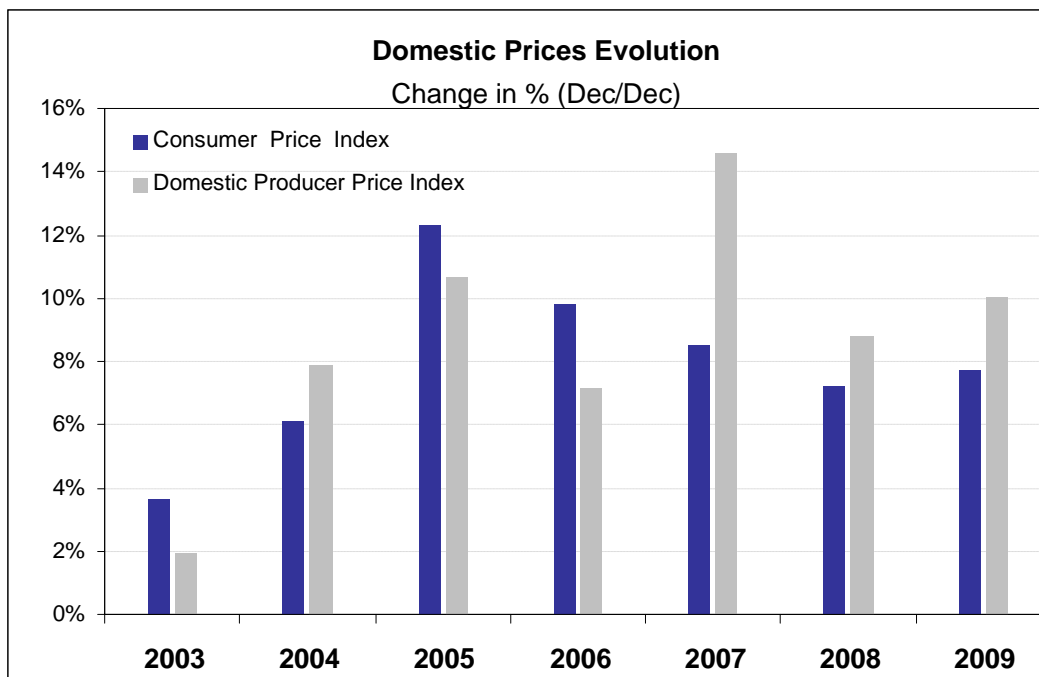
Source: BNA

As regards taxes, deteriorating public accounts in 2009 led to a significant fall in the primary fiscal surplus and a deficit in the financial results. It should be mentioned that the tax position of the Provinces is even worse.

In relation to the Balance of Trade, at December 2009 there was a fall in exports and imports of 20% and 32%, respectively compared to December 2008. Therefore, since the decrease in imports was higher than the decrease in exports, the commercial surplus was 35% higher than that of the same period of the previous year. The fall in exports was recorded mainly in commodities (-43%) and fuels and energy (-24%). Imports registered a widespread decrease in all the economic uses, mainly in intermediate goods (-38%), fuels and lubricants (-40%), passenger vehicles (-35%) and capital assets (-30%).

At December 2009, the INDEC (National Institute of Statistics and Census) reported an increase in the unemployment rate of 15% compared with the same period of the previous year, reaching 8.4% in December. This situation caused more social conflicts, which were reflected in protests, roadblocks and strikes by different social sectors.

As for the variations in domestic prices, the Consumer Price Index (CPI) recorded an annual variation of 7.7% (December 2009 as against December 2008), while the Industrial Wholesale Price Index (WPI) increased 10%, according to information published by the INDEC.



Source: MECON/ INDEC

Lastly, the negotiation of the utility contracts is still pending, a matter which, in an environment where 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; even its participation in the energy matrix is approximately 30% higher than the average in the region.

Supply for primary energy by source (2008) [%]:

	Oil	Natural Gas	Coal	Nuclear Energy	Hydro-electricity
USA	38.5	26.1	24.6	8.4	2.5
Canada	30.9	27.3	10.0	6.4	25.4
Mexico	52.8	35.5	5.3	1.4	5.1
<b>Total North America</b>	<b>38.5</b>	<b>26.8</b>	<b>21.7</b>	<b>7.7</b>	<b>5.3</b>
Argentina	32.4	53.6	0.5	2.2	11.3
Brazil	46.2	9.9	6.4	1.4	36.1
Chile	60.5	8.4	11.6	0.0	19.5
Colombia	35.5	24.3	7.5	0.0	32.6
Ecuador	75.2	4.1	0.0	0.0	20.7
Peru	49.4	19.2	3.4	0.0	28.0
Venezuela	40.0	35.8	0.0	0.0	24.1
Others, South and Central America	58.2	21.6	2.0	0.0	18.2
<b>Total South and Central America</b>	<b>46.6</b>	<b>22.2</b>	<b>4.0</b>	<b>0.8</b>	<b>26.3</b>

Source: BP Statistical Review of World Energy

Since the privatization of the natural gas utility service at the end of 1992 and until 2009, an accumulated growth of 84% in the domestic consumption of the fluid has been recorded, with a 241% growth in the demand for CNG and a

59% growth in industrial consumption. Also, the segment of electricity generation recorded an important increase of 119%, due to the intensification of electric power consumption recorded in this period and the growth of the thermo-electrical sector.

Local gas consumption (1) - Millions of m<sup>3</sup>/day:

	1993	1995	1997	1998	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Residential (2)	16.2	16.5	16.6	16.9	20.0	19.3	19.3	20.1	20.1	21.8	21.7	26.5	25.1	25.1
Commercial	2.4	2.6	2.7	2.6	2.9	2.8	2.7	2.8	3.1	3.1	3.0	3.4	3.3	3.5
Industrial (3)	18.0	21.0	22.9	23.6	23.2	22.7	22.9	25.3	26.5	27.2	29.9	29.7	30.2	28.5
Electricity generators	16.3	19.6	23.6	23.4	29.8	24.4	21.3	24.0	28.3	29.3	31.2	33.4	35.5	35.7
CNG	2.1	2.8	3.5	3.9	4.6	5.1	5.6	7.2	8.3	8.7	8.3	7.8	7.5	7.1
Others (4)	9.2	10.5	9.2	10.7	10.4	14.3	16.0	19.5	21.0	21.4	19.7	18.6	19.0	18.0
<b>Total commercial use</b>	<b>64.2</b>	<b>73.0</b>	<b>78.5</b>	<b>81.1</b>	<b>90.9</b>	<b>88.6</b>	<b>87.8</b>	<b>98.9</b>	<b>107.3</b>	<b>111.5</b>	<b>113.8</b>	<b>119.4</b>	<b>120.6</b>	<b>117.9</b>
Fields consumption and retained in pipelines	6.9	7.7	10.8	11.9	13.9	13.6	14.0	14.7	15.3	15.5	15.5	17.5	16.3	15.7
<b>Total</b>	<b>71.0</b>	<b>80.7</b>	<b>89.3</b>	<b>93.0</b>	<b>104.7</b>	<b>102.1</b>	<b>101.8</b>	<b>113.6</b>	<b>122.5</b>	<b>127.0</b>	<b>129.4</b>	<b>136.9</b>	<b>136.9</b>	<b>133.6</b>
Index	100	114	126	131	147	144	144	160	173	179	182	193	193	188

(1) Includes commercial off system by-pass and physical 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 Patagonia pipelines.

Source: ENARGAS and Secretariat of Energy

Residential and commercial consumption of natural gas did not show significant variations compared to 2008.

Worldwide economic crisis initiated in late 2008 and continued during most of 2009, also affected the local economy, having a negative impact on the industrial sector with a decrease in gas consumption of 6% compared with 2008.

The negative trend in CNG consumption continued in 2009 for the fourth consecutive year, recording similar absolute values as in 2003.

Electricity offer (generation, not including imports) to domestic market decreased by 1.2% in 2009, which contrasts with a 5.3% growth in 2008. Gas consumption for electricity generation remained steady compared to the previous year. Decrease electricity offer is mainly due to the general decline suffered by domestic economy as a consequence of the worldwide economic crisis.

In 2009, the annual production of natural gas was 48 thousand MMm<sup>3</sup>, 56% of those coming from the Neuquen basin, 20% from the Austral basin, 13% from the Northwestern basin and 11% from the San Jorge Gulf basin. Total production was 4% lower than 2008. Likewise, reserves continue its downward trend due to the decrease in exploration activities.

In late 2008 proved reserves of natural gas were 355 thousand MMm<sup>3</sup> (last published data) and at that date, current reserve horizon, considering that year's production, was 7.1 years.

Proven reserves of natural gas in Argentina at the end of 2009 were 355 MMMm<sup>3</sup>, and the current horizon of reserves is 7.1 years, based on 2008 production.

Natural gas - Reserves and Production at December 2008 [Millions of cubic meters]

Basin	Proved reserves	Provable reserves	Proved +50% Provable	Production	Horizon: [Proved reserves/Production] (Years)
Austral	103,960	45,534	126,727	8,951	11.6
San Jorge	37,574	15,869	45,509	4,950	7.6
Gulf					
Neuquén	157,530	48,840	181,950	29,410	5.4
Northwestern	55,511	8,840	59,931	6,861	8.1
<b>TOTAL ARGENTINA</b>	<b>354,575</b>	<b>119,084</b>	<b>414,117</b>	<b>50,172</b>	<b>7.1</b>

Source: Energy Secretariat

National 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; 2.3% in 2008 and 4.8% in 2009. Additionally, a Liquefied Natural Gas replenishment tanker (LNG) connected to the Bahía Blanca node in the winter of 2008 contributed injections for 1% of the system annual supply. The same operation was carried out in 2009, contributing injections for 2% of the system annual supply. 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 significant state regulation, based on the Gas Law No. 24076 ("Gas Law") and exercised by the National Gas Regulation Agency ("ENARGAS").

In January 2002 the Public Emergency and Exchange System Reform Law N° 25561 ('LEP') unilaterally modified the rate regime established in the License Contracts celebrated in 1992 between the National Government and the licensees which provided the services of natural gas carriage and distribution within the framework of Gas Law, after stipulating pesification of the rates and ceasing the quarterly adjustment for PPI.

***License renegotiation***

Subsequently, the National Executive Branch ("PEN") issued Decree No. 293/02, whereby the Ministry of Economy was put in charge of renegotiating the agreements. The original date set for finishing the process, for which norms and work plans had been established, was June 2002. However, renegotiation process is currently under way. The LEP was successively extended by the Argentine Congress to December 2011.

In July 2003, 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. This unit's duties, among others, include that of carrying out the process for the renegotiation of contracts established in the LEP, executing agreements subject to the concurrence of the Executive Branch, submitting legislative projects concerning possible rate adjustments, and preparing a Draft of the General Regulatory Framework.

In addition, Law N° 25790 has established that the decisions the 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 Executive Branch shall send the proposed renegotiation agreements to Congress and that 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 Executive Branch shall resume the renegotiation of the respective agreement".*

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 Argentine 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 Argentine 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 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, 2011, 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 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 Company is unaware of the reason why the Temporary Agreement has not been ratified by the Executive Branch; consequently, it has not yet come into force. TGN bore the cost of the work carried out. At December 31, 2009 no economic effects have been produced in relation to the Temporary Agreement.

At the date of issue of the financial statements of TGN for the year ended December 31, 2009, no significant progress has 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.

#### ***Intervention established by the ENARGAS***

For the reasons mentioned in section "**FINANCIAL SITUATION**" on December 22, 2008, it has been necessary for the Board of Directors of TGN to postpone the principal and interest payments that fell due in December 2008 and those falling due in 2009.

Although this decision was made to explicitly maintain the safe and reliable provision of the public utility natural gas carriage service (as called for by Gas Law No. 24076 and the LEP); the application of the going concern principle and ensure equal treatment to all its financial creditors, 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.

TGN filed an appeal against Resolution I/587 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 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. On March 23, 2009, Panel I of the Court of Appeals on administrative litigation in and for the City of Buenos Aires decided through a precautionary measure to: (i) suspend the effects of Resolution I/587 whereby the intervention in TGN was ordered and an intervener with powers of co-administration was appointed; (ii) maintain under the responsibility of the officer appointed by ENARGAS the 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; and (iii) order ENARGAS to return the minutes books to TGN which had been removed from the headquarters as a result of the intervention.

The intervention ordered in December 2008 was successively extended by ENARGAS until late April, 2010, being ENARGAS Resolution I/1085, dated February 26, 2010, currently in force. During that period, TGN continued rendering the public utility service under normal conditions without affecting its customers or users in general.

#### ***National Securities Commission ("CNV")***

On June 2010, the CNV initiated a summary process against TGN and some of its current and former members of the board of directors and syndics due to alleged infractions to CNV regulations and Law 19,550. The Company and its current and former authorities offered acquittals stating substantial inexistence of any infraction to regulations in force. A preliminary hearing was held on December 2009. At present, the CNV has to resolve on the evidence provided.

### **FINANCIAL SITUATION**

#### ***Debt payments postponement at December 2008***

In view of the continuous deterioration of the Company's economic and financial equation derived from the depreciation of the peso against fixed domestic rates, combined with a fall in revenues from gas carriage for export as a result of the restrictions on gas exports and the widespread cost increases in pesos and dollars, on December 22, 2008, it has been necessary for the Board of Directors of TGN to manage its resources to: (i) maintain the safe and reliable provision of the public utility natural gas carriage service; (ii) maintain the application of the going concern principle; and (iii) ensure equal treatment to all its financial creditors.

In this context, due to the above reasons and with such purpose, it has been necessary for TGN to postpone until due date the payments of capital and interest corresponding to Series A and B Corporate Bonds. At December 31, 2009 past due payments of capital amounted to US\$ 47.5 million. In addition, contractual and compensatory interest totaling US\$ 33.9 million was recorded.

**Breakdown of loans at December 31, 2009 and 2008 (in thousands of pesos)**

	31.12.09	31.12.08
Serie A Corporate Bonds:		
Principal	536,864	487,840
Interest	43,620	7,927
Compensatory	3,721	-
Serie B Corporate Bonds:		
Principal	773,794	703,135
Interest	77,380	14,063
Compensatory	3,938	-
<b>Total current</b>	<b>1,439,317</b>	<b>1,212,965</b>
<b>Total loans</b>	<b>1,439,317</b>	<b>1,212,965</b>

In line with current accounting standards and International Accounting Standard No. 1 (IAS 1), supplementary to Argentine accounting standards, the debts in default with maturity acceleration clauses are shown under current liabilities. The Company discloses its entire financial debt as current because, as set forth by the Trust Agreement regulating the terms and conditions of the restructured Corporate Bonds, the attempt to obtain approval from our creditors to reach an out-of-court reorganization agreement by any means shall automatically accelerate the maturity of principal on all Corporate Bonds to be restructured, plus accrued and unpaid interest, which automatically become due and payable.

**Implementation of a Global Program for the Issuance of Ordinary Non-convertible Corporate Bonds**

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, it was resolved the implementation of a new global program for the issuance of ordinary corporate bonds, non-convertible into shares, which qualify as bonds under the terms of Law No. 23576 (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 that 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. 15928 on July 17, 2008.

**Proposal for the restructuring of the financial debt**

On April 23, 2009 TGN announced the presentation of a swap offer and request for an Out-of-court Plan of Reorganization to fully restructure its financial liabilities which was subsequently improved and modified by a new offer and request for an Out-of-court Plan of Reorganization, issued on September 8, 2009 and opened until October 14, 2009 for the purpose of holding the meeting envisaged in section 45 bis of Law No. 24522 (the "Swap Offer"), as approved by the Company's Board of Directors on September 8, 2009.

The proposal consists of: (i) US\$ 141,279,932 for outstanding principal on Serie A Corporate Bonds issued by the Company; (ii) US\$ 203,630,111 for outstanding principal on Serie B Corporate Bonds issued by the Company; and (iii) US\$ 2,386,014 for unpaid principal balance due to service suppliers, pursuant to their respective commercial agreements (jointly, the "Outstanding Debt").

In relation to the restructuring proposal and subject to compliance with certain conditions, each Outstanding Debt holder will receive, at its option:

- Cash Option

A cash payment in US dollars at a purchase price of US\$ 400 for each US\$ 1,000 of the amount of principal on the Outstanding Debt allocated at the Cash Option, subject to proration and reallocation mechanisms. The maximum amount of cash available to redeem the Outstanding Debt under the Cash Option is US\$ 40 million, subject to increases under certain circumstances.

- Swap at Par Option

US\$ 1,000 of principal of the new Corporate Bonds at Par for each US\$ 1,000 of the amount of principal on the Outstanding Debt allocated to the Swap at Par Option, subject to proration and reallocation mechanisms. TGN will issue up to US\$ 247.3 million of Corporate Bonds at Par. The Corporate Bonds at Par shall be amortized over 7 years and accrue interest at a step-up rate ranging between 6.50% and 8.50% per annum, payable quarterly in arrears. Out of the total interest accrued in each period, TGN shall pay at least 3.5% in cash and may capitalize the difference if it does not have the necessary funds. Principal shall be amortized semi-annually starting as from the fifth year.

As a result of the statements made by the Bondholders of TGN at the bondholders' meeting held on October 14, 2009 (pursuant to Section 45 bis of Law No. 24,522), convened by the Court of Original Jurisdiction on Commercial Matters No. 2, Clerk's Office No. 4, in the case entitled "Transportadora de Gas del Norte S.A., Out-of-court Plan of Reorganization (*Acuerdo Preventivo Extrajudicial*)", TGN's plan of reorganization was approved by a majority of votes, representative of 87.95%, computed out of the total number of bondholders in attendance who cast their vote at this meeting.

Considering consents issued by creditors not present in that meeting (including late consents), the Swap Offer was accepted by 87.97% of creditors, computed based on the total liabilities subject to restructuring.

On October 26, 2009 the Court of Original Jurisdiction on Commercial Matters No. 2, Clerk's Office No. 4, ordered that the pertinent legal notices be published, as prescribed by Section 74 of the Bankruptcy and Insolvency Law, all pecuniary actions filed against TGN having been stayed, with the exceptions of the actions established by section 21 of that law.

On November 30, 2009 TGN was notified of the fact that, upon expiration of the time frame envisaged in Section 75 of the Bankruptcy and Insolvency Law, the Out-of-court Reorganization Agreement subject to confirmation by the court had been contested by private creditors which as a whole represented approximately 2.4% of the total liabilities subject to restructuring.

On December 30, 2009 the Company was served notice of a resolution adopted by the Court of Original Jurisdiction on Commercial Matters No. 2, Clerk's Office No. 4, which provided as follows: (i) to sustain the preliminary injunction requested by ANSeS, in its capacity as financial creditor, and preventatively stay the effects of the resolutions adopted at the bondholders' meetings held on October 14 and 16, 2009; (ii) to provisionally leave without effect the resolution adopted on October 26, 2009 which had ordered that all pecuniary actions filed against TGN were stayed; (iii) to suspend the treatment of the denunciations and objections to the Out-of-court Plan of Reorganization and the issuance of the order confirming the plan; and (iv) to suspend all administrative formalities for the authorization of the public offering of the new corporate bonds.

After authorization was obtained to file action during the legal holiday, TGN appealed said preliminary injunction (the appeal was granted with the effect of appeal process in sending the court file to appellate court, with no stay of decision) and obtained the reinstatement for thirty juridical days of the restriction on the disposition of the funds subject to court attachments in the executory proceedings

On January 21, 2010, TGN was notified of a resolution adopted by the Legal Holiday Panel of the Commercial Court of Appeals, whereby the appeal lodged by TGN was sustained, partially revoking the preliminary injunction with the

consequent reinstatement of the resolution adopted on October 26, 2009 which had ordered that all pecuniary actions against TGN were stayed. In addition, the Legal Holiday Panel established that the other issues appealed by TGN be resolved by the court hearing the case.

Lastly, the Out-of-court Plan of Reorganization foresees certain grounds for automatic rescission of the plan of reorganization (APE, Section 10.1(a)), and other grounds which allow creditors that have already given their consent to the terms and conditions of the said plan the possibility of rescinding it at their exclusive discretion (APE, Section 10.1(b)).

#### **THE ACTIVITY OF TGN**

With its 6,062 km pipelines, TGN is a company engaged in carrying natural gas via high-pressure pipelines to 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 gas distributors, and numerous electricity generation plants and industries, located across 14 Argentine provinces.

TGN's system is connected to: Gas Andes and NorAndino pipelines, which carry gas to central and north Chile, respectively; Entrerriano pipeline, which carries gas to the Province of Entre Ríos and the Uruguayan riverside; and Transportadora de Gas del Mercosur S.A.'s pipeline which carries gas to southern Brazil.

Since the beginning of its activities in 1992, TGN expanded its carrying capacity from 22.6 MMm<sup>3</sup>/day to 54.4 MMm<sup>3</sup>/day<sup>1</sup>, which represents an increase of more than 141%. The expansions, as well as the numerous maintenance and system reliability works, required investments of approximately US\$ 1,166 million by TGN.

In physical terms, this expansion 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.

In 2004, two financial trusts were created by TGN within the framework of a program to expand the Central-Western Pipeline, which added 30 kms of pipelines increasing the carrying capacity by 0.55MMm<sup>3</sup>/day.

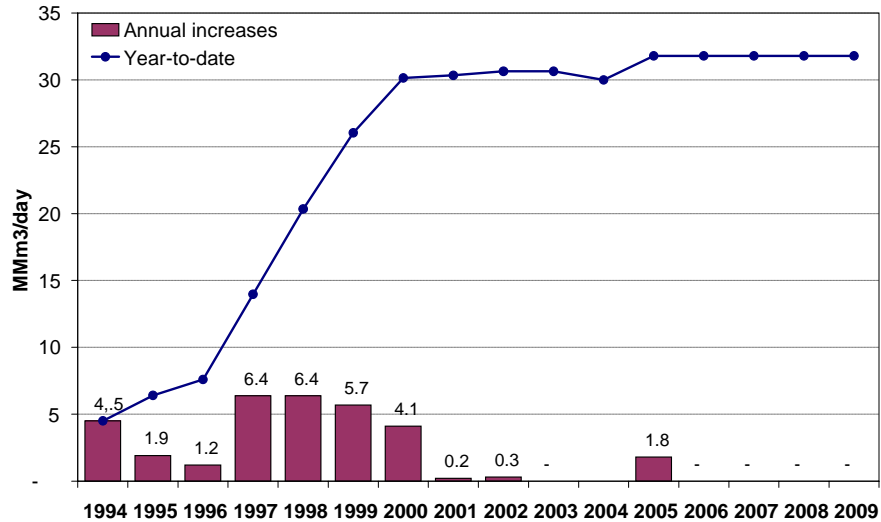
Additionally, TGN acted as Project Manager of the 2005 *Expansion* applying the financial trust methodology created by the Argentine Government, which thereby added 211 kms of gas pipelines, 25,710 HP and 3 turbo-compressor units.

Since late 2007, the first phase of the new expansion plan organized by the Argentine Government took place in the form of trusts based on Decree No. 180/04. In this 2006 - 2008 *Expansion Plan*, TGN acted as Project Manager. The works placed into operation at December 2009 consisted of building 347 kms of gas pipelines and two new compressor plants of 10,310-HP each. These work projects allowed increasing the carrying capacity of the Northern Gas Pipeline by 1.5 MMm<sup>3</sup>/day between the Lumbreras compressor plant and the Litoral delivery region and final sections; plus 1.404 MMm<sup>3</sup>/day of the Central-Western Gas Pipeline between the Beazley compressor plant and La Dormida measurement and regulation station (in the Cuyo region). Further, progress (although at different rates of progress) was made in the construction of 4 gas pipeline sections and a new compressor plant.

#### **New carrying capacity - Annual and accumulated [MMm<sup>3</sup>/day]**

---

<sup>1</sup> Does not include 1.5 MMm<sup>3</sup>/d corresponding to the first stage known as Hito AP of the 2006-2008 *Extensions*, since this capacity was put into operation between sections rather than from the intake.



#### Evolution of the TGN system

	Units	1994 - 1995	1996 - 1997	1998 - 1999	2000 - 2001	2002 - 2003	2004 - 2005	2006 - 2007	2008 - 2009	Totals
New added pipelines	km	242	455	168	380	-	309	-	347	1,901
Added compression capacity	HP	27,600	-	90,800	21,600	-	33,410	-	20,620	194,030
Increase in capacity	MMm³/d	6.4	7.6	12.1	4.3	0.3	1.2	-	-	31.9

At this year end, the Company's firm carrying contracts totaled 53.36 MMm<sup>3</sup>/day, 22.57 MMm<sup>3</sup>/day of which corresponded to the Northern System and 30.79 MMm<sup>3</sup>/day, to the Central-Western Pipeline System. In addition, the Company has 4.3 MMm<sup>3</sup>/day of firm contracts on partial routes.

In the context of the current difficulties in the process of restoring 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 allowed to keep providing the quality and reliability of the natural gas service for large sectors of our economy.

#### MAIN OPERATIONAL ISSUES

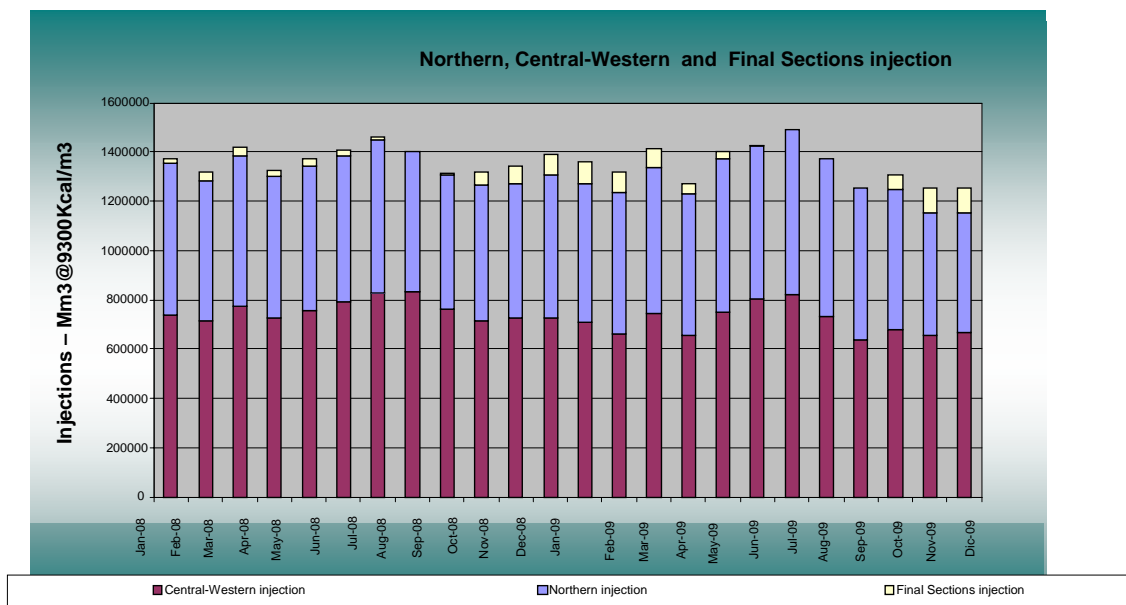
##### Gas carriage

The annual carried volume during the year reached a value of 17,800 x MMm<sup>3</sup>, representing an average of 48.7 MMm<sup>3</sup>/day.

Compared with the previous year, the injection to the Neuquina basin was reduced from 24.9 MMm<sup>3</sup>/day to 23.7 MMm<sup>3</sup>/day (a 4.8% difference), whereas the injection to the North basin increased to 0.7 MMm<sup>3</sup>/day (3.7%) due to the increase in the gas injections from Bolivia, volumes which increased from 2.5 MMm<sup>3</sup>/day to 4.6 MMm<sup>3</sup>/day, reaching peaks of 6 x MMm<sup>3</sup>/day during winter.

Exports related to Neuquén injections decreased to 0.9 MMm<sup>3</sup>/day, representing a 46.6% reduction compared to 2008. This was due in part to the shrinkage in production as well as the start up of the LNG regasification projects in Chile during the second half of the year. Exports related to the NorAndino Pipelines increased 100% compared with the previous year.

Gas dispatch operations were characterized, as in 2007 and 2008, by an active presence and participation of officers of ENARGAS and the Ministry of Federal Planning, Public Investment and Services in the decision-making process about dispatch guidelines.



### ***Redirecting of the carrying 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 carrying capacity volume which originally corresponded to the firm carrying contract entered into by and between TGN and YPF S.A. ("YPF") in 1998 for up to 2.8 MM<sup>3</sup>/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 YPF's request, the ENARGAS issued two resolutions establishing: (i) the extension of the abovementioned reassignments 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 carriage 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 been 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 upon the Company's vested rights.

In April 2007 the ENARGAS renewed for the term of one year, the redirecting of the carrying capacity to Gasnea and Redengas for a volume of firm carrying capacity equal to 0.770 MM<sup>3</sup>/day.

In May 2007 the ENARGAS instructed TGN to apportion the reallocation of certain carrying 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 partially modified its prior decisions approving a criterion for flexible redirecting for the benefit of GasNea, Ecogás Cuyo and Redengás, according to which the uninterrupted demand from those entities which exceeds their firm capacity contracted with TGN shall be satisfied affecting the abovementioned YPF carriage contract or the export contracts with delivery in La Mora where necessary, as a result of the unavailable carriage 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 MMm<sup>3</sup>/day.

In April 2009, ENARGAS extended the effects of the 2008 regulatory order for a year and increased the volumes redirected to GasNea, Ecogás Cuyo and Redengás for up to 0.825 MMm<sup>3</sup>/day, 0.241 MMm<sup>3</sup>/day and 1.180 MMm<sup>3</sup>/day, respectively.

The regulatory order establishes that payments YPF is to make to TGN by virtue of that mechanism shall include a deduction arising from the carrying 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 rate for the firm service. It should be noted that from 2004 to the present, TGN had no need to redirect the carrying capacity contracted by YPF, which has always been made available to the loader.

#### ***Drop in the Company's revenues***

After the increase in the domestic demand for gas and the simultaneous decline in production and reserves, the Argentine government took measures, which still apply, to secure that the natural gas supply would be primarily destined to meet that demand. This included restrictions on gas exports, which adversely affected the sales of gas carriage 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, with the suspension of payment as the most aggressive tactic.

#### ***Eléctrica Santiago S.A.***

In February 2008, the Chilean customer Eléctrica Santiago S.A. ("ESSA") communicated to TGN its unilateral decision to terminate the firm carrying contract, arguing the alleged impossibility of fulfillment of the contractual purpose, and thus informed that it was ceasing to pay the applicable rate with effect as from January 1, 2008. TGN rejected this line of argument and demanded ESSA compliance with the contract. TGN is still making the hired carrying capacity available to ESSA and issuing invoices for the service rendered. Considering the current rate as of December 31, 2009, annual firm carrying service invoiced amount to US\$ 9.7 million.

In March 2008, the Company was notified of the claim filed by ESSA against TGN before the ENARGAS, invoking the jurisdictional powers of that entity under section 66 of Law No. 24076. The purpose of the controversy is to request the ENARGAS to declare the termination of the firm carriage 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 carriage is impossible to fulfill, due to-according to ESSA- the unforeseeable extinction of their right to have natural gas liable to be exported from Argentina. In the alternative, ESSA alleges the frustration of the contract and requests that ENARGAS establish a special rate applicable to a reserve of carrying capacity that cannot be used due to a 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 accepted the motion filed by TGN but ENARGAS responded that it lacked jurisdiction over the claim filed by ESSA.

In December 2008, the Company filed action before the federal and commercial court for collection of pesos, and ordered ESSA to pay US\$ 0.8 million, plus interest and costs, corresponding to the January 2008 invoice, reserving the right to increase the amount claimed as accumulate unpaid invoices.

On November 19, 2009 new claims were added for the sum of US\$ 9.2 million, corresponding to the invoices for the carriage services provided between February and December 2008.

Nevertheless, TGN S.A. continued to claim prompt payment from ESSA of the unpaid invoices. Further, mediation was initiated in February 2009 for the collection of the unpaid invoices for the carriage services rendered between February 2008 and January 2009. Included in the file were the abovementioned invoices, and the amount claimed was increased.

The invoices subsequent to the mediation process (February 2009 to December 2009) were claimed by TGN S.A. Moreover, all of the unpaid invoices may and will be added to the complaint in due course according to the legal strategy adopted at the time of its submission.

#### ***Colbún S.A.***

After paying under protest transport service invoices since October 2007, alleging unfulfillment of the agreement by TGN due to redirections ordered by national authorities, Colbun S.A. register unpaid balances corresponding to carrying services invoices from September 2009. Additionally, on October 13, 2009 a prejudicial mediation process was started by Colbún S.A., who pretends contract termination. This mediation process is currently suspended due to commercial negotiations that are being conducted in order to solve the controversy.

#### ***Compañía Eléctrica San Isidro***

In February 2009, Compañía Eléctrica San Isidro ("CESI") requested a mediation to negotiate the "readjustment of the gas carriage contract or in the alternative its termination". Its argument was based on the alleged excessive burden of the contract for the restrictions to gas exports and the imposition of Gas Trust Charges, falling within the doctrine of the unforeseeability of events.

In September 2009, TGN and CESI entered into a compromise and settlement which put an end to the dispute between the two parties in relation to the firm natural gas carriage contract signed by them.

In essence, the Compromise and Settlement (which is subject to the approval of the Board of Directors of CESI) sets forth as follows: (i) the Contract shall expire on December 31, 2013; (ii) initially, the hired capacity shall be reduced to 600,000 m3/d, and from April 30, 2011 to the termination of the Contract, the firm capacity shall be restored at 1,684,000 m3/d, but CESI shall have the option to reduce it up to a floor of 10,000 m3/d per annum; and (iii) CESI shall pay TGN a variable compensation amount, according to effectively used carrying capacity, in 54 monthly consecutive installments until January 2014. Adding together the compensation and gas carriage, TGN ensures monthly PPI-adjusted revenues of US\$ 0.9 million until that date.

As a result of the Compromise and Settlement, TGN shall cease to receive the revenues agreed under the Contract from February 2014 to October 2023 (US\$ 0.7

million per month, at the currently applicable rate); in exchange for this, TGN shall collect the monthly revenues described in point (iii) supra, which will ultimately produce a negative net effect on its expected cash flows.

**YPF S.A.**

In view of the redirecting of the carrying capacity established by the ENARGAS, as referred to above, YPF S.A. ("YPF") started irregularly paying 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 (unreasonably in the opinion of TGN) on the grounds that the measures adopted by the Argentine Government in relation to gas exports had affected the economic and financial equation of that contract in an unforeseen manner. TGN rejected these allegations and demanded compliance.

Despite the change in the criterion applied since April 2008 as regards the redirecting of capacity established by the ENARGAS (which changed from a redirecting of fixed or flat volumes to a flexible redirecting, based on the actual daily need), YPF continued experiencing delays since it partially paid the invoices for carriage services. From 2004 to date, TGN has always provided YPF with the firm carrying capacity and has never restricted the deliveries to YPF or the carriers involved as a result of the reallocations of flat or flexible capacity.

Since February 2009, YPF stopped paying all the invoices issued for the firm carriage services. On April 20, 2009 TGN filed a complaint against YPF before the federal civil and commercial court seeking specific performance of the firm gas carriage contract and requesting that judgment be entered for the plaintiff in the amount of US\$ 30.4 million for the invoices issued for the provision of natural gas firm carriage service, plus interest, expressly reserving the right to increase the amount.

In spite of the filing of the complaint, TGN continues to claim on a monthly basis from YPF payment of the unpaid invoices corresponding to carriage services.

On August 2009, YPF filed a presentation at the ENARGAS seeking termination of the gas firm carriage contract from September 15, 2009, due to: (i) alleged YPF's impossibility to use the service and TGN's impossibility to provide the export gas carriage service, in the conditions stated in the agreement (ii) YPF's contractual obligations became too burdensome. TGN answered the complaint and filed a motion challenging the jurisdiction of the ENARGAS, considering that the complaint filed by YPF exceeds ENARGAS' special jurisdiction.

**Metrogás Chile S.A.**

On many occasions, Metrogás Chile S.A. ("Metrogás") objected to the export restriction methodology and the acceptance by TGN of the instructions from the Argentine authorities.

In early 2009 Metrogás filed declaratory action with the administrative litigation court so that the participating court may resolve that, in view of the gas shortage, the firm carriage was no longer "for export" and consequently the applicable rate was the pesified rate prevailing in the domestic market. In May 2009 TGN answered the declaratory action requesting that it be rejected. It also filed motion for plaintiff with no place of residence or real property of its own in Argentina to place a bond to cover the costs of the suit; motion to dismiss an alleged lack of jurisdiction; and a motion based on a lack of standing to be sued.

In mid September 2009 Metrogás claimed payment of US\$ 238 million for alleged damages based on previous objections to the dispatch operations and the restrictions on exports imposed by the authorities. As TGN had rejected this claim because it considered it unfounded, on September 29, 2009 Metrogás

announced its decision to rescind the firm carriage contract it had signed with TGN.

Subsequently, on December 29, 2009, Metrogás convened an off-court mediation hearing with TGN to be held on February 23, 2010 in the Autonomous City of Buenos Aires, which was postponed until March 18, 2010.

#### ***Maintenance and integrity of premises***

This year the Company performed a series of activities aimed at maintaining and improving its operating assets both surface and buried. The availability and reliability indicators reached percentages of 93.7% and 97.0%, respectively, which exceed current regulatory requirements. The following works were done on gas pipelines:

- The interconnection of four new suspension bridges with a span of 70m each over water crossings in the Province of Salta.
- Conditioning of water crossings over De las Piedras, Grande and San Lorenzo rivers in the province of Jujuy.
- Removal of bleeders at the Campo Durán station in the province of Salta.
- Separation of the pipelines known as Lines 1000 and 8000 in the Beazley Compressor Plant of the Central-Western System.

With regard to the compression premises, overhauls of 6 motor-compressors and 4 turbo-compressors were performed.

Additionally, TGN continued to develop its integrity program to control risks and threatens in the carriage system, in order to guarantee a high level of personnel security and service reliability. The most significant points in this program are the following:

- Set up of 4 new cathodic protection equipments and new dipersors.
- Change of coating of 64 km pipelines in the Northern System.
- Change of two pipeline sections for Line Class in Lastenia, Province of Tucumán, of 2,500m each.
- Performance of 10 inspections of the pipeline sections between Recreo and Dean Funes Compressor Plants and of 2 inspections for purposes of integrity in the section between Tucumán and Lavalle Plants.
- Passage of instruments through a total of approximately 900 km of pipelines for inspection in sections of the Northern and Central-Western Systems.

Actions under the Program for the Prevention of Damage by Third Parties continued, which included the eradication of 14 constructions situated in the security strip and the replacement of posters with "no excavation" warnings to protect underground pipelines. Adequate contact with landowners was maintained.

#### **QUALITY, SAFETY AND ENVIRONMENT**

During the year, the Company continued applying its practices defined within the framework of the integrated policies designed for previous years, which improved their implementation and the fulfillment of the respective objectives.

Compliance with Quality, Safety and Environmental policies and requirements led to the awarding in March 2009 of the Integrated Operation Management Certificate under ISO 9001, OHSAS 18001 and ISO 4001 standards. Subsequently, last September, the certification body Det Norske Veritas (DNV) confirmed compliance with the above international standards.

As regards Safety, specific prevention and training activities continued to be performed, both for Company personnel and contractors, to achieve the goals established in terms of labor and road safety. In relation to Health, the most important activity of the year was the implementation of a program to

prevent and control Endemic Flu (Gripe A), which ended with satisfactory results, mitigating the risks of transmission among employees and enabling the normal performance of operating activities.

The activities in the safety and environmental fields were also part of the Enlargements 2006 - 2008 projects. TGN in its role of Technical Project Manager continued leading the Safety Executive Committee and controlling the safety and environmental issues of the project through an audit plan.

As for Industrial Risk Management, the program to identify and evaluate operational risks at compressor plants was in ongoing development. The Company continued with the campaign to raise awareness of environmental protection, the systematic program for identifying issues and assessing the environmental impact on operating and maintenance activities. In addition, the Company continued participating in interdisciplinary forums (CEADS, IAPG, Sustainable Future, Professional Councils, etc.), which allowed the exchange of experiences with industry experts.

#### **TECHNOLOGY, SYSTEMS AND COMMUNICATIONS MANAGEMENT**

The IT projects carried out during 2009 were aimed at consolidating the updating process commenced in 2007 and maintaining the standard of service throughout time, in line with the demands of the activities of the Company and directly focusing on the operative issues.

In the area of communications, the third phase of an important project aimed at completely renewing the communication systems was completed, replacing all radio equipment and radiant systems that comprise TGN trunk communications network between Buenos Aires and the San Jerónimo Plant. The supporting structures of the antennas used between the Tucumán Plant and Campo Durán Plant Intake were adapted to the new equipment which will be installed next year.

A second important project in the area of communications consisted in replacing the telephone system of the San Jerónimo, Dean Funes, Tucumán, Miraflores, Beazley, Pichanal and Alvear plants for the new IP technology.

In the operative technology area, the main activity was the migration of SCADA in the Nor Andino Pipeline to the system used by the Company, thus immediately obtaining benefits for both companies.

#### **HUMAN RESOURCES**

The policies aimed at improving personnel through internal and external training continued during fiscal year 2009 by specific programs. It should be mentioned that the Knowledge Transfer Center completed its first year of courses for TGN personnel, using highly experienced instructors who are members of TGN personnel, with 37 training courses taken by 333 employees for 3,100 man hours.

During the year, TGN personnel completed 2,200 man hours of training in technical and managerial skills.

The implementation of a Performance Assessment Process helped to establish a clear policy for recognizing achievements, assessing performance, exploiting the potential of the staff and setting objectives for 2010.

A "Mentoring Program" was developed in which 12 managers and 22 employees participated in the first stage, whose purpose was to gain a greater commitment from the persons selected by the organization.

The programs *Leadership Development* (with 44 participants) and *Professional Development* (with 81 participants) aimed at strengthening and developing those skills and the capabilities considered important for the Company and its personnel were concluded.

A Comprehensive Plan was implemented to improve communication with the staff, such as renewing the Company's Newsletter, new bulletin boards, internal campaigns for specific actions, mailings, etc.

#### **CORPORATE SOCIAL RESPONSIBILITY**

TGN continued with its efforts to strengthen its social responsibility management despite the economic and financial challenges it faced. It continued with its policy to contribute to improving the environment where it carries out its operations promoting dialogue with different stakeholders: suppliers, employees, neighboring communities, customers, government entities and non-governmental organizations.

It delved deeper to create an inclusive business scenario in relation to its "Value Chain" program in its areas of influence in the northwestern region of Argentina. Activities were carried out to develop entrepreneurial and managerial skills of social players, with the potential to become service providers.

Along the Central-Western Gas Pipeline section, in the provinces of San Luis, La Pampa, Mendoza and Neuquén, projects were carried out with the participation of the educational community -teachers, parents and students-, as part of the local community.

Programs and actions were designed with the following topics:

- Environment
  
- Citizens - Children's rights
  
- Strengthening of institutions (coexistence)
  
- Safety and prevention of incidents

The "Educar para la Convivencia" project was continued through discussions at workshops of the twenty six "Basic rules of coexistence" as part of the campaign.

In Misión La Loma, in the city of Embarcación, province of Salta, the Company continued working with the wichi, toba and guaraní ethnic communities to promote the prevention of diseases and find methods of organization aimed at improving the quality of life.

In June 2009, TGN was selected again to form the Board Committee of the network of Argentine companies under the Global Compact, an initiative within the framework of the United Nations Development Program. It shares responsibility in this initiative with other important businesses operating in Argentina.

#### **REMUNERATION POLICY**

The Board remuneration is fixed for each fiscal year by the Meeting of Shareholders. The salary policy for the upper echelon 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 performance and the accomplishment of goals.

The Company's policy does not envisage stock options plans or of other type for its employees.

## DECISION-MAKING POLICY

The Bylaws provide that the Board of Directors of the Company shall be composed of 14 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 14 directors: (i) 9 regular directors and their respective alternate directors are appointed by Class A shares at a Special Meeting of that class; (ii) 4 regular directors and their respective alternate directors are appointed by Class B shares at a Special Meeting of that class; and (iii) 1 regular director and his respective alternate director are appointed by Class C shares at a Special Meeting of that class. At least 1 Class A director and 1 Class B director shall act as independent directors, in accordance with Decree No. 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. ("Gasinvest"), is empowered to appoint most of the regular and alternate Directors. Gasinvest'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. ("CGC"), Techint Compañía Técnica Internacional ("Techint") and Total Gas and Electricidad Argentina S.A. ("Total") (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,
- iv. Budgets, and any modification thereto,
- v. Increase or decrease of TGN Board and/or any other committee of the Company,
- vi. The issuance or redemption of TGN shares,
- vii. Dissolution, winding-up or reorganization proceedings of TGN,
- viii. 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,
- ix. Any investment of TGN in another company,
- x. 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 million in one or more operations within a six-month period,
- xi. Any material change in running TGN, and
- xii. 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 duty of the Executive Committee to analyze 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 parties 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 these 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 its 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 3 regular syndics and 3 alternate ones, of which: (i) 2 regular syndics and their alternate syndics are appointed at a Special Meeting of Class A and Class C shareholders acting jointly, at least 1 regular syndic being required to act as an independent syndic; and (ii) 1 regular syndic and his alternate syndic are appointed at a Special Meeting of Class B shareholders.

The Syndics' Committee shall hold its sessions in the presence of an absolute majority of its members, and its decisions are adopted by a 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 on 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 Transparency Regime contemplated in Decree No. 677/01, companies who publicly offer their shares must set up an Auditing Committee, within which there must be no less than three members of the Board, whose majority must be independent, as per the terms of CNV General Resolution No. 400/02.

During the fiscal year 2009, TGN's Auditing Committee performed the duties assigned to it under the law and its internal regulations, in line with an Annual Plan informed to the Board and the Syndics' Committee, and whose results are included in the report issued, as presented and published with the annual financial statements of the Company.

#### **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 Management and the rest of personnel, which has been designed to provide reasonable assurance that the objectives of the organization will be accomplished, with the efficacy and efficiency of the operations in mind, as well as 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, equity, legal, regulatory and IT systems-related risks. The Audit Committee of TGN is assisted by the Internal Audit Management raising awareness 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, 2009, 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, 2009 (in thousands of pesos):**

<b>Trade receivables</b>	
<b>Other related parties</b>	
Transportadora de Gas del Mercosur S.A.	3,818
<b>Total other related parties</b>	<b>3,818</b>

<b>Other receivables</b>	
<b>Parent company</b>	
Gasinvest S.A.	8
<b>Total parent company</b>	<b>8</b>
<b>Foreign related companies</b>	
Comgás Andina S.A.	1,569
Companhia Operadora de Rio Grande do Sul	245
<b>Total Foreign related companies</b>	<b>1,814</b>
<b>Other related parties</b>	
Tecgas N.V.	2
Transportadora de Gas del Mercosur S.A.	320
<b>Total Other related parties</b>	<b>322</b>
<b>Company's key managerial staff</b>	
Advance Directors' and Syndics' fees	1,372
<b>Total Company's key managerial staff</b>	<b>1,372</b>

<b>Trade payables</b>	
<b>Current</b>	
<b>Other related parties</b>	
Total Gas y Electricidad Argentina S.A.	4,574
Tecgas N.V.	4,329
Petronas Argentina S.A.	2,906
Compañía General de Combustibles S.A.	4,329
Transportadora de Gas del Mercosur S.A.	52
<b>Subtotal Foreign related companies</b>	<b>16,190</b>

<b>Other debts</b>	
<b>Company's key managerial staff</b>	
Directors' and Syndics' fees provision	1,385
<b>Total Company's key managerial staff</b>	<b>1,385</b>



Transactions for fiscal 2009 (in thousands of pesos):

<b><u>Parent company</u></b>	
<b>Other income and expenses, net</b>	
Gasinvest S.A.	25

<b><u>Foreign related companies</u></b>	
<b>Net sales</b>	
Comgás Andina S.A.	67
<b>Operating costs</b>	
Comgás Andina S.A.	(16)
<b>Other income and expenses, net</b>	
Comgás Andina S.A.	2

<b><u>Other related parties</u></b>	
<b>Net sales</b>	
Transportadora de Gas del Mercosur S.A.	3,145
<b>Operating costs</b>	
Total Gas y Electricidad Argentina S.A.	(5,793)
Tecgas N.V.	(3,048)
Compañía General de Combustibles S.A.	(3,048)
Transportadora de Gas del Mercosur S.A.	41
Petronás Argentina S.A.	(2,046)
<b>Total Operating costs</b>	<b>(13,894)</b>

<b>Expenses paid on behalf of third parties</b>	
Transportadora de Gas del Mercosur S.A.	111

<b><u>Company's key managerial staff</u></b>	
Fees for professional services	(1,182)

**REPORT ON THE CODE OF CORPORATE GOVERNANCE  
CHAPTER XXIII OF THE REGULATIONS OF THE NATIONAL SECURITIES COMMISSION**

As called for by Resolutions Nos. 516/07 and 544/08 of the CNV, this report for the fiscal year ended December 31, 2009 refers to the application of the recommendations envisaged in the Code of Corporate Governance issued by the CNV.

The Board of TGN shares the principles of the Code of Corporate Governance and considers that the performance of the administrative body conceptually conforms to the regulations of the said Code, although the method for its implementation may differ in certain cases.

***Issuer's relationship - Economic Group***

TGN transactions with related parties conform to current legal provisions, including their review by the Audit Committee. In the fiscal year ended December 31, 2009, TGN did not conduct any transactions with related parties for significant amounts.

During that period, the Company did not conduct any transactions with its administrators. Otherwise, the Company would have been subject to the provisions of Section 271 of Law N° 19,550.

***Inclusion in the Bylaws of the provisions of the Code of Corporate Governance***

The Board of TGN considers that the Bylaws are compatible with, and do not oppose to, any of the recommendations of the Code of Corporate Governance. For this reason, the Board does not consider appropriate to introduce reforms to the Bylaws in this instance.

It is also considered that the application of Law N° 19550 and Decree N° 677/01, together with the Code of Ethics approved by the Board, provide a legal framework sufficient to assess the performance of the Company's directors, syndics, managers and employees.

***Responsible for the Company Strategy***

The Board is the body responsible for administering the Company, and approves and monitors compliance with the Company's policies and strategies (including the corporate social responsibility policy), subject to the management control exercised by the Meeting of Shareholders.

To that end, the Board approves the business plans of the Company, which contain the management objectives and annual budget, prepared in conformity with the guidelines and macroeconomic assumptions each year.

The Board holds regular meetings to deal with the management reports drafted by the Management and monitor compliance with the established plans and budget, also analyzing the performance of the Management.

On a quarterly basis, together with the consideration of the financial statements, an in-depth analysis is made of the variables sustained in the preceding period and of those foreseen for the following period, informing the regulatory authorities, where applicable, of the changes and premises implemented.

***Management Control***

The Company Board verifies the implementation of the approved policies and strategies, basing itself on the management control reports that are regularly issued by the Management.

### ***Internal Control and Reporting - Risk Management***

The Company has internal control policies, the control of which is in charge of the Internal Audit Management, under the direct authority of the Board. This management is composed of professionals of different specializations who act according to a triennial plan and issue their reports directly to the Board and the Audit Committee.

The objectives pursued by the risk control system are to anticipate the events that characterize a gas carriage transaction, acting proactively; to establish an operational risk profile; to reduce the occurrence of events; and to meet the regulatory requirements.

### ***Audit Committee***

The Audit Committee is composed of three regular directors and three deputy directors, most of whom are independent. The Audit Committee performs its legal duties in accordance with the Internal Regulations approved by the Board, with one of its members acting as Secretary - Coordinator.

Its budget conforms to regulations and it holds regular meetings, numerous meetings having been held in the fiscal year ended December 31, 2009.

### ***Number of Board members***

As established by article 19 of the Corporate Bylaws, the Board is composed of FOURTEEN (14) regular members, of which NINE (9) regular directors and the respective deputy directors are appointed by Class A, with at least one acting as independent director; FOUR (4) regular directors and the respective deputy directors are appointed by Class B, with at least one acting as independent director; and ONE (1) regular director and the respective deputy director is appointed by Class C. At present, this structure is deemed appropriate to meet the Company's needs.

Based on experience gained in prior years, the Board does not consider it necessary or proper to create ad hoc committees with specific functions, except for the Audit Committee.

### ***Board membership***

Most of the TGN Board members are appointed by the controlling shareholder of the Company, Gasinvest S.A., and hold managerial positions with the shareholders of Gasinvest S.A.

The Company complies with the legal requirement which establishes that most of the members of the Audit Committee are to fulfill the condition of being "independent", as envisaged by CNV Regulations.

### ***Board members working for other companies***

Based on experience gained in prior years, the Board understands that the Company is not affected by the fact that its members and/or syndics perform duties as such in other companies, this without prejudice to the provisions of Section 272 of Law N° 19550.

### ***Assessment of the Board's Performance - Training and Development of Directors***

In line with current legislation, the Board considers that it is up to the ordinary meeting of shareholders, which also controls its management, to assess its performance.

Most of the members of the TGN Board have proven professional and academic track records and an important experience in the performance of managerial duties at local and international renowned companies in the energy sector.

In view of the foregoing, the Board considers that it is not necessary to implement any member training and development plan.

***Independent Directors - Proportion of Independent Directors - Meeting of Independent Directors***

The Board is confident in good faith that the declaration of each shareholder at the moment envisaged in CNV General Resolution N° 400 and the individual declaration of each of its members ensure compliance with the "independence" condition. Notwithstanding this, the Board reserves the right to request such explanations as it may consider proper in each case.

The Board considers it appropriate to maintain the necessary number of independent directors to ensure the due membership of the Audit Committee, as established by the Regulations.

Furthermore, the Board considers it appropriate to publicly communicate the proportion of executive, non-executive and independent directors, indicating under which category each of them is classified.

The Board considers it proper that the independent directors hold exclusive meetings, and that the natural environment for such purpose is the Audit Committee meetings.

***Non-discrimination Policy regarding the Board Membership***

The Board considers that the appointment of its members is not hindered by any form of discrimination.

***Appointment of Managerial Executives***

The Board considers it advisable to communicate the motivations related to the selection, proposal and/or appointment of key managerial executives, and give them a proper public dissemination.

***Information to Shareholders - Dealing with Shareholders' Concerns and Consultations***

The Board considers that the suitable means of communication of symmetric information in terms of quality, quantity and timing to all of the shareholders is the Financial Information Highway of the CNV and the Newsletter of the Buenos Aires Stock Exchange.

Based on the above, the Board considers that all the relevant information of the Company which in accordance with the Regulations is to be provided to the market is made publicly known at the time of its dissemination.

***Participation of Minority Shareholders in Meetings***

The Board considers that current regulations guarantee minority shareholders' right to participate in meetings if they are interested in doing so. The Board of TGN considers that the participation of minority shareholders in meetings is healthy.

### ***Control Market***

The corporate bylaws of TGN contemplate, under certain conditions, that the minority Class C shareholders may sell their shares to the purchaser of a controlling interest in the Company's capital.

### ***Dividend policy***

In view of the environment within which the Company operates since the enactment of Law N° 25561, the Board does not consider it possible or prudent to establish a dividend distribution policy.

### ***Communication via the Internet - Requirements for the site***

The Company has a website with free access which includes detailed information about the Company and its business activities and this information is added to the information available to the investors through the Financial Information Highway. This site has a link to the website of the National Securities Commission, as established in point 8, section 10 of Annex I to Resolution 467, and another link to the website of the National Gas Regulatory Agency.

TGN reasonably tries to safeguard the integrity of the information it publishes on its website, to which the public has free access in all cases, and is not subject to any confidentiality obligation.

### ***Chairmanship of the Committee by an independent director***

The Board considers it proper that the Audit Committee is chaired by an independent director.

### ***Turnover of Syndics and/or External Auditors - Double participation as Syndic and Auditor***

Pursuant to the Corporate Bylaws, the syndics that make up the Surveillance Committee are appointed by the Shareholders, so it is understood that establishing the policies on turnover of the Surveillance Committee members is not within the competence of this Board. Historically, the Surveillance Committee of TGN has changed its membership and chairmanship, with a reasonable frequency, in full compliance with the usual rules and practices.

As far as the appointment and turnover of External Auditors is concerned, the above consideration applies, except that the firm exercising the Company's external accounting audit follows procedures to ensure the capability, independence and performance of its members (including the mandatory turnover of the engagement partner in pre-established periods), which is in turn controlled by the Audit Committee of TGN.

TGN syndics do not carry out external audit activities for the Company; they neither participate in nor are they associated with the firm that provides the external Audit service. They participate in the Board, Audit Committee's and Shareholders' meetings, as prescribed by law and the Company's bylaws.

### ***Remuneration systems***

The remunerations paid by TGN to directors and managers are in line with the market parameters applicable to comparable companies. The Company has not paid, nor does it contemplate the possibility of paying any remuneration in securities options and/or shares in the Company.

**PROPOSED ALLOCATION OF RESULTS**

In fiscal 2009 a net loss of \$ 51,546 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 \$ 224,039 thousand.

The Board of Directors is thankful for the support and consideration given by customers, suppliers, third parties and personnel of the Company during the fiscal year.

Autonomous City of Buenos Aires, March 4, 2010

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.<sup>(1)</sup> ("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, 2009

*(in million of pesos)*

	Year ended 12.31.					
	2009	2008	Variation \$	2007	2006	2005
<b>Net Revenues</b>						
Gas carriage service	565.9	523.0	42.9	521.8	474.2	433.7
Allowances for disputed amounts	(77.9)	(51.0)	(26.9)	(31.6)	4.0	(2.7)
Discount as per Decrees No 292/1520/814	(1.6)	(1.7)	0.1	(1.6)	(1.7)	(1.6)
<b>Subtotal Gas carriage service</b>	<b>486.4</b>	<b>470.3</b>	<b>16.1</b>	<b>488.6</b>	<b>476.5</b>	<b>429.4</b>
Gas Pipeline O&M services	30.0	26.2	3.8	18.7	19.0	17.1
Management fees - Gas Trust Program	14.6	8.0	6.6	11.3	11.3	3.9
<b>Subtotal Gas pipeline operation and maintenance service and other services</b>	<b>44.6</b>	<b>34.2</b>	<b>10.4</b>	<b>30.0</b>	<b>30.3</b>	<b>21.0</b>
<b>Net Revenues</b>	<b>531.0</b>	<b>504.5</b>	<b>26.5</b>	<b>518.6</b>	<b>506.8</b>	<b>450.4</b>
<b>Cost of services</b>						
Operating and maintenance costs	(196.9)	(168.8)	(28.1)	(149.2)	(132.1)	(141.4)
Fixed assets depreciation	(124.3)	(122.0)	(2.3)	(116.7)	(112.0)	(112.2)
<b>Subtotal</b>	<b>(321.2)</b>	<b>(290.8)</b>	<b>(30.4)</b>	<b>(265.9)</b>	<b>(244.1)</b>	<b>(253.6)</b>
<b>Gross Profit</b>	<b>209.8</b>	<b>213.7</b>	<b>(3.9)</b>	<b>252.7</b>	<b>262.7</b>	<b>196.8</b>
Administrative and selling expenses	(70.9)	(52.9)	(18.0)	(49.0)	(76.2)	(58.9)
<b>Operating Income</b>	<b>138.9</b>	<b>160.8</b>	<b>(21.9)</b>	<b>203.7</b>	<b>186.5</b>	<b>137.9</b>
Gain from equity investments, net	2.3	1.1	1.2	0.9	1.3	0.9
Financial and holding results	(210.3)	(189.7)	(20.6)	(134.2)	(195.4)	(210.6)
Gain on debt restructuring	-	-	-	-	243.9	3.8
Other (expense) income, net	15.6	1.7	13.9	3.0	(4.7)	(2.9)
<b>Net (loss) income before income tax</b>	<b>(53.5)</b>	<b>(26.1)</b>	<b>(27.4)</b>	<b>73.4</b>	<b>231.6</b>	<b>(70.9)</b>
Income Tax	2.0	(7.4)	9.4	(13.7)	(16.3)	25.3
<b>Net (loss) income for the year</b>	<b>(51.5)</b>	<b>(33.5)</b>	<b>(18.0)</b>	<b>59.7</b>	<b>215.3</b>	<b>(45.6)</b>
<b>EBITDA(2)</b>	<b>297.4</b>	<b>304.1</b>	<b>(6.7)</b>	<b>337.3</b>	<b>307.5</b>	<b>256.6</b>

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

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

*(in million of pesos)*

	12.31.09	12.31.08	12.31.07	12.31.06	12.31.05
<b>Total Assets</b>	2,878	2,639	2,614	2,648	3,113
<b>Total Liabilities</b>	1,651	1,361	1,302	1,370	2,262
<b>Shareholders' Equity</b>	1,227	1,278	1,312	1,278	851

The following paragraphs describe the reasons for the main variations in the results previously presented and some economic-financial indexes are disclosed in connection to the Company's equity.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

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

**\* Net Revenues**

Below is a summary of the TGN's net revenues by type of service:

*(in million of pesos)*

Type of service	Year ended 12.31.									
	2009	%	2008	%	2007	%	2006	%	2005	%
Gas carriage	486.4	91.6	470.3	93.2	488.6	94.2	476.5	94.0	429.4	95.3
Gas Pipeline O&M services	44.6	8.4	34.2	6.8	30.0	5.8	30.3	6.0	21.0	4.7
<b>Total net Revenues</b>	<b>531.0</b>	<b>100.0</b>	<b>504.5</b>	<b>100.0</b>	<b>518.6</b>	<b>100.0</b>	<b>506.8</b>	<b>100.0</b>	<b>450.4</b>	<b>100.0</b>

**- Gas carriage services**

The revenues corresponding to the gas carriage services amounted to \$ 486.4 million during 2009, compared to \$ 470.3 million during 2008. The net increase of \$ 16.1 million results from the combined effect of the following main variations:

- i. an increase of \$ 46.3 million as a result of the increase in the exchange rates which had an impact on the services billed in dollars;
- ii. higher invoicing of interruptible services, interchange and displacement and sundry services for \$ 7.5 million;
- iii. new carriage services invoiced during the year for \$ 6.8 million;
- iv. a decrease of \$ 6.7 million in the export revenues due to the decrease of the PPI (Producer Price Index) index applicable to the year;
- v. a \$ 26.9 million decrease due to the setting up of higher allowances for disputed receivables for \$ 42.4 million, mainly caused by the situation of export clients described in Notes 13.f), h) and i) to the Company's financial statements; net of the effect of higher allowances set up in 2008 for \$ 15.5 million, related to fines and other charges; and
- vi. a \$ 10.9 million decrease due to an exporting agreement reached with a customer, according to what is mentioned in Note 1.c.v) to the Company's financial statements.

**- Gas pipeline operation and maintenance and works management services**

There was an increase of \$ 10.4 million between both years, mainly due to:

- i. \$ 6.6 million increase corresponds to the income accrued during the year related to works management fees under gas Trust Programs. These incomes are recognized according to the criteria stated in Note 3.p) of the Company's financial statements, and
- ii. \$ 3.8 million increase corresponds to variations in the price of agreements in force.



**TRANSPORTADORA DE GAS DEL NORTE S.A.**

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

**\* Cost of services**

*(in million of pesos)*

	Year ended 12.31.									
	2009	%	2008	%	2007	%	2006	%	2005	%
Fees for professional services	3.9	1.2	4.5	1.5	2.4	0.9	2.4	1.0	2.3	0.9
Salaries, wages and other personnel benefits and social security contributions	66.4	20.7	56.5	19.4	45.7	17.2	38.9	15.9	35.4	14.0
Fees for technical operator services	11.2	3.5	9.5	3.3	15.0	5.6	6.2	2.5	6.0	2.4
Foreign staff residence	2.8	0.9	2.2	0.8	2.2	0.8	1.6	0.7	1.7	0.7
Consumption of spare parts and materials	16.5	5.1	14.5	5.0	13.6	5.1	12.8	5.2	14.3	5.6
Gas imbalance	(0.2)	(0.1)	0.9	0.3	0.2	0.1	2.4	1.0	4.1	1.6
Maintenance and repair of fixed assets and third party services and supplies	54.5	17.0	41.2	14.2	40.6	15.3	43.8	17.9	52.3	20.6
Communications, freight and transportation, travel expenses	8.5	2.6	8.1	2.8	6.0	2.3	6.0	2.5	7.4	2.9
Insurance	5.3	1.7	5.4	1.9	5.2	2.0	5.3	2.2	5.2	2.1
Rentals and office supplies	2.4	0.7	1.9	0.7	1.9	0.7	1.8	0.7	1.8	0.7
Easements	9.3	2.9	7.2	2.5	6.2	2.3	4.4	1.8	6.3	2.5
Taxes, rates and contributions	0.5	0.2	0.5	0.1	0.4	0.2	0.4	0.2	0.5	0.2
Fixed assets depreciation	124.3	38.7	122.0	42.0	116.7	43.9	112.0	45.9	112.2	44.2
Materials and spare parts slow-moving and obsolescence	13.5	4.2	14.6	5.0	8.9	3.3	5.2	2.1	3.1	1.2
Others	2.3	0.7	1.8	0.5	0.9	0.3	0.9	0.4	1.0	0.4
<b>Total</b>	<b>321.2</b>	<b>100.0</b>	<b>290.8</b>	<b>100.0</b>	<b>265.9</b>	<b>100.0</b>	<b>244.1</b>	<b>100.0</b>	<b>253.6</b>	<b>100.0</b>
<b>% of Costs of services on net revenues</b>	<b>60.5%</b>		<b>57.6%</b>		<b>51.3%</b>		<b>48.2%</b>		<b>56.3%</b>	

The most significant variations between 2009 and 2008 are presented below:

- i. An increase of \$ 13.3 million in repair and maintenance costs of fixed assets and third party services and supplies. This increase is principally explained by the following reasons: additional repairs in pipelines for \$ 5.8 million and in compressor plants for \$ 2.2 million. Likewise, there was an increase of \$ 2.3 million compared to the previous year in cleaning and weeding services, security and energy service in several plants.
- ii. \$ 9.9 million in salaries, wages and other personnel benefits and social security contributions as a result of pay increases granted by the Company during 2009, corresponding to inflation adjustment.
- iii. an increase of \$ 2.1 million in easements to the new values set by the corresponding authorities for the respective 2009 fees; and
- iv. \$ 2.0 million increase corresponding to materials and spare parts used in maintenance compression projects.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

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

**\* Administrative and Selling expenses**

*(in million of pesos)*

	Year ended 12.31.									
	2009	%	2008	%	2007	%	2006	%	2005	%
Salaries, wages and other personnel benefits and social security contributions	26.5	37.4	24.1	45.6	20.8	42.4	19.2	25.2	15.0	25.5
Fixed assets depreciation	1.8	2.5	1.7	3.2	1.7	3.5	1.6	2.1	1.6	2.7
Fees for professional services	5.8	8.2	5.7	10.8	4.0	8.2	3.2	4.2	2.2	3.7
Taxes, rates and contributions	22.8	32.2	24.6	46.6	25.1	51.2	19.4	25.5	18.2	30.9
Communications, freight and transportation, travel expenses	1.4	2.0	1.3	2.5	1.2	2.4	1.1	1.4	1.2	2.0
Maintenance and repair of fixed assets and third party services and supplies	1.9	2.7	2.1	4.0	1.9	3.9	1.9	2.5	1.9	3.2
Rentals and office supplies	1.3	1.8	1.0	1.9	0.8	1.6	0.6	0.8	0.7	1.2
Doubtful accounts	(2.4)	(3.4)	(1.7)	(3.2)	1.9	3.9	4.2	5.5	2.0	3.4
Contingencies	9.3	13.1	(8.8)	(16.7)	(12.6)	(25.7)	22.6	29.7	13.8	23.4
Fees for Directory and the Committee of Syndics	-	-	-	-	2.1	4.3	1.1	1.4	-	-
Fees for technical-administrative services	1.2	1.7	1.8	3.4	-	-	-	-	1.0	1.7
Others	1.3	1.8	1.1	1.9	2.1	4.3	1.3	1.7	1.3	2.3
<b>Total</b>	<b>70.9</b>	<b>100.0</b>	<b>52.9</b>	<b>100.0</b>	<b>49.0</b>	<b>100.0</b>	<b>76.2</b>	<b>100.0</b>	<b>58.9</b>	<b>100.0</b>
<b>% of Administrative and Selling expenses on net revenues</b>	<b>13.4</b>		<b>10.5</b>		<b>9.4</b>		<b>15.0</b>		<b>13.1</b>	

The net variation between 2009 and 2008 was an increase of \$ 18.0 million. The most significant causes are presented below:

- i. An increase of \$ 18.1 million in Contingencies derived from the adjustment, to their current condition, of the balance of the provisions for contingencies related to claims and complaints filed against the Company net of \$ 12.1 million recovery during the comparative year due to redirections of carrying capacity, mentioned in Note 13.f) of the Company's financial statements.
- ii. A decrease of \$ 0.7 million in Doubtful accounts as a result of certain allowances that had been registered in relation to customers' balances, with whom the Company finally reached a commercial agreement.
- iii. An increase of \$ 2.4 million in salaries, wages and other personnel benefits and social security contributions as a result of pay increases granted by the Company during 2009, corresponding to inflation adjustment; and
- iv. a decrease of \$ 1.8 million in taxes, rates and contributions. This amount principally results from, \$ 3.5 million for a higher control and surveillance rate accrued in favor of ENARGAS and \$ 5.1 million for smaller turnover tax accrued on revenues from sales have been offset as a result of the adaptation of the turnover tax base to the litigation with certain customers.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

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

**\* Financial and Holding Results**

*(in million of pesos)*

	Year ended 12.31.				
	2009	2008	2007	2006	2005
Interests and indexing generated by liabilities	(109.0)	(75.7)	(100.0)	(205.8)	(187.7)
Bank commissions, expenses and taxes on banking and financial operations	(8.9)	(8.1)	(7.5)	(6.2)	(8.2)
Income (loss) on discounting of non current and current liabilities	0.2	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)
<b>Subtotal financial result generated by liabilities before exchange rate differences</b>	<b>(117.7)</b>	<b>(82.5)</b>	<b>(106.0)</b>	<b>(213.5)</b>	<b>(198.9)</b>
Interests, indexing and expenses generated by assets	10.5	1.3	5.8	20.7	12.6
Holding results generated by assets	23.4	8.8	9.3	14.8	5.3
Results from US\$ forward operations	(5.4)	-	-	-	-
(Loss) income on discounting of non-current and current assets	(22.7)	(22.3)	(10.7)	(0.5)	0.3
<b>Subtotal financial result generated by assets before exchange rate differences</b>	<b>5.8</b>	<b>(12.2)</b>	<b>4.4</b>	<b>35.0</b>	<b>18.2</b>
Exchange rate differences:					
Generated by liabilities	(124.7)	(105.3)	(34.0)	(30.3)	(36.3)
Generated by assets	26.3	10.3	1.4	13.4	6.4
<b>Subtotal exchange rate differences</b>	<b>(98.4)</b>	<b>(95.0)</b>	<b>(32.6)</b>	<b>(16.9)</b>	<b>(29.9)</b>
<b>Total</b>	<b>(210.3)</b>	<b>(189.7)</b>	<b>(134.2)</b>	<b>(195.4)</b>	<b>(210.6)</b>

The net variation of \$ 20.6 million of higher loss between 2009 and 2008 was principally generated by the following variations:

- i. a loss of \$ 19.4 million on exchange rate differences generated by liabilities in view of the depreciation of the peso against the US dollar at December 31, 2009 compared to December 31, 2008. The exchanges rates were US\$ 1 = \$ 3.800 and \$ 3.453, respectively, that is a variation of approximately 10%. At December 31, 2008 and December 31, 2007, exchange rates had been US\$ 1 = 3.453 and \$ 3.149, respectively. The most important impact is produced in relation to debt balances that amounted to US\$ 378.8 million as of December 31, 2009 and US\$ 351.3 million as of December 31, 2008.
- ii. Higher interests and indexing charges generated by liabilities for \$ 33.3 million considering that Company's debt remains unpaid since December 2008, as explained in Note 10 to the Company's financial statements.
- iii. The asset US dollar positions produced an exchange gain of \$ 16.0 million.
- iv. An increase of \$ 14.6 million in the holding results generated by materials and spare parts stocks.
- v. The Company has conducted during the year certain transactions with derivative products to reduce the risks of the peso/US dollar exchange rate fluctuations. The loss from these transactions amounts to \$ 5.4 million. The contracts in force until December 31, 2009 to protect against exposure to those fluctuations in the peso/US dollar exchange rate correspond to purchase transactions for US\$ 27.8 million.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

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

**\* Summary of the Statement of Cash Flows**

*(in million of pesos)*

	Year ended 12.31.				
	2009	2008	2007	2006	2005
<b>Net (loss) income for the year</b>	(51.5)	(33.5)	59.7	215.3	(45.6)
Adjustments to arrive to cash net flow arising from operating activities	405.7	349.8	274.4	71.3	286.8
Net changes in assets and liabilities	(117.2)	(73.0)	(31.9)	(83.3)	22.6
<b>Net cash flows provided by operating activities</b>	<b>237.0</b>	<b>243.3</b>	<b>302.2</b>	<b>203.3</b>	<b>263.8</b>
Purchase of fixed assets	(77.8)	(45.5)	(59.7)	(60.0)	(90.6)
Collection of cash dividends	-	1.4	5.3	-	0.5
Short-term investments granted as guarantee	(11.5)	-	-	-	-
<b>Net cash flows used in provided by investing activities</b>	<b>(89.3)</b>	<b>(44.1)</b>	<b>(54.4)</b>	<b>(60.0)</b>	<b>(90.1)</b>
Payment of debt	-	(54.6)	(118.3)	(418.3)	(39.4)
Interest paid	-	(61.6)	(85.4)	(191.2)	(47.4)
Attachments on debt	(32.1)	-	-	-	(4.3)
(Decrease) increase in customer advances	(0.3)	0.5	(0.1)	(1.2)	(3.1)
Payment of cash dividends	-	-	(25.7)	-	-
<b>Net cash used in financing activities</b>	<b>(32.4)</b>	<b>(115.7)</b>	<b>(229.5)</b>	<b>(610.7)</b>	<b>(94.2)</b>
<b>Financial and holding result generated by cash and cash equivalents</b>	<b>23.5</b>	<b>5.3</b>	<b>6.7</b>	<b>33.6</b>	<b>18.4</b>
<b>Net increase (decrease) in cash</b>	<b>138.8</b>	<b>88.8</b>	<b>25.0</b>	<b>(433.8)</b>	<b>97.9</b>
<b>Cash and cash equivalents as of beginning of the year</b>	<b>152.9</b>	<b>64.1</b>	<b>39.1</b>	<b>472.9</b>	<b>375.0</b>
<b>Cash and cash equivalents as of end of the year</b>	<b>291.7</b>	<b>152.9</b>	<b>64.1</b>	<b>39.1</b>	<b>472.9</b>

*(in million of pesos)*

	Year ended 12.31.				
	2009	2008	2007	2006	2005
<b>Cash and cash equivalents</b>					
Cash and banks	22.9	135.5	62.9	24.6	4.7
Mutual funds in US\$	-	-	-	2.9	309.9
US Treasury bills in US\$	-	17.4	-	-	-
Time deposits in US\$	124.1	-	-	-	131.3
Time deposits in \$	48.3	-	-	-	-
Republic of Argentina Central Bank Notes (NOBAC's) <sup>(1)</sup>	19.4	-	-	-	-
Mutual funds in \$	52.1	-	1.2	11.6	27.0
Stock exchange securities in \$ and others	24.9	-	-	-	-
<b>Cash and cash equivalents as of end of the year</b>	<b>291.7</b>	<b>152.9</b>	<b>64.1</b>	<b>39.1</b>	<b>472.9</b>

(1) In 2009 does not include \$ 9.8 million that have been granted as guarantee and thus, have not been considered as cash equivalents.

**II) MAJOR EVENTS FOR FISCAL 2009 AND BUSINESS PROSPECTS**

**\* Financial aspects**

*The postponement of payments of the financial debt and proposal for its restructuring*

Refer to Note 10, 11 and 13.1) to the Company's financial statements as of December 31, 2009.

As mentioned in Note 10 to the financial statements, on October 14, 2009 the Meeting of Bondholders representing approximately 88% of the outstanding principal and votes accepted a payment proposal formulated by the Company through a petition for an Out-of-court Reorganization Agreement, and on October 19, 2009 the Ordinary Meeting of Shareholders of the Company ratified the Board's decision to submit said Agreement to

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

**II) MAJOR EVENTS FOR FISCAL 2009 AND BUSINESS PROSPECTS (Cont.)**

**\* Financial aspects (Cont.)**

*The postponement of payments of the financial debt and proposal for its restructuring (Cont.)*

a court of law for its confirmation under the terms envisaged in the Bankruptcy and Insolvency Law. Confirmation by the court was pending at the balance sheet date.

**\* Commercial issues**

The main issues 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, 2009 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 commercial situation with the customer AES Paraná (Note 13.c)); the redirecting of the gas carrying capacity (Note 13.f)); the decline of the export carriage service and the significant contractual disputes which include, among others: the commercial situation with the customer Eléctrica Santiago S.A. (Note 13.h)); with the customer YPF S.A. (Note 13.i)); with the customer Metrogas Chile (Note 13.m)) and with the customer Compañía Eléctrica San Isidro (Note 13.n)).

Shareholders' annual report fully explains TGN's commercial perspectives for the next year.

**\* Regulatory matters**

Shareholders' annual report fully refers to those regulatory matters affecting TGN's activity. These regulatory matters relate mainly to ENARGAS Resolution I/1085 dated February 26, 2010 which had extended for 60 calendar days, that is, until the end of April 2010 the term during which TGN would continue to be subject to the surveillance and control by the said agency of all the usual acts of administration and disposition that may affect the normal provision by TGN of the public utility gas carriage service.

**III) COMPARATIVE BALANCE SHEET STRUCTURE AT DECEMBER 31, 2009, 2008, 2007, 2006 and 2005**

*(in million of pesos)*

	As of 12.31.				
	2009	2008	2007	2006	2005
Current Assets	462	245	179	169	577
Non-current Assets	2,416	2,394	2,435	2,479	2,536
<b>Total</b>	<b>2,878</b>	<b>2,639</b>	<b>2,614</b>	<b>2,648</b>	<b>3,113</b>
Current Liabilities	1,594	1,309	208	195	1,533
Non-current Liabilities	57	52	1,094	1,175	729
<b>Subtotal</b>	<b>1,651</b>	<b>1,361</b>	<b>1,302</b>	<b>1,370</b>	<b>2,262</b>
Shareholders' Equity	1,227	1,278	1,312	1,278	851
<b>Total</b>	<b>2,878</b>	<b>2,639</b>	<b>2,614</b>	<b>2,648</b>	<b>3,113</b>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

**IV) COMPARATIVE STRUCTURE OF RESULTS FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, 2007, 2006 and 2005**

*(in million of pesos)*

	Years ended 12.31.				
	2009	2008	2007	2006	2005
Ordinary operating income	138.9	160.8	203.7	186.5	137.9
Financial and holding results, net	(210.3)	(189.7)	(134.2)	(195.4)	(210.6)
Gain from equity investments, net	2.3	1.1	0.9	1.3	0.9
Gain on debt restructuring	-	-	-	243.9	3.8
Other income (expenses), net	15.6	1.7	3.0	(4.7)	(2.9)
Income before income tax	(53.5)	(26.1)	73.4	231.6	(70.9)
Income Tax charge	2.0	(7.4)	(13.7)	(16.3)	25.3
<b>Net (loss) income for the year</b>	<b>(51.5)</b>	<b>(33.5)</b>	<b>59.7</b>	<b>215.3</b>	<b>(45.6)</b>

**V) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2009, 2008, 2007, 2006 and 2005**

Volume dispatched in million of cubic meters:

According to the type of carriage agreement

	Years ended 12.31.				
	2009	2008	2007	2006	2005
Firm carriage	13,500	14,267	14,955	16,434	15,846
Interruptible carriage and exchange and shifting	4,377	3,833	3,404	2,575	2,241
<b>Total</b>	<b>17,877</b>	<b>18,100</b>	<b>18,359</b>	<b>19,009</b>	<b>18,087</b>

According to the type of source

	Years ended 12.31.				
	2009	2008	2007	2006	2005
Norte Gas pipeline	7,480	7,039	7,460	7,333	7,823
Centro-Oeste Gas pipeline	10,397	11,061	10,899	11,676	10,264
<b>Total</b>	<b>17,877</b>	<b>18,100</b>	<b>18,359</b>	<b>19,009</b>	<b>18,087</b>

**VI) COMPARATIVE INDICATORS AT DECEMBER 31, 2009, 2008, 2007, 2006 and 2005**

	Years ended 12.31.				
	2009	2008	2007	2006	2005
Current liquidity (1)	0.29	0.19	0.86	0.86	0.38
Solvency (2)	0.74	0.94	1.01	0.93	0.38
Freezing Capital (3)	0.84	0.91	0.93	0.94	0.81
Result on investment (4)	(0.04)	(0.03)	0.05	0.20	(0.05)

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

Autonomous City of Buenos Aires, March 4, 2010

The Board of Directors  
Eduardo Ojea Quintana

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Balance Sheets as of December 31, 2009 and 2008  
(in thousands of Argentine Pesos, except for per share amounts)

	December 31, 2009	December 31, 2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and banks .....	\$ 22,935	\$ 135,575
Short-term investments (Note 18.(c)) .....	281,357	18,405
Accounts receivables, net (Note 4.a)) ....	57,738	55,695
Other receivables, net (Note 4.b)) .....	84,966	23,237
Materials and spare parts, net (Note 4.c))	15,014	12,176
<b>Total Current Assets</b> .....	<b>462,010</b>	<b>245,088</b>
<b>Non-current Assets</b>		
Accounts receivables, net (Note 4.a)) ....	93,305	36,202
Other receivables, net (Note 4.b)) .....	191,970	184,228
Materials and spare parts, net (Note 4.c))	36,732	33,289
Fixed Assets, net (Note 18.(a)) .....	2,066,353	2,115,686
Investments (Note 18.(b)) .....	2,379	1,467
Other assets .....	25,351	23,291
<b>Total Non-Current Assets</b> .....	<b>2,416,090</b>	<b>2,394,163</b>
<b>Total Assets</b> .....	<b>2,878,100</b>	<b>2,639,251</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable (Note 4.d)) .....	63,266	26,388
Debt (Note 10) .....	1,439,317	1,212,965
Salaries and social security payable .....	24,924	20,054
Taxes payable (Note 4.e)) .....	27,619	10,839
Customer advances .....	197	503
Others (Note 4.f)) .....	5,567	6,077
<b>Subtotal</b> .....	<b>1,560,890</b>	<b>1,276,826</b>
Contingencies (Note 13 and 18.(d)) .....	32,767	32,008
<b>Total Current Liabilities</b> .....	<b>1,593,657</b>	<b>1,308,834</b>
<b>Non-Current Liabilities</b>		
Accounts payable (Note 4.d)) .....	-	1,492
Others (Note 4.f)) .....	20,521	16,858
<b>Subtotal</b> .....	<b>20,521</b>	<b>18,350</b>
Contingencies (Note 13 and 18.(d)) .....	37,240	33,839
<b>Total Non-Current Liabilities</b> .....	<b>57,761</b>	<b>52,189</b>
<b>Total Liabilities</b> .....	<b>1,650,418</b>	<b>1,361,023</b>
<b>Shareholders' Equity</b> .....	<b>1,226,682</b>	<b>1,278,228</b>
<b>Total Liabilities and Shareholders' Equity</b> .....	<b>\$ 2,878,100</b>	<b>\$ 2,639,251</b>

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, 2009 and 2008**

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

		December 31, 2009		December 31, 2008
Net revenues (Note 4.g)) .....	\$	530,966	\$	504,485
Cost of services (Note 18.f)) .....		(321,197)		(290,789)
<b>Gross Profit</b> .....		<b>209,769</b>		<b>213,696</b>
Selling expenses (Note 18.f)) .....		(10,863)		(5,532)
Administrative expenses (Note 18.f)) .....		(60,015)		(47,341)
<b>Operating income</b> .....		<b>138,891</b>		<b>160,823</b>
Gain from equity investments, net .....		2,328		1,079
 Financial and holding results, net				
Generated by assets:				
Interest and indexing .....		11,405		1,852
Exchange rate differences .....		26,289		10,309
Other financial and holding results (Note 4.h))		(5,652)		(14,091)
Subtotal .....		32,042		(1,930)
Generated by liabilities:				
Interest and indexing .....		(108,992)		(75,649)
Exchange rate differences .....		(124,711)		(105,342)
Other financial and holding results (Note 4.h))		(8,669)		(6,779)
Subtotal .....		(242,372)		(187,770)
Other incomes, net (Note 4.i)) .....		15,574		1,700
<b>Net loss before income tax</b> .....		<b>(53,537)</b>		<b>(26,098)</b>
Income tax charge (Note 7) .....		1,991		(7,436)
<b>Net loss for the year</b> .....	<b>\$</b>	<b>(51,546)</b>	<b>\$</b>	<b>(33,534)</b>
Loss per share in pesos (Note 6)		(0.1173)		(0.0763)

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, 2009 and 2008**

(in thousands of Argentine Pesos, except for 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				
<b>Balances as of December 31, 2007</b> .....	<b>439,374</b>	<b>506,053</b>	<b>945,427</b>	<b>54,234</b>	<b>252,450</b>	<b>59,651</b>	<b>1,311,762</b>
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)
<b>Balances as of December 31, 2008</b> .....	<b>439,374</b>	<b>506,053</b>	<b>945,427</b>	<b>57,216</b>	<b>309,119</b>	<b>(33,534)</b>	<b>1,278,228</b>
Resolution adopted by the Ordinary Meeting of Shareholders held on April 28, 2009:							
Absorption of accumulated losses with the voluntary reserve for future dividend distributions .....	-	-	-	-	(33,534)	33,534	-
Net loss for the year .....	-	-	-	-	-	(51,546)	(51,546)
<b>Balances as of December 31, 2009</b> .....	<b>439,374</b>	<b>506,053</b>	<b>945,427</b>	<b>57,216</b>	<b>275,585</b>	<b>(51,546)</b>	<b>1,226,682</b>

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, 2009 and 2008**

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

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Cash and cash equivalents as of beginning of the year.	\$ 152,961	\$ 64,131
Cash and cash equivalents as of end of the year (Note 4.j))	<u>291,748</u>	<u>152,961</u>
<b>Net increase in cash.....</b>	<b><u>138,787</u></b>	<b><u>88,830</u></b>
<b>Cash flows from operating activities</b>		
Net loss of the year .....	(51,546)	(33,534)
Adjustments to arrive to cash net flow arising from operating activities:		
Income tax .....	(1,991)	7,436
Depreciation of fixed assets .....	126,073	123,707
Net book value of fixed assets written off .....	1,037	2,232
Increase in allowances and provisions, net .....	100,578	59,559
Financial and holding results generated by liabilities	108,992	75,649
Exchange rate differences and other financial results, net	73,356	82,275
Gain on equity investments .....	(2,328)	(1,079)
Net changes in assets and liabilities:		
Increase in accounts receivable .....	(113,195)	(68,380)
Increase in other receivables .....	(35,740)	(674)
Decrease (increase) in materials and spare parts and other assets .....	80	(2,714)
Increase in accounts payable .....	35,386	51
Increase in salaries and social security payable	4,870	8,686
Increase (decrease) in taxes payable .....	16,780	(7,149)
Increase in other payables .....	3,153	3,590
Decrease in contingencies .....	<u>(28,529)</u>	<u>(6,339)</u>
<b>Net cash flows generated by operating activities.....</b>	<b><u>236,976</u></b>	<b><u>243,316</u></b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets .....	(77,777)	(45,550)
Short-term investments granted as guarantee .....	(11,476)	-
Collection of cash dividends .....	<u>-</u>	<u>1,390</u>
<b>Net cash used in investing activities.....</b>	<b><u>(89,253)</u></b>	<b><u>(44,160)</u></b>
<b>Cash flows from financing activities</b>		
Payment and repurchase of debt .....	-	(54,598)
Debt interests paid .....	-	(61,582)
Court attachments and deposits (Note 4.b)) .....	(32,118)	-
(Decrease) increase in customer advances .....	<u>(306)</u>	<u>503</u>
<b>Net cash used in financing activities.....</b>	<b><u>(32,424)</u></b>	<b><u>(115,677)</u></b>
<b>Financial and holding results generated by cash and cash equivalents</b>		
Interests, exchange rate differences and other financial results .....	<u>23,488</u>	<u>5,351</u>
<b>Total financial and holding results generated by cash</b>	<b><u>23,488</u></b>	<b><u>5,351</u></b>
<b>Net increase in cash and cash equivalents.....</b>	<b>\$ <u>138,787</u></b>	<b>\$ <u>88,830</u></b>

The accompanying notes are an integral part of these financial statements

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 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 carriage 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 carriage 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 produced the material effects on the Company's economic and financial equation, its business and the regulatory framework. The most significant changes are mentioned below:

- (i) The Public Emergency Law ("LEP") established the pesification of the rates of carriage 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, and considering the transitory agreement mentioned in section c.iii) of this Note, 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 the LEP 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 carriage and distribution systems and other charge aimed to finance gas imports.

TGN considers that these government measures have produced negative results regarding its gas carriage agreements.

In this way, several contractual disputes with significant impacts regarding export customers presented below in Note 1.c.v) and Note 13.f), h) and i) have been generated by the described situations.

- (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 carrying 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, 2009 no effects have been produced on the revenues from sales recognized by TGN.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 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)

- (iv) 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 and 2009 maturities. 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 in charge of the intervener. Upon expiration of such term, the intervention was repeatedly extended by ENARGAS resolutions but with a much restricted scope, as explained in Note 1.c.vi). The intervention of this agency would continue in force until late April, 2010, according to ENARGAS Resolution I/1085, dated February 26, 2010.
- (v) The change in the economic environment 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.

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, 2009 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, that expires in December 2027. 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 carriage rates*

The regulatory regime applicable to gas carriage 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;

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

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

#### (c) Regulatory framework (Continued)

##### *c.ii) Regulation of carriage rates (Continued)*

- (ii) Semi-annual adjustments to reflect PPI variations,
- (iii) 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
- (iv) 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 carriage of natural gas destined for the domestic market and the repeal of the semi-annual adjustment mechanism based on the PPI.

##### *c.iii) License*

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.

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.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

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

#### (c) Regulatory framework (Continued)

##### *c.iii) License (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, 2011. Consequently, by that date the parties should have 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.

In spite of what has been previously mentioned and according to causes unknown by TGN, the Temporary Agreement has not been ratified by the Executive Branch yet and consequently, it has not been in force. However, the project has been executed by TGN, according to its cost. As of December 31, 2009 the Temporary Agreement proposal have not produced any economic effect.

At the date of issue of these financial statements 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 and reasonable rate in order to redress 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 carriage 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. During the current year, the corresponding portion of the US\$ 3,000,000 minimum compensation has been accrued.

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*

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

Dispatched export volume has systematically decreased from 2006 to 2009.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 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)*

In that context, there are loaders that paid under protest (Gasoducto Norandino S.A.), ceased to pay and initiated administrative and judicial actions to obtain the rescission without negligence of the gas carriage contracts in effect (such as Eléctrica Santiago S.A. or "ESSA" and YPF S.A. or "YPF"), attempted to unilaterally rescinded the agreement and claimed compensation (Metrogás S.A. Chile or "Metrogas") or announced their intention of correcting agreement's conditions (Colbun S.A.) or celebrated new agreements replacing those previously in force (Compañía Eléctrica San Isidro)

Without prejudice to these loaders' contractual obligation to pay for the reservation of firm carrying 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, YPF and Metrogas carry outstanding balances of \$ 73.7 million, \$ 192.1 million and \$ 17.6 million, respectively, as of December 31, 2009, so the Company has set up an allowance for \$ 141.7 million to cover the uncollectible amounts due for the carriage service. Customer Colbún S.A. registers unpaid balances corresponding to firm transportation service since September 2009 for \$ 10 million.

Disputes with these customers are fully described in Note 13.

##### Opening of a liquefied natural gas plant in Quintero (Chile):

This fiscal year, the facilities of the liquefied natural gas regasification terminal situated in Bahía de Quintero, Chile, became operative. As a result, both Santiago and the Fifth Region can be supplied with natural gas, as an alternative to the gas imported from Argentina. In the future, the opening of the regasification plant could lead to more disputes in relation to the export contracts entered into with Chilean customers as they have already objected to the terms and conditions thereof in view of the restrictions on exports imposed by the Argentine authorities.

Notwithstanding this, the natural gas carriage contracts TGN has signed with Chilean customers remain in full force and effect, which is independent of the natural gas supply at the pipe intake.

##### *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 and 2009.

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 considered that Resolution I/587 was partly 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 the payment of financial obligations does not pose a risk to the provision of the public utility service by the Company. For those reasons, TGN filed a direct

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 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)*

appeal against the said resolution with the Federal Court of Appeals on administrative litigation, and requested interim relief from that judicial authority. In this regard, on March 26, 2009 TGN was served notice of the ruling issued by Panel I of that Appellate Court, which resolved: (i) to stay the effects of ENARGAS Resolution I/587 which had established an intervention in TGN and appointed an intervener with powers of company co-administration; (ii) to maintain the control and superintending powers vested in the officer appointed by the ENARGAS with respect to all the acts that may reasonably affect the normal provision of the public utility service by TGN; and (iii) to order the ENARGAS to return to TGN the meeting minutes books that had been withdrawn by the intervener from TGN principal place of business.

By Resolution I/732 of April 28, 2009, the ENARGAS extended for further 90 days the term over which TGN continued to be subject only to surveillance and control of the usual acts of administration and disposition that may affect the normal provision of the gas carriage public utility service under its charge. That resolution was repeatedly extended until late April, 2010 by ENARGAS resolution I/1085, dated February 26, 2010.

### 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, 2009 including the summary of information required by General Resolution N° 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 preparation and 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 ("FACPECE"), as approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("CPECECABA"), 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 carriage 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, according to accounting standards. 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, 2009 this deviation has not had a significant impact on the financial statements of TGN.



## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form**  
(In thousands of Argentine Pesos, except for per share amounts)

### **2. Preparation of financial statements (Continued)**

#### **(c) Presentation of financial statements in constant Argentine Pesos (Continued)**

The rate used for restatement of items for the pertinent year was the internal wholesale price index, issued by Instituto Nacional de Estadísticas y Censos.

#### **(d) Use of estimates**

The preparation of these financial statements requires the Board of Directors of the Company to make estimates that affect the amounts of contingent assets and liabilities disclosed at the date of issuance of these financial statements, as well as the revenues and expenses recorded in the pertinent 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 significantly 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 consequences 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, 2008 that are disclosed in these financial statements for comparative purposes arise from financial statements at that date.

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

#### **(f) New accounting pronouncements**

The National Securities Commission has established the application of Technical Pronouncement N° 26 of the Argentine Federation of Professional Councils in Economic Sciences which adopted, for all the entities encompassed by the public offering regime of Law N°17,811, whether because of their capital or corporate bonds, or because those entities have requested authorization to be encompassed by this regime, the international financial reporting standards issued by the IASB ("International Accounting Standards Board"). Application of those standards shall be mandatory for the Company as from the fiscal year commencing January 1, 2012. The Board is analyzing the specific implementation plan.

### **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 as of December 31, 2008.

#### **(a) Cash and banks**

Cash and banks are stated at nominal 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 and Stock Exchange securities have been valued at estimated net realizable value. Time deposits and US Treasury

## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form**  
(In thousands of Argentine Pesos, except for per share amounts)

### **3. Summary of significant accounting policies (Continued)**

#### **(c) Short-term investments (Continued)**

Bills have been valued considering nominal invested capital plus accrued interests up to the end of the year.

#### **(d) Accounts receivables, net and Accounts payable**

Non-current trade receivables, related to doubtful customer balances mentioned in Note 1.c.v), 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 and considering the estimated collection term.

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 they have been valued at the cash price estimated at the 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 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 they have been 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 Comgás 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 as of December 31, 2009 and December 31, 2008 (Note 18.(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

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 3. Summary of significant accounting policies (Continued)

#### (g) Materials and spare parts, net (Continued)

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 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, 2009 a pipeline recoating campaign was carried out over a length of 253.8 km. In accordance with ENARGAS Resolutions Nos. 1,660/00 and 1,903/00, \$ 87.2 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 carriage cost, which does not exceed its recoverable value.

#### (j) Debt

Under professional accounting standards, loans are to be valued on the basis of the best estimate of the amounts payable discounted at the internal rates of return determined at the beginning of the transaction.

In view of the circumstances described in Note 10, at December 31, 2009 and 2008, loans have been stated at nominal value of principal, interests and penalties accrued calculated at the contractual rates.

#### (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.

## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form**  
(In thousands of Argentine Pesos, except for per share amounts)

### **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 during the year ended December 31, 2009 and the tax paid in previous years as a 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.

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

## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form**  
(In thousands of Argentine Pesos, except for per share amounts)

### **3. Summary of significant accounting policies (Continued)**

#### **(p) Revenue recognition (Continued)**

Decreces No. 292/95, 1,520/98 and 814/01 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 carriage 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 adjustment 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 13.f), h) e i) and Note 1.c.v) to these financial statements. These allowances are recorded adjusting the net revenues line.

Total turnover tax charge is 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 15.b)) have been recognized on the basis of the expenses incurred by the Company.

#### **(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 (see Note 3.f)), 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".

#### **r) Derivative instruments**

The Company has conducted in the year certain transactions with derivative products to reduce the risks of the peso/US dollar exchange rate fluctuations. These derivative products have been stated at year-end market value and the loss from these transactions amounts to \$ 5.4 million, which has been charged to financial and holding results for the year. The contracts in force until December 31, 2009 to protect against exposure to those fluctuations in the peso/US dollar exchange rate correspond to purchase transactions for US\$ 27.8 million.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

**4. Breakdown of the main accounts**

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
<b>a) Accounts receivable, net</b>		
<b>Current</b>		
<b>Gas carriage services</b>		
Billed		
Distributors .....	\$ 14,975	\$ 15,771
Industrial .....	8,625	34,515
Generators .....	15,267	8,567
Unbilled.....	27,628	35,614
Subtotal .....	<u>66,495</u>	<u>94,467</u>
<b>Other services</b>		
Billed.....	4,266	654
Unbilled.....	2,308	1,600
Subtotal .....	<u>6,574</u>	<u>2,254</u>
Allowance for doubtful accounts (Note 18.(d)) .....	(4,002)	(8,778)
Allowance for disputed amounts (Note 18.(d)) .....	(11,329)	(32,248)
<b>Total .....</b>	<b>\$ <u>57,738</u></b>	<b>\$ <u>55,695</u></b>
<b>Non Current</b>		
<b>Gas carriage services</b>		
Billed		
Distributors .....	9,057	-
Industrial .....	\$ 152,776	\$ 64,452
Generators .....	58,740	24,811
Unbilled.....	14,427	8,890
Subtotal .....	<u>235,000</u>	<u>98,153</u>
Allowance for disputed amounts (Note 18.(d)) .....	(141,695)	(61,951)
<b>Total .....</b>	<b>\$ <u>93,305</u></b>	<b>\$ <u>36,202</u></b>
<b>b) Other receivables, net</b>		
<b>Current</b>		
<b>Gas carriage services</b>		
Court attachments and deposits .....	\$ 32,118	\$ -
VAT, net .....	947	313
Tax credits - withholdings and perceptions .....	4,565	2,015
Income tax prepayments .....	5,275	-
Directors' and management fees (Note 5) .....	1,372	1,759
Prepaid expenses .....	1,578	5,225
Fees and expenses - debt restructuring .....	19,946	-
Receivables from transactions on behalf of third parties and sundry .....	7,518	5,007
Subtotal .....	<u>73,319</u>	<u>14,319</u>
<b>Other services</b>		
Management fees - Gas Trust Program (Note 15.a)) ....	\$ 859	\$ 1,338
Receivable with controlling shareholder (Note 5) ....	8	8
Foreign related parties (Note 5) .....	1,814	613
Other related parties (Note 5) .....	322	230
Receivables from transactions on behalf of third parties .....	2,316	2,962
Advances to employees .....	1,024	1,193
Receivables from sundry sales .....	6,309	3,460
Subtotal .....	<u>12,652</u>	<u>9,804</u>
Allowance for doubtful accounts (Note 18.(d)) .....	(1,005)	(886)
<b>Total .....</b>	<b>\$ <u>84,966</u></b>	<b>\$ <u>23,237</u></b>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

**4. Breakdown of the main accounts (Continued)**

	December 31, 2009	December 31, 2008
<b>b) Other receivables, net - Non Current</b>		
<i>Gas carriage services</i>		
Deferred tax asset, net (Note 7) .....	\$ 76,200	\$ 74,209
Minimum presumed income tax (Note 7) .....	108,502	92,638
Turnover tax withholdings .....	113	113
Deposit in escrow and disputed tax payments .....	7,575	7,316
Guarantee deposits .....	633	529
Allowance for deposit in escrow and disputed tax payments (Note 18.(d)) .....	(7,575)	(7,316)
Subtotal .....	185,448	167,489
<i>Other services</i>		
Management contract fees relating to gas trust programs (Note 15.b)) .....	6,197	15,878
Sundry .....	325	861
Subtotal .....	6,522	16,739
<b>Total .....</b>	<b>\$ 191,970</b>	<b>\$ 184,228</b>
<b>c) Materials and spare parts, net</b>		
<b>Current</b>		
Materials and spare parts .....	\$ 15,014	\$ 12,176
<b>Total .....</b>	<b>15,014</b>	<b>12,176</b>
<b>Non-current</b>		
Materials and spare parts .....	118,057	101,152
Allowance for slow-moving and obsolescence (Note 18.(d)) .....	(81,325)	(67,863)
<b>Total .....</b>	<b>\$ 36,732</b>	<b>\$ 33,289</b>
<b>d) Accounts payable</b>		
<i>Gas carriage services</i>		
<b>Current</b>		
Suppliers .....	\$ 5,368	\$ 2,930
Foreign related parties (Note 5) .....	-	21
Importation of natural gas administration trust (Note 16) .....	1,745	-
Others related parties (Note 5) .....	16,190	3,151
Unbilled services .....	39,963	20,286
<b>Total .....</b>	<b>63,266</b>	<b>26,388</b>
<b>Non-Current</b>		
Others related parties (Note 5) .....	-	1,492
<b>Total .....</b>	<b>\$ -</b>	<b>\$ 1,492</b>
<b>e) Taxes payable</b>		
Turnover tax .....	\$ -	\$ 312
Minimum presumed income tax .....	16,864	6,267
VAT withholdings and perceptions .....	1,203	1,344
Income tax withholdings .....	9,268	2,622
Gross revenue tax withholdings and perceptions .....	284	294
<b>Total .....</b>	<b>\$ 27,619</b>	<b>\$ 10,839</b>
<b>f) Others</b>		
<b>Current</b>		
Easements .....	\$ 4,013	\$ 3,900
Directors' and management fees (Note 5) .....	1,385	2,012
Customer's warrants and others .....	169	165
<b>Total .....</b>	<b>5,567</b>	<b>6,077</b>
<b>Non-current</b>		
Easements .....	20,521	16,858
<b>Total .....</b>	<b>\$ 20,521</b>	<b>\$ 16,858</b>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

**4. Breakdown of the main accounts (Continued)**

	December 31, 2009	December 31, 2008
<b>g) Net revenues</b>		
<b>Gas carriage services</b>		
Gas carriage services .....	\$ 565,914	\$ 522,983
Discounts as per Decrees No. 292/95, 1520/98, 814/01 (Note 3.(p)) .....	(1,651)	(1,721)
Allowance for disputed amounts (Note 3.(p)) .....	(77,880)	(51,001)
Subtotal .....	486,383	470,261
<b>Other services</b>		
Pipeline O&M services .....	29,962	26,243
Management fees - Gas Trust Program (Note 15) .....	14,621	7,981
Subtotal .....	44,583	34,224
<b>Total .....</b>	<b>\$ 530,966</b>	<b>\$ 504,485</b>
<b>h) Other financial and holding results, net:</b>		
<b>Generated by assets:</b>		
Bank commissions and expenses .....	\$ (903)	\$ (509)
Holding results .....	23,384	8,782
Results from US\$ forward operations (Note 3.(r)) ....	(5,422)	-
Loss on discounting of non-current and current assets	(22,711)	(22,364)
<b>Total .....</b>	<b>\$ (5,652)</b>	<b>\$ (14,091)</b>
<b>Generated by liabilities:</b>		
Bank commissions, expenses and taxes on banking and financial operations .....	(8,892)	(8,061)
Result of repurchases of debts .....	-	1,099
Loss on discounting of non-current and current liabilities .....	(3)	43
Discounts .....	226	140
<b>Total .....</b>	<b>\$ (8,669)</b>	<b>\$ (6,779)</b>
<b>i) Other incomes, net</b>		
Result of disposal of fixed assets .....	\$ (173)	\$ 1,506
Net income from sundry sales and others .....	4,324	-
Net income from service projects sales .....	1,449	-
Recovery of damages .....	347	195
Net income from indemnifications .....	9,627	-
Donations .....	-	(1)
<b>Total .....</b>	<b>\$ 15,574</b>	<b>\$ 1,700</b>
<b>j) Cash and cash equivalents:</b>		
Cash and banks .....	\$ 22,935	\$ 135,575
Mutual funds in \$ .....	52,052	-
Time deposits in \$ .....	48,350	-
US Treasury Bills in US\$ .....	-	17,386
Time deposit in US\$ .....	124,117	-
Republic of Argentina Central Bank Notes (NOBAC's) (1)	19,412	-
Stock exchange securities in \$ .....	24,882	-
<b>Cash and cash equivalents as shown in the statements of Cash flows .....</b>	<b>\$ 291,748</b>	<b>\$ 152,961</b>

(1) In 2009 does not include \$ 9.8 million that have been granted as guarantee and thus, have not been considered as cash equivalents.



**TRANSPORTADORA DE GAS DEL NORTE S.A.**

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

**5. Balances and transactions with related parties**

**Balances with related parties**

	December 31, 2009	December 31, 2008
<b>Accounts receivable:</b>		
Other related parties .....	\$ 3,818	\$ 581
<b>Other receivables:</b>		
Current:		
Receivable with controlling shareholder (Note 4.b) ..	8	8
Foreign related parties (Note 4.b) .....	1,814	613
Other related parties (Note 4.b) .....	322	230
Directors' and management fees (Note 4.b) .....	1,372	1,759
<b>Accounts payable:</b>		
Current:		
Foreign related parties (Note 4.d) .....	-	21
Other related parties (Note 4.d) .....	16,190	3,151
Non-Current:		
Other related parties (Note 4.d) .....	-	1,492
<b>Others:</b>		
Directors' and management fees (Note 4.f) .....	1,385	2,012

**Transactions with related parties**

	December 31, 2009	December 31, 2008
<b>Controlling shareholder:</b>		
Other income .....	\$ 25	\$ 25
<b>Foreign related parties:</b>		
Net revenues .....	67	98
Cost of services .....	(16)	(25)
Other incomes, net .....	2	20
<b>Other related parties:</b>		
Net revenues .....	3,145	2,756
Cost of services .....	(13,894)	(11,634)
Full expenses by third party account .....	111	134
<b>Directors' and management fees:</b>		
Fees for Directory and the Committee of Syndics (Note 18.(f)) .....	(1,182)	(1,792)
Professional fees .....	-	(791)

**6. Income per share**

Income per ordinary share have been calculated as the quotient obtained by dividing the results for the years ended December 31, 2009 and 2008, by the weighed average of outstanding ordinary shares, which made a total of 439,373,939 shares at those dates.

At December 31, 2009 and 2008 there are no debt securities convertible into shares, so no diluted earnings per share have been disclosed.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

**7. Income tax and MPIT**

A breakdown of the Company's deferred tax assets and liabilities as of December 31, 2009 and 2008 are presented below:

	December 31, 2009	December 31, 2008
<b>Deferred tax assets and liabilities:</b>		
Accounts receivable .....	\$ 27,181	\$ 43,929
Other receivables .....	11,748	9,935
Fixed assets .....	(22,171)	(21,617)
Materials and spare parts .....	28,464	23,752
Other assets .....	(7,221)	(6,500)
Accounts payable and other payables .....	5,536	1,401
Debt and expenses related to debt restructuring	2,533	5,213
Contingencies .....	19,642	18,096
Directors' fees .....	415	-
Tax loss carryforward .....	10,073	-
<b>Net deferred tax asset .....</b>	<b>\$ 76,200</b>	<b>\$ 74,209</b>

According to General Resolution No. 487/06 of the CNV, and by the application of the professional accounting standards in force as from 2006 (CD Resolution No. 93/05 of the 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 recognized the inflation adjustment as a temporary difference, the deferred liability would have increased by approximately \$ 336.4 million, and its reversal would have taken place in a total approximate term of 18 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)		
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	238.7	83.2
<b>Total</b>	<b>961.5</b>	<b>336.4</b>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for 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, 2009	December 31, 2008
Net loss before income tax .....	\$ (53,537)	\$ (26,098)
Income tax rate .....	35%	35%
Income tax charge at statutory tax rate .....	18,738	9,134
Permanent differences:		
Inflation adjustment .....	(18,367)	(18,611)
Non-deductible expenses .....	(36)	(24)
Gain from equity investments, net .....	815	378
Others .....	841	1,687
<b>Income tax charge .....</b>	<b>\$ 1,991</b>	<b>\$ (7,436)</b>
Current income tax charge .....	-	(7,043)
Deferred income tax charge .....	1,991	(393)
<b>Income tax charge</b>	<b>\$ 1,991</b>	<b>\$ (7,436)</b>

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:

	12.31.09	12.31.08
<b>Recorded income tax</b>	<b>1,991</b>	<b>(7,436)</b>
Temporary differences:		
Variation in valuation for doubtful accounts .....	14,935	(25,014)
Variation in valuation of fixed assets .....	554	(426)
Variation of the provision for contingencies .....	(1,546)	4,093
Variation of debt and expenses relating to debt restructuring ..	2,680	5,609
Variation of the provision for inventories .....	(4,712)	(5,111)
Variation of tax loss carryforwards .....	(10,073)	19,851
Other net temporary differences .....	(3,829)	1,391
<b>Total tax assessed for fiscal purposes (estimated)</b>	<b>-</b>	<b>(7,043)</b>

As of December 31, 2009 income tax calculation results in an estimated tax loss carryforward of \$ 28.8 million. There was no tax loss carryforwards balances recorded as of December 31, 2008 pending to be used.

On the other hand, below is a detail of the breakdown of the credit for the minimum presumed income tax accumulated at December 31, 2009:

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	6,797	2018
2009 (estimated)	17,200	2019
<b>Balance at the closing of the year (Note 4.b)</b>	<b>108,502</b>	

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 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.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 8. Segment information

The following table shows additional information about the income statements and the main balance sheet captions of the Company at December 31, 2009 and 2008 segregated by business segment:

For the year ended December 31, 2009	Gas carriage services		Others	Total
	Domestic	Exports		
Net revenues .....	\$ 275,107	211,276	44,583	530,966
Cost of services, administrative and selling expenses (before depreciation) .....	(202,727)	(40,526)	(22,749)	(266,002)
Depreciation .....	(106,784)	(19,213)	(76)	(126,073)
Other incomes, net .....	5,037	10,533	4	15,574
Gain from equity investments, net .....	-	-	2,328	2,328
Financial and holding results, net .....	(178,150)	(32,054)	(126)	(210,330)
Income tax .....	7,716	(4,834)	(891)	1,991
<b>Net income for the year .....</b>	<b>\$(199,801)</b>	<b>125,182</b>	<b>23,073</b>	<b>(51,546)</b>

As of December 31, 2009	Gas carriage services		Others	Total
	Domestic	Exports		
Fixed assets, net.....	\$ 1,750,201	314,912	1,240	2,066,353
Accounts receivable, net.....	36,212	108,258	6,573	151,043
Debt.....	1,219,101	219,352	864	1,439,317
Other net assets.....	379,967	68,367	269	448,603
Shareholders' equity.....	947,279	272,185	7,218	1,226,682
Purchase of fixed assets.....	65,877	11,853	47	77,777

For the year ended December 31, 2008	Gas carriage 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)
<b>Net income for the year .....</b>	<b>\$(254,939)</b>	<b>201,481</b>	<b>19,924</b>	<b>(33,534)</b>

As of December 31, 2008	Gas carriage 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

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

## TRANSPORTADORA DE GAS DEL NORTE S.A.

**Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form**  
(In thousands of Argentine Pesos, except for per share amounts)

### 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) The Company has granted short-term investments for \$ 11.5 million as guarantee of certain derivative instruments arranged during the year in order to shorten Argentine peso - US dollar exchange rate fluctuations (Note 3.r) and Note 18.(c)).
- (iii) As a result of the postponement of the payments of its financial debt (Note 10), at the date of issuance of these financial statements 22 executory proceedings and 4 notified petitions for bankruptcy are pending against TGN before the commercial courts, under which there are funds subject to court attachments for approximately US\$ 8.3 million at the balance sheet date.

### 10. Debt

The Negotiable Obligations issued by the Company, in force as of December 31, 2009, have the following characteristics:

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

#### Postponement of December 2008 debt payments

In view of the continuous deterioration of the Company's economic and financial equation due to the effect of the depreciation of the peso on the domestic rates that have remained unchanged, combined with a fall in revenues from gas carriage for export as a result of the restrictions on gas exports, as mentioned in Note 1.c.v), and with the widespread peso and US dollar cost increases, on December 22, 2008, it was necessary for the Board of Directors of TGN to administer its resources in order to: (i) prioritize the safe and reliable provision by TGN of the public utility natural gas carriage service; (ii) adhere to the going concern principle; and (iii) ensure the equal treatment of all its financial creditors.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

**Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form**  
(In thousands of Argentine Pesos, except for per share amounts)

### 10. Debt (Continued)

#### Postponement of December 2008 debt payments

In this context, for exogenous reasons and for the purpose mentioned above, it has been necessary for the Board of Directors of TGN to postpone, after their due date, the principal and interest payments on the Series A and B Corporate Bonds. At December 31, 2009 the past due principal installments amounted to US\$ 47.5 million. Total debt as of December 31, 2009 amounts to US\$ 378.7 million, which is formed by US\$ 344.9 million of principal, US\$ 31.8 million of past-due contractual interests and US\$ 2.0 million of punitive interests.

#### Breakdown of debt balances as of December 31, 2009 and 2008

	12.31.09	12.31.08
	Thousands of \$	
Ordinary non-convertible Class A		
Principal	536,864	487,840
Interests	43,620	7,927
Punitive	3,721	-
Ordinary non-convertible Class B		
Principal	773,794	703,135
Interests	77,380	14,063
Punitive	3,938	-
<b>Total current</b>	<b>1,439,317</b>	<b>1,212,965</b>
<b>Total Debt</b>	<b>1,439,317</b>	<b>1,212,965</b>

According to accounting standards currently in force and to the International Accounting Standard 1 ("IAS 1") (supplementary to Argentina's accounting standards), defaulted obligations with acceleration clauses are disclosed under current liabilities. In this way, 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, the attempt to obtain the approval from our creditors of an out-of-court reorganization agreement by any means, automatically accelerates the maturity of the principal on all the Negotiable Obligations to be restructured, plus unpaid accrued interest, which have fallen due and become claimable.

#### 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 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 approved the creation of the abovementioned program.

#### Proposal of restructuring of the financial debt

On April 23, 2009 TGN announced the launch of a swap offer and the petition for an Out-of-court Reorganization Agreement ("APE") aimed at fully restructuring its financial liabilities. That offer was subsequently improved and modified by a new offer and petition for APE (launched September 8, 2009), which remained open until October 14, 2009 regarding the meeting considered in section 45 bis of the 24,522 law (the "Swap Offer"), as approved by the Board of Directors of the Company on September 8, 2009. The Proposal is to restructure: (i) the remaining principal

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 10. Debt (Continued)

#### Proposal of restructuring of the financial debt (Continued)

for US\$ 141,279,932 on the Series A Corporate Bonds issued by the Company; (ii) the remaining principal for US\$ 203,630,111 on the Series B Corporate Bonds issued by the Company; and (iii) US\$ 2,386,014 for the unpaid principal balance owed to third party service providers, according to their respective commercial agreements (jointly referred to as the "Outstanding Debt").

In relation to the restructuration proposal, subject to compliance with certain conditions, each holder of Outstanding Debt will receive at its choice:

#### - Cash Option

A cash payment in US dollars at a purchase price of US\$ 400 per each US\$ 1,000 of principal on the Outstanding Debt assigned to the cash option, subject to proration and reassignment mechanisms. The maximum cash amount available to redeem Outstanding Debt pursuant to the Cash Option is US\$ 40 million, subject to increases under certain circumstances.

#### - Swap Option at Par

Principal for US\$ 1,000 on new Corporate Bonds at Par per each US\$ 1,000 of principal on the Outstanding Debt assigned to the Swap Option at Par, subject to proration and reassignment mechanisms. TGN will issue Corporate Bonds at par for up to US\$ 247.3 million.

The Corporate Bonds at Par shall be amortized over 7 years and accrue interest at a step-up rate ranging between 6.50% and 8.50% per annum, payable quarterly in arrears. Out of the total interest accrued in each period, TGN shall pay at least 3.5% in cash and may capitalize the difference if it does not have the necessary funds. Principal shall be amortized semi-annually starting as from the fifth year.

As a result of the statements made by the Bondholders of TGN at the bondholders' meeting held on October 14, 2009 (pursuant to Section 45 bis of Law N° 24,522), convened by the Court of Original Jurisdiction on Commercial Matters N° 2, Clerk's Office N° 4, in the case entitled "Transportadora de Gas del Norte S.A., Out-of-court Plan of Reorganization (*Acuerdo Preventivo Extrajudicial*)", TGN's plan of reorganization was approved by a majority of votes, representative of 87.95%, computed out of the total number of bondholders in attendance which cast their vote at the said meeting.

Considering the consents given by the creditors that did not attend said meeting (including late consents), the Swap Offer was accepted by 87.97% of creditors, computed based on the total liabilities subject to restructuring.

On October 26, 2009 the Court of Original Jurisdiction on Commercial Matters N° 2, Clerk's Office N° 4, ordered that the pertinent legal notices be published, as prescribed by Section 74 of the Bankruptcy and Insolvency Law, all pecuniary actions filed against TGN having been stayed, with the exceptions of the actions established by section 21 of that law.

On November 30, 2009 TGN was notified of the fact that, upon expiration of the time frame envisaged in Section 75 of the Bankruptcy and Insolvency Law, the APE subject to confirmation by the court had been contested by private creditors which as a whole represented approximately 2.4% of the total liabilities subject to restructuring.

On December 30, 2009 the Company was served notice of a resolution adopted by the Court of Original Jurisdiction on Commercial Matters N° 2, Clerk's Office N° 4, in the case entitled "Transportadora de Gas del Norte S.A., Out-of-court Plan of

## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form**  
(In thousands of Argentine Pesos, except for per share amounts)

### **10. Debt (Continued)**

#### **Proposal of restructuring of the financial debt (Continued)**

Reorganization", which provided as follows: (i) to sustain the preliminary injunction requested by ANSES, in its capacity as financial creditor, and preventatively stay the effects of the resolutions adopted at the bondholders' meetings held on October 14 and 16, 2009; (ii) to provisionally leave without effect the resolution adopted on October 26, 2009 which had ordered that all pecuniary actions filed against TGN were stayed; (iii) to suspend the treatment of the denunciations and objections to the APE and the issuance of the order confirming the plan; and (iv) to suspend all administrative formalities for the authorization of the public offering of the new corporate bonds.

After authorization was obtained to file action during the legal holiday, TGN appealed said preliminary injunction (the appeal was granted with the effect of appeal process in sending court file to appellate court, with no stay of decision) and obtained the reinstatement for thirty juridical days of the restriction on the disposition of the funds subject to court attachments in the executory proceedings.

On January 21, 2010, TGN was notified of a resolution adopted by the Legal Holiday Panel of the Commercial Court of Appeals, whereby the appeal lodged by TGN was sustained, partially revoking the preliminary injunction with the consequent reinstatement of the resolution adopted on October 26, 2009 which had ordered that all pecuniary actions against TGN were stayed. In addition, the Legal Holiday Panel established that the other issues appealed by TGN be resolved by the court hearing the case. At the balance sheet date, the confirmation of the out-of-court reorganization plan by the court is pending resolution.

Lastly, the Out-of-court Plan of Reorganization foresees certain grounds for automatic rescission of the plan of reorganization (APE, Section 10.1(a)), and other grounds which allow creditors that have already given their consent to the terms and conditions of the said plan the possibility of rescinding it at their exclusive discretion (APE, Section 10.1(b)).

### **11. Impact and possible implications of the postponement of the payment of the financial debt**

Upon the decision adopted by the Board of Directors on December 22, 2008 to defer the payment of financial obligations (see Note 10), TGN prepared a sustainable debt schedule that led to the issuance of a swap offer.

In view of this, it is important to highlight that according to the Trust Agreement regulating the terms and conditions of the Negotiable Obligations to be rescheduled, the attempt to obtain the approval from our creditors of an out-of-court reorganization plan by any means, automatically accelerates the maturity of the principal on all the Negotiable Obligations to be restructured, plus unpaid accrued interest, which have fallen due and become claimable. Considering this and according to currently in force accounting standards and to the International Accounting Standard 1 ("IAS 1") (supplementary to Argentina's accounting standards), the Company classifies the complete financial debt balances into current liabilities.

As a result of the postponement of the payments of its financial debt, TGN faces petitions for bankruptcy and actions for executory collection, as described in Note 13.1), in view of which or of others that could hereafter be submitted or initiated the Company would have to file for protection under the Bankruptcy and Insolvency Law.

The Basic Rules of the License ("RBL") of TGN provide that the "declaration of bankruptcy" is a grounds for the forfeiture of the license and consequently for the transfer of the essential assets to a new concessionaire or to the National State, according to the mechanism foreseen for the termination of the license.



## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 11. Impact and possible implications of the postponement of the payment of the financial debt (Continued)

Nevertheless, in accordance with the RBL, TGN considers that this would cause no adverse immediate effect on its Gas Carriage License, because the mere petition for declaration of bankruptcy or insolvency is not a grounds for the declaration of the lapsing of the license (as set forth in section 10.6 of the RBL), which is supported by the provisions of article 1 of Decree No. 1,834/2002.

### 12. Shareholders' equity

#### (a) Common stock

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

#### (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 the 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.

Under the terms of the financial agreements currently in force, 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).

#### (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.

Restrictions are presented in Note 12.c).

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 13. 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 Board of Directors 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, including those against TGN as well as those in which the Company acts as a claimer.

#### *(a) Turnover 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 \$ 2.0 million for the tax, \$ 1.7 million for interest and \$ 1.0 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 twenty three fines applied by the ENARGAS for a total amount of \$ 9.9 million, of which thirteen have been appealed in the administrative orbit for \$ 4.9 million and ten for \$ 5.0 million have been appealed before the judicial courts. At the date of issuance of these financial statements resolution of these appeals are still in process.

#### *(c) Rescission of firm gas carriage 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 carriage contract (the "AES-TGN Agreement"), whereby the Company committed to carry up to 1.81 MMm<sup>3</sup>/day of natural gas as from an agreed-upon date for a period of 20 years. The gas carriage 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 carriage system. In view of the political and economic changes occurred in December 2001, which led to the pesification and freezing of the carriage rates in January 2002, in February 2003 the Company had the pressing need to request the ENARGAS to rescind the gas carriage 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

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 13. Contingencies (Continued)

*(c) Rescission of firm gas carriage contract with AES Parana S.C.A. (Continued)*

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 carriage contract if AES Parana obtains the providing of the carriage service of at least 1.5 MM m<sup>3</sup>/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, the temporary agreement was successively extended until March 1, 2010. At present negotiations with AES continue so as to achieve changes in terms of the agreement.

As of December 31, 2009, the allowance amount recorded to settle possible claims being made by AES.

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

In December 2004 TGN was notified of certain assessed adjustments made by the federal tax authorities to income tax and value added tax on the interest payments in favor of the holders of the negotiable obligations issued under a negotiable obligation program, pursuant to Law N° 23,576. These assessed income and value added tax adjustments with fines and interest amount to \$ 50.7 million and \$ 31.7 million, respectively. The computation included the taxes on the interest payments made to the International Finance Corporation ("IFC").

These assessments were made as a result of an audit to verify compliance with the requirements of Law N° 23,576, whereby interest paid to holders of negotiable obligations are entitled to certain tax benefits, provided that those requirements have been fulfilled.

On August 17, 2007, the Argentine Tax Authority decided to put an end to the income tax case in its entirety. Moreover, the Tax Authority partially dropped its value added tax claim on September 20, 2007. TGN ratified the settlement of the claim by the Tax Authority and the National Tax Tribunal resolved that the Argentine Tax Authority's claim (in the value added tax case) be considered to have been partially dropped in December 2007, and that the claim in the income tax case be considered to have been dropped in July 2008. As a result of the settlement of the tax authority's claim, the dispute with this authority is limited exclusively to value added tax on interest paid to the IFC for an amount of \$ 14.6 million.

In December 2007, the Tax Authority gave the Company further notice of an assessment of interest and fines in respect of value added tax on the interest paid

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 13. Contingencies (Continued)

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

to the IFC under these programs (for the period from January to May 2002, which had not been included in the original assessment). The amount claimed was \$ 3.6 million. The Company has appealed this new computation before the National Tax Tribunal which is pending to be resolved at the date of issuance of these financial statements.

TGN estimates that the amount claimed is approximately \$ 21.5 million.

#### *(e) Official assessments of the tax-purpose useful lives*

In late December 2005 TGN was notified of two resolutions whereby the Argentine tax authorities assessed differences in income tax for the fiscal periods 1999 to 2002. The total amount claimed is \$ 21.1 million including interest at that date and a fine of 70% of the tax determined.

These adjustments are justified by the disallowance of the useful lives assigned by TGN to its Northern Gas Pipeline and all of its compressor plants, which are used in calculating their depreciation for income tax purposes, as in the opinion of the tax authorities useful lives higher than those adopted by the Company apply. The collection agency states that the useful lives must be 45 years, that is, equal to the original duration of the License granted to TGN to provide the public utility gas carriage service, plus an extension of 10 years. The Company understands that the useful lives objected to, which it has used to determine the tax and accounting depreciation, are technically adequate and are supported by a report issued by a consulting firm specialized in this matter.

On February 17, 2006 TGN challenged certain official assessments by filing the pertinent appeals with the National Tax Court, which are still pending resolution.

#### *(f) Redirecting of the carrying 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 carrying capacity volume which originally corresponded to the firm carriage 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 reassignments 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.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 13. Contingencias (Continued)

#### *(f) Redirecting of the carrying capacity (Continued)*

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 carriage capacity equal to 0.770 MMm3/d.

In May 2007 the ENARGAS instructed TGN to apportion the reallocation of certain carrying 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 uninterrupted 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 was 1.575 MMm3/day. This mechanism was extended by ENARGAS until April 2010 for a volume of 2.246 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 carrying 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 15.a)).

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. This appeal is in process of resolution at the date of issuance of these financial statements.

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.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 13. Contingencies (Continued)

*(h) Controversy raised by Eléctrica Santiago S.A. ("ESSA")*

In February 2008, the Chilean customer "ESSA" communicated to TGN its unilateral decision to terminate the firm carriage 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 carrying capacity available to ESSA, and issuing invoices for the service rendered. Considering the rate in force as of December 31, 2009, the annual invoicing to ESSA for the firm carriage service amounts to US\$ 9.7 million.

In March 2008, the Company was notified of the 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 carriage 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 carriage 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. In the alternative, ESSA alleges the frustration of the purpose of the contract, and requests that ENARGAS establish a special rate applicable to a reserve of carrying 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 legal action, before civil and commercial federal court, for collection of pesos, requesting that ESSA be ordered to pay US\$ 0.8 million, interest and court costs, for the January 2008 invoice, and reserving the right to lodge further complaints if unpaid invoices accumulate. In November 2009 further complaints were presented including the rest of 2008 invoices for an approximate amount of US\$ 9.2 million.

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

In view of the carrying capacity redirecting established by the ENARGAS, YPF started to irregularly pay the invoices alleging a partial availability of capacity. In February 2007 YPF requested a thorough review of the carriage contract on the 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.

On February 9, 2009 TGN started the out-of-court mediation required by law, with an unsatisfactory outcome. On April 20, 2009 TGN filed legal action against YPF: (i) demanding compliance with the carriage contract signed with YPF; (ii) claiming payment of US\$ 30.4 million from YPF, based on the invoices issued by TGN for services rendered between February 2007 and February 2009, both of them plus interest accrued at each respective date, plus interest to be accrued until the sums are repaid by YPF.

On September 3, 2009 TGN was notified of an administrative action filed by YPF with the ENARGAS in pursue of the rescission of the transport contract, effective September 15, 2009. On September 30, 2009 TGN answered the complaint and

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 13. Contingencies (Continued)

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

filed a motion challenging the jurisdiction of the ENARGAS. In the alternative, TGN answered YPF claims and requested that said claims be rejected.

Up to the date of issuance of these financial statements, YPF paid \$ 10.4 million, remaining a balance of \$ 192.1 million pending to be collected by TGN.

#### *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. On November 26, 2009 Panel B of the Commercial Court of Appeals sustained the direct appeal filed by TGN and left CNV Resolution N° 16,060 without effect, as it understood that TGN's conduct in relation to this matter was in accordance with law. CNV filed an extraordinary appeal against that resolution.

#### *l) Petitions for bankruptcy and action for executory collection*

As a result of the postponement of the payments of its financial debt (Note 10), 22 notified executory proceedings are pending against TGN before the commercial courts, under which there are funds subject to court attachments for approximately US\$ 8.3 million (including principal, interests and estimated legal expenses). In 18 of those lawsuits, writs of execution and judicial sale were issued, all of which were appealed by the Company.

Moreover, the Company faced three petitions for bankruptcy for approximately US\$ 2.5 million before the Argentine commercial courts, which were rejected by the courts on grounds that, as far as TGN is concerned, the legal requirements for filing those petitions are not met. The Company expects that a fourth petition for bankruptcy for approximately US\$ 1.0 million will also be rejected. Other two pending petitions for bankruptcy not yet notified to TGN have been suspended by the courts.

It is important to mention that on October 26, 2009 the First Instance Court on Commercial Matters No. 2, Office No. 4, ordered that legal notices be published as prescribed by section 74 of the Bankruptcy and Insolvency Law for the stay of all pecuniary actions filed against TGN, with the exceptions of the actions established by section 21 of the law mentioned before. However, on December 30, 2009 the Company was served notice of a preliminary injunction ordered by the subrogating judge in charge of said court at the request of the ANSeS, in its capacity as a financial creditor, whereby (i) the formalities for the confirmation of the out-of-court reorganization plan and (ii) the protection by the said Section 72 of the Bankruptcy and Insolvency Law previously decreed were suspended.

After authorization was obtained to file action during the legal holiday, TGN appealed said preliminary injunction (the appeal was granted with the effect of appeal process in sending court file to appellate court, with no stay of decision) and obtained the reinstatement for thirty juridical days of the restriction on the disposition of the funds subject to court attachments in the executory proceedings.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 13. Contingencias (Continued)

#### *l) Petitions for bankruptcy and action for executory collection (Continued)*

On January 21, 2010, TGN was notified of a resolution adopted by the Legal Holiday Panel of the Commercial Court of Appeals, whereby the appeal lodged by TGN was sustained, partially revoking the preliminary injunction with the consequent reinstatement of the resolution adopted on October 26, 2009 which had ordered that all pecuniary actions against TGN were stayed. In addition, the Legal Holiday Panel established that the other issues appealed by TGN be resolved by the court hearing the case.

#### *m) Dispute with Metrogás (Chile)*

On April 21, 2009, TGN was notified of a declarative action filed by Metrogás S.A. ("Metrogás Chile"), the Chilean gas distributor, seeking the judicial declaration of inapplicability of the US dollar denominated rate envisaged in its carriage contract, if the gas is not actually carried.

In September 2009 Metrogás Chile communicated its unilateral decision to rescind its firm gas carriage contract with TGN, and claimed damages for approximately US\$ 238 million from TGN, stating that it had suffered harm occasioned by alleged noncompliance by TGN when the latter ceased to deliver gas which, according to Metrogás Chile, had apparently been confirmed and injected into the intake by its producers / suppliers.

As it is publicly known, in the last few years local gas production has not been sufficient to satisfy the additional domestic demand and exports, a situation that is not attributable to TGN because it does not produce or sell gas.

Within this context, effective 2004 and based on the general principles of the Hydrocarbons Act and the Gas Act, the Argentine authorities implemented a series of regulations imposing restrictions on exports of natural gas, to give priority to gas supply in the domestic market.

Since then, the firm carrying capacity hired by Metrogás Chile from TGN has been and is fully available to the customer without any restriction whatsoever, for carrying the gas its producers/suppliers are legally permitted to export in light of those regulations.

In view of the foregoing, TGN rejected, on inadmissibility grounds, the unilateral declaration of contract rescission, as well as the claim for damages made by Metrogás Chile, as TGN has complied with its obligations under the binding gas carriage contract between the parties.

TGN also considers that any action for damages that Metrogás Chile could file would not be likely to be sustained, and it will take all steps necessary to protect the corporate interests.

Subsequently, on December 29, 2009, Metrogás convened an off-court mediation hearing with TGN to be held on February 23, 2010 in the Autonomous City of Buenos Aires, which was postponed until March 18, 2010.

#### *n) Compromise and settlement with Compañía Eléctrica San Isidro S.A.*

In September 2009, TGN and its Chilean customer, the generator Compañía Eléctrica San Isidro S.A. ("CESI") entered into a compromise and settlement (the "Compromise and Settlement") which put an end to the dispute between the two parties in relation to the firm natural gas carriage contract (the "Contract") signed by them.

The Contract had been entered into in October 1995 for a term of 25 years, expiring in October 2023, for a volume of up to 1,684,000 MMm<sup>3</sup>/day.



## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 13. Contingencies (Continued)

#### *n) Compromise and settlement with Compañía Eléctrica San Isidro S.A. (Continued)*

In essence, the Compromise and Settlement (which is subject to the approval of the Board of Directors of CESI) sets forth as follows: (i) the Contract shall expire on December 31, 2013; (ii) initially, the hired capacity shall be reduced to 600,000 m3/d, and from April 30, 2011 to the termination of the Contract, the firm capacity shall be restored at 1,684,000 m3/d, but CESI shall have the option to reduce it up to a floor of 10,000 m3/d per annum; and (iii) CESI shall pay TGN a variable compensation amount, according to effectively used carrying capacity, in 54 monthly consecutive installments until January 2014. Adding together the compensation and gas carriage, TGN ensures monthly PPI-adjusted revenues of US\$ 0.9 million until that date.

As a result of the Compromise and Settlement, TGN shall cease to receive the revenues agreed under the Contract from February 2014 to October 2023 (US\$ 0.7 million per month, at the currently applicable rate); in exchange for this, TGN shall collect the monthly revenues described in point (iii) supra, which will ultimately produce a negative net effect on its expected cash flows.

#### *o) Colbún S.A.'s transportation service unpaid balances*

Since October 2007 Colbún has paid under protest the invoices issued for the firm carriage service for export, alleging presumptive differences between the volumes of natural gas nominated by Colbún and injected by the producers at the reception point and the volumes delivered by TGN to Colbún at the point of delivery. Colbún also alleged that performance of the carriage contract had become too burdensome, with the consequent frustration of the subject matter thereof. In October 2009 Colbún suspended payment of the service and summoned TGN to a preliminary out-of-court mediation at which Colbún proposed the rescission of the contract. The mediation instance will continue while the parties conclude negotiations.

### 14. 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 carrying 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 carrying 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.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 14. 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, 2009 the investment amounts to \$ 29 million and its residual value is approximately \$ 22.4 million at that date.

### 15. 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 carriage 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 carriage of 1.8 MMm<sup>3</sup>/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 Northern Gas Pipeline. As a result, more than 15.2 MMm<sup>3</sup>/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.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

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

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

The total fee to be collected by TGN as the project manager will be \$ 75.8 million (before value added tax) and was supposed to be monthly collected in 44 installments between February 2006 and September 2009.

The first stage of the work, "Hito AP" began in October 2007. Although as of the end of the year some final tasks and complementary works (refurbishment of compressor plants and measurement and regulation stations were still pending, at December 2008 the carrying capacity was increased by 1.5 MMm<sup>3</sup>/d in the Northern Pipeline from the Lumbreras compressor plant (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 compressor plant were built in the locality of Tío Pujio, province of Córdoba.

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 increased the mentioned pipe section's transport capacity in 1.4 MMm<sup>3</sup>/d.

The second stage of the work, "Hito Post AP", includes the construction of almost 800 km of loops (between North and West Center pipeline) together with three 10,310-HP compressor plants in Salta, Córdoba and Santa Fe.

It was originally considered that these works would had been completed by winter of 2010. The start, scheduled for September 2008, has been delayed for reasons associated mainly with the lack of financing. So far, only a compressor plant of 10,310 HP has been put into service in Leones (Córdoba). Three 30-km loop stages (Miraflores- Lumbreras); 57-km (Campo Durán-Pichanal); and 33-km (Tucumán - Lavalle) are currently under way. Some special intersections have also been executed in other pipeline sections, but the works in the regular line were subsequently discontinued. The date of commissioning of the three loop stages is still uncertain.

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 2009.

As for the project management fee, the Company received from Nación Fideicomisos up to February 2010 \$ 48.7 million in cash, that jointly with the \$ 17.9 million received in bonds, had been applied to past due invoices. During 2009 cash receipts for \$ 28.1 million were recorded as payment for the invoices for January to September 2008. From January 1, 2010 to late February 2010 \$ 2.8 million in cash were collected, corresponding to October 2008 invoice (including VAT)

As of late February, 2010 the management fee billed amounted to \$ 84.1 million, including VAT.

At the request of Nación Fideicomisos, in May 2009 the Company accepted that, if necessary for the continuation of the "Hito Post AP" expansion works, the trust would apply the source of repayment of those government securities.

On September 2009 the time frame for the services envisaged in the project management contract entered into by TGN expired. Prior to said expiration, TGN informed the authorities of this situation and was ready to agree to the terms under which the service would continue to be provided given that the work is still under way.

## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form**  
(In thousands of Argentine Pesos, except for per share amounts)

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

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

As set forth in the contract, until a new agreement is reached and for a period of three months, TGN shall be empowered to receive a monthly sum equivalent to 1% of the contract value.

On October 15, 2009, a note was received from the Secretariat of Energy indicating that both the ENARGAS and Nación Fideicomisos "are analyzing the action and behavior of that Project Manager within the framework of the referenced contract, to evaluate compliance and possible noncompliance with the services under its charge" and that meanwhile, "... TGN should continue to provide the services, without collecting any additional amount whatsoever, until the Regulatory Authority and Nación Fideicomisos complete their report and decide in favor of or against the continuity of the contract." At present, the possible outcome of this situation is unknown. TGN considers that it performed as a proper project manager and its conduct has been adjusted to the terms of the agreement.

The final net receivable registered by the Company amounts to \$ 6.2 million based on the estimate of the revenue accrual, as described in Note 3.p), and on the estimate of its present value.

### **16. "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.

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. As of December 31, 2009, the balance to be transferred to the trust amounts to \$ 1.7 million.

### **17. Subsequent events**

On February 26, 2010, ENARGAS Resolution I/1085 extended for further 60 days the intervention initiated in December 2008.

Subsequent to December 31, 2009, 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 considered or mentioned in these financial statements.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year  
ended December 31, 2009 presented in comparative form  
(In thousands of Argentine Pesos, except for per share amounts)

### 18. 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

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and for the year**  
**ended December 31, 2009 presented in comparative form**  
(in thousands of Argentine Pesos, except for per share amounts)

**18. Other financial statement information (Continued)**

**(a) Fixed Assets, net**

Account	12.31.2009											12.31.2008			
	Original values					Depreciation						Net book value	Net book value Non-essential items	Net book value	
	At the beginning of the year	Increases	Disposals	Transfers	At the end of the year	At the beginning of the year	For the year		Disposals	Transfers	Accumulated at the end of the year				
Land	3,274	-	-	-	3,274	-	-	-	-	-	-	3,274	1,976	1,298	3,274
Buildings and constructions	76,712	-	(2)	139	76,849	20,221	2	1,537	(1)	-	21,757	55,092	41,832	13,260	56,491
Installations and mixtures	2,344	-	-	-	2,344	640	4	92	-	-	732	1,612	-	1,612	1,704
Gas pipelines	2,025,554	-	(690)	9,585	2,034,449	636,870	2.22	56,049	(318)	47	692,648	1,341,801	1,341,801	-	1,388,684
Recoating (Note 3.h))	64,422	-	-	22,727	87,149	7,278	5.88	4,002	-	-	11,280	75,869	75,869	-	57,144
High-pressure branch lines	890	-	-	-	890	277	3.33 and 2.22	26	-	-	303	587	587	-	613
Compressor plants	851,285	-	(283)	26,920	877,922	385,811	4	51,199	(152)	(40)	436,818	441,104	441,104	-	465,474
High-pressure control and/or measurement stations	68,618	-	-	98	68,716	35,298	5	3,713	-	-	39,011	29,705	29,705	-	33,320
Other technical installations	46,543	-	(760)	548	46,331	25,845	6.67	2,508	(422)	(2)	27,929	18,402	18,077	325	20,698
Machinery, equipment and Tools	24,215	-	(311)	1,548	25,452	20,174	10, 20 and 50	1,193	(296)	(8)	21,063	4,389	-	4,389	4,041
Computer and telecommunication Systems	73,115	-	(492)	6,495	79,118	49,432	10 and 20	4,042	(431)	2	53,045	26,073	-	26,073	23,683
Vehicles	17,311	-	(666)	1,590	18,235	13,289	20	1,255	(585)	-	13,959	4,276	-	4,276	4,022
Furniture and mixtures	9,916	-	(48)	173	10,041	8,963	10	213	(42)	1	9,135	906	-	906	953
Assets held at third parties	6,598	-	(34)	27	6,591	5,824	12.5	244	(34)	-	6,034	557	87	470	774
Work in process <sup>(1)</sup>	54,621	75,270	(32)	(67,905)	61,954	-	-	-	-	-	-	61,954	43,303	18,651	54,621
Advances to suppliers	190	2,507	-	(1,945)	752	-	-	-	-	-	-	752	-	752	190
<b>Total as of 12.31.2009</b>	<b>3,325,608</b>	<b>77,777</b>	<b>(3,318)</b>	<b>-</b>	<b>3,400,067</b>	<b>1,209,922</b>		<b>126,073</b>	<b>(2,281)</b>	<b>-</b>	<b>1,333,714</b>	<b>2,066,353</b>	<b>1,994,341</b>	<b>72,012</b>	<b>-</b>
<b>Total as of 12.31.2008</b>	<b>3,285,754</b>	<b>45,550</b>	<b>(5,696)</b>	<b>-</b>	<b>3,325,608</b>	<b>1,089,679</b>		<b>123,707</b>	<b>(3,464)</b>	<b>-</b>	<b>1,209,922</b>	<b>-</b>	<b>2,052,000</b>	<b>63,686</b>	<b>2,115,686</b>

<sup>(1)</sup> Increases in Fixed Assets (Work in Process) are reduced in \$ 9.2 million corresponding to the delivery during the year of Mars 100 and Taurus 70 equipments that have been interchanged with the supplier Solar Turbines International Co.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and for the year**  
**ended December 31, 2009 presented in comparative form**  
(in thousands of Argentine Pesos, except for per share amounts)

**18. Other financial statement information (Continued)**

**(b) Investments**

Issuer	Class	Par value	Amount	Cost value	Book value		Principal activity	Information on the issuer					
					12.31.2009	12.31.2008		Date	Latest financial statements				
									Capital stock and capital adjustment	Other Reserves	Retained earnings	Shareholders' equity	% of direct holding
<b>Non-current investments</b>													
Comgas Andina S.A. ....	Common	(a) 1	490	246	2,379	1,467	Gas pipeline services	12.31.09	8	-	4,847	4,855	49.0
Companhia Operadora de Rio Grande do Sul.....	Common	(b) 1	49	0.1	449	226	Gas pipeline services	12.31.09	-	115	800	915	49.0
Impairment of investment (Note 18.(d) and 3.f)) .....					(449)	(226)							
<b>Total.....</b>					<b>2,379</b>	<b>1,467</b>							

(a) Chilean Pesos  
(b) Brazilian Reais

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and for the year**  
**ended December 31, 2009 presented in comparative form**  
(in thousands of Argentine Pesos, except for per share amounts)

**18. Other financial statement information (Continued)**

**(c) Short-term investments**

	<u>December 31,</u> <u>2009</u>		<u>December 31,</u> <u>2008</u>
Mutual funds in \$ .....	\$ 52,052	\$	-
Time deposits in \$ .....	48,350		-
Time deposits in US\$ .....	124,117		-
US Treasury Bills in US\$ .....	-		17,386
Stock exchange securities in \$ .....	24,882		-
Republic of Argentina Central Bank Notes (NOBAC's)	29,210	(1)	-
Government bonds in US\$ - Discount bond .....	2,746	(2)	1,019
<b>Total .....</b>	<b>\$ 281,357</b>	<b>\$</b>	<b>18,405</b>

(1) Include \$ 9.8 million granted as guarantee.

(2) Include \$ 1.7 million granted as guarantee.



**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and for the year**  
**ended December 31, 2009 presented in comparative form**  
(in thousands of Argentine Pesos, except for per share amounts)

**18. Other financial statement information (Continued)**

**(d) Allowances and provisions**

	12.31.2009				12.31.2008	
	Balances at the beginning of the year	Net increases	Decreases (payment / usage)		Balances at the end of the year	Balances at the end of the year
<b>Deducted from assets</b>						
<b>Current</b>						
<b>Accounts receivables</b>						
Allowance for doubtful accounts.....	8,778	(2,683)	(2)	(2,093)	(6)	4,002
Allowance for disputed amounts.....	32,248	448	(1)	(21,367)	(6)	11,329
<b>Other receivables</b>						
Allowance for doubtful accounts.....	886	119	(2)	-		1,005
<b>Non Current</b>						
<b>Accounts receivables</b>						
Allowance for disputed amounts.....	61,951	79,930	(1)	(186)		141,695
<b>Other receivables</b>						
Allowance for disputed tax payments and judicial escrow accounts.....	7,316	259	(4)	-		7,575
<b>Materials and spare parts</b>						
Allowance for slow-moving and obsolescence.....	67,863	13,462	(5)	-		81,325
<b>Investments</b>						
Allowance for impairment of COPERG (Note 18.(b) and 3.(f)) .....	226	223	(3)	-		449
<b>Total allowances deducted from assets .....</b>	<b>\$ 179,268</b>	<b>91,758</b>		<b>(23,646)</b>		<b>247,380</b>
<b>Included in Liabilities</b>						
<b>Current</b>						
<b>Contingencies</b>						
Provision for contingencies.....	32,008	5,642	(4)	(4,883)		32,767
<b>Non Current</b>						
<b>Contingencies</b>						
Provision for contingencies.....	33,839	3,401	(4)	-		37,240
<b>Total provisions included in liabilities.....</b>	<b>65,847</b>	<b>9,043</b>		<b>(4,883)</b>		<b>70,007</b>
<b>Total as of 12.31.2009.....</b>	<b>\$ 245,115</b>	<b>100,801</b>		<b>(28,529)</b>		<b>317,387</b>
<b>Total as of 12.31.2008.....</b>	<b>\$ 191,879</b>	<b>59,575</b>		<b>(6,339)</b>		<b>-</b>
						<b>245,115</b>

- (1) \$ 77,880 charged to Net Revenues (Nota 4.g)), \$ 118 to Selling Expenses - Doubtful accounts (Note 18.f)) and \$ 2,380 to Financial and holding results generated by assets.  
(2) Charged to Selling Expenses - Doubtful accounts (Note 18.f)).  
(3) Charged to Gain from equity investments.  
(4) Charged to Administrative expenses - Contingencies (Note 18.f))  
(5) Charged to Cost of Services, materials and spare parts slow-moving and obsolescence (Note 18.f)).  
(6) Usage of provision due to consumption.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and for the year**  
**ended December 31, 2009 presented in comparative form**  
(in thousands of Argentine Pesos, except for per share amounts)

**18. Other financial statement information (Continued)**

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

	12.31.2009				12.31.2008			
	Foreign currency class and amounts	Exchange rate		Amount in Thousands of \$	Foreign currency class and amounts		Amount in Thousands of \$	
<b>Assets</b>								
<b>Current assets</b>								
<b>Cash and banks</b>								
Cash .....	US\$	2	3.760	\$ 6	US\$	8	\$ 29	
Banks .....	US\$	5,784	3.760	21,748	US\$	38,085	129,983	
				<u>21,754</u>			<u>130,012</u>	
<b>Short-term investments</b>								
Time deposit in US\$ .....	US\$	33,010	3.760	124,117			-	
US Treasury Bills in US\$ .....		-		-	US\$	5,094	17,386	
Government bonds in US\$- Discount bonds .....	US\$	730	3.760	2,746	US\$	299	1,019	
				<u>126,863</u>			<u>18,405</u>	
<b>Accounts receivable</b>								
Gas carriage services (1) .....	US\$	4,095	3.760	15,397	US\$	6,822	23,283	
Other services .....	US\$	1,847	3.760	6,945	US\$	582	1,985	
				<u>22,342</u>			<u>25,268</u>	
<b>Other receivables</b>								
Court attachments and deposits .....	US\$	8,260	3.760	31,058			-	
Prepaid expenses on behalf of third parties and others ..	R\$	776	2.140	1,661	R\$	126	183	
	£	2	6.0765	12			-	
	US\$	1,540	3.760	5,790	US\$	737	2,517	
				<u>38,521</u>			<u>2,700</u>	
<b>Total current assets</b> .....				<b>\$ 209,480</b>			<b>\$ 176,385</b>	
<b>Non-current assets</b>								
<b>Accounts receivables</b>								
Gas carriage services (1) .....	US\$	75,370	3.760	283,391	US\$	36,303	123,902	
				<u>283,391</u>			<u>123,902</u>	
<b>Other receivables</b>								
Guarantee deposits .....	US\$	200	3.760	752	US\$	200	683	
				<u>752</u>			<u>683</u>	
<b>Investments</b>								
Comgas Andina (Note 18.b) .....	\$ch	317,171	0.0075	2,379	\$ch	265,124	1,467	
				<u>2,379</u>			<u>1,467</u>	
<b>Total non-current assets</b> .....				<b>\$ 286,522</b>			<b>\$ 126,052</b>	
<b>Total assets</b> .....				<b>\$ 496,002</b>			<b>\$ 302,437</b>	

US\$: United States dollars  
\$ch: Chilean Pesos  
R\$: Brazilian Reals  
£: Pound Sterling

(1) Nominal value of the gas carriage services receivables, not considering the allowances for doubtful accounts.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and for the year**  
**ended December 31, 2009 presented in comparative form**  
(in thousands of Argentine Pesos, except for per share amounts)

**18. Other financial statement information (Continued)**

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

	12.31.2009			12.31.2008		
	Foreign currency class and amounts	Exchange rate	Amount in Thousands of \$	Foreign currency class and amounts	Amount in Thousands of \$	
<b>Liabilities</b>						
<b>Current liabilities</b>						
<b>Accounts payable</b>						
Suppliers.....	US\$	175	3.800	\$ 665	US\$	15 \$ 52
Other related parties.....	US\$	4,182	3.800	15,892	US\$	873 3,015
Foreign related parties.....				-	\$ch	3,788 21
				<u>16,557</u>		<u>3,088</u>
<b>Debt</b>						
Ordinary non-convertible Class A						
Principal.....	US\$	141,280	3.800	536,864	US\$	141,280 487,840
Interests.....	US\$	11,479	3.800	43,620	US\$	2,296 7,927
Punitive.....	US\$	979	3.800	3,721		-
Ordinary non-convertible Class B						
Principal.....	US\$	203,630	3.800	773,794	US\$	203,630 703,135
Interests.....	US\$	20,363	3.800	77,380	US\$	4,073 14,063
Punitive.....	US\$	1,036	3.800	3,938		-
				<u>1,439,317</u>		<u>1,212,965</u>
<b>Total current liabilities .....</b>				<b>\$ 1,455,874</b>		<b>\$ 1,216,053</b>
<b>Non-current liabilities</b>						
<b>Accounts payable</b>						
Other related parties.....				-	US\$	432 1,492
				<u>-</u>		<u>1,492</u>
<b>Total non-current liabilities .....</b>				<b>\$ -</b>		<b>\$ 1,492</b>
<b>Total liabilities .....</b>				<b>\$ 1,455,874</b>		<b>\$ 1,217,545</b>

US\$ : United States dollars  
\$ch : Chilean Pesos

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and for the year**  
**ended December 31, 2009 presented in comparative form**  
(in thousands of Argentine Pesos, except for per share amounts)

**18. Other financial statement information (Continued)**

**(f) Cost of services, administrative and selling expenses**

	Cost of services			Selling expenses			Administrative expenses	Investments in fixed assets	Total At 12.31.2008	
	Total At 12.31.2009	Carriage service	Other services	Total	Carriage service	Others services				Total
Fees for technical-administrative services .....	1,182	-	-	-	-	-	1,182	-	1,792	
Fees for professional services ....	10,269	854	3,068	3,922	146	-	5,604	597	10,767	
Salaries, wages and other personnel benefits .....	77,574	43,989	10,708	54,697	701	-	21,636	540	67,957	
Social security contributions .....	15,823	10,337	1,329	11,666	241	-	3,916	-	14,059	
Fees for technical operator services .....	11,189	11,189	-	11,189	-	-	-	-	9,488	
Foreign staff residences .....	2,746	2,746	-	2,746	-	-	-	-	2,156	
Consumption of spare parts and materials .....	21,854	16,035	508	16,543	-	-	60	5,251	20,275	
Gas imbalance .....	(208)	(208)	-	(208)	-	-	-	-	942	
Third party services and supplies .	6,561	5,570	553	6,123	24	-	414	-	5,419	
Maintenance and repair of fixed assets <sup>(1)</sup> .....	65,048	45,656	2,744	48,400	18	-	1,469	15,161	62,921	
Travel expenses .....	7,777	5,520	1,142	6,662	77	-	896	142	7,559	
Freight and transportation .....	2,226	1,055	41	1,096	-	-	9	1,121	1,623	
Communications .....	1,242	613	166	779	28	-	426	9	1,170	
Insurance .....	5,716	5,298	1	5,299	-	-	416	1	5,756	
Office supplies .....	2,214	805	158	963	15	-	1,205	31	1,787	
Rentals .....	1,620	898	544	1,442	15	-	104	59	1,493	
Easements .....	9,331	9,329	-	9,329	-	-	-	2	7,208	
Taxes, rates and contributions ....	23,381	486	42	528	10,334	1,450	11,784	20	25,134	
Fixed assets depreciation .....	126,073	124,232	76	124,308	252	-	1,513	-	123,707	
Fixed assets expenses .....	6,192	38	-	38	-	-	-	6,154	4,973	
Doubtful accounts .....	(2,446)	-	-	-	(2,446)	-	-	-	(1,704)	
Contingencies .....	9,302	-	-	-	-	-	9,302	-	(8,841)	
Material and spare parts slow-moving and obsolescence .....	13,462	13,462	-	13,462	-	-	-	-	14,602	
Others.....	3,844	1,918	295	2,213	8	-	814	809	2,579	
<b>Total at 12.31.2009 .....</b>	<b>421,972</b>	<b>299,822</b>	<b>21,375</b>	<b>321,197</b>	<b>9,413</b>	<b>1,450</b>	<b>10,863</b>	<b>60,015</b>	<b>29,897</b>	<b>-</b>
<b>Total at 12.31.2008 .....</b>	<b>-</b>	<b>272,160</b>	<b>18,629</b>	<b>290,789</b>	<b>4,477</b>	<b>1,055</b>	<b>5,532</b>	<b>47,341</b>	<b>39,160</b>	<b>382,822</b>

<sup>(1)</sup> Expenses in maintenance and repair of fixed assets are reduced in \$ 9.2 million corresponding to the delivery during the year of Mars 100 and Taurus 70 equipments that have been interchanged with the supplier Solar Turbines International Co.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and for the year**  
**ended December 31, 2009 presented in comparative form**  
(in thousands of Argentine Pesos, except for per share amounts)

**18. Other financial statement information (Continued)**

**(g) Aging of assets and liabilities**

	12.31.2009			
	Short-term investments (a)	Account receivables and other receivables (b)	Debt (c)	Other liabilities (d)
a) Past due until				
12.31.2008.....	-	82,113	1,334,858	-
03.31.2009.....	-	15,768	25,073	-
06.30.2009.....	-	19,457	25,661	-
09.30.2009.....	-	17,799	26,570	-
12.31.2009.....	-	37,821	27,155	-
b) Without due date .....	64,596	344,042	-	36,424
c) To be due				
03.31.2010 .....	216,761	69,783	-	100,746
06.30.2010 .....	-	5,365	-	2,839
09.30.2010 .....	-	288	-	1,043
12.31.2010 .....	-	201	-	1,042
12.31.2011 .....	-	312	-	-
12.31.2012 .....	-	636	-	-
<b>Total at 12.31.2009 .....</b>	<b>281,357</b>	<b>593,585</b>	<b>1,439,317</b>	<b>142,094</b>
Balances subject to adjustment .....	84,009	-	-	-
Balances not subject to adjustment .....	197,348	593,585	1,439,317	142,094
<b>Total at 12.31.2009 .....</b>	<b>281,357</b>	<b>593,585</b>	<b>1,439,317</b>	<b>142,094</b>
a) Interest bearing balances.....	228,291	751	1,431,658	24,534
b) Non - interest bearing balances.....	53,066	592,834	7,659	117,560
<b>Total at 12.31.2009 .....</b>	<b>281,357</b>	<b>593,585</b>	<b>1,439,317</b>	<b>142,094</b>

(a) Excludes Equity Investments.

(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, 2009 and 2008, 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 gas 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 \$ 2,066 million and \$ 2,116 million at December 31, 2009 and 2008, respectively.

4. As mentioned in Note 1.c) to the attached financial statements, at December 31, 2009 the Company has contractual disputes for significant amounts with certain customers that provide gas carriage services for export for outstanding balances of \$ 283.4 million (\$ 123.9 million at December 31, 2008) 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 covered by an allowance partially at the balance sheet date. In addition, as explained in Note 15.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, 2009 a net receivable for \$ 6.2 million (\$ 15.9 million at December 31, 2008) 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, 2009, the Company carries financial debts denominated in US dollars for a total of US\$ 378.8 million (US\$ 351.3 million at December, 2008), and has not paid principal for US\$ 47.5 million and interest for US\$ 33.9 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, thus, the Company has disclosed all balances due under loans, in current liabilities.

Furthermore, as mentioned in Note 10 to the accompanying financial statements, on October 14, 2009 the Meeting of Holders representing approximately 88% of the outstanding principal and votes accepted the payment proposal offered by the Company through the petition for an out-of-court restructuring agreement and subsequently, on October 19, 2009, the Company's Ordinary Meeting of Shareholders ratified the Boards' decision to submit this Out-of-court Restructuring Agreement to the commercial court for its confirmation as laid down by the Argentine Bankruptcy Law. This judicial approval is pending at the date of issue of these financial statements.

6. The December 31, 2009 and 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 2009 and 2008, 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) at December 31, 2009, the debt accrued in favor of the Argentine Integrated Social Security System amounted, as shown by the Company's accounting records, to \$ 2,588,805 which was not yet due at that date.

Autonomous City of Buenos Aires, March 4, 2010

PRICE WATERHOUSE & CO. S.R.L.

by \_\_\_\_\_ (Partner)  
Daniel A. López Lado