

TRANSPORTADORA DE GAS DEL NORTE S.A.

Financial Statements as of the year ended December 31, 2010,
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, 2010 and 2009	F-10
Statements of Operations for years ended December 31, 2010 and 2009 ...	F-11
Statements of Changes in Shareholders' Equity for the years ended December 31, 2010 and 2009	F-12
Statements of Cash Flows for the years ended December 31, 2010 and 2009	F-13
Notes to the Financial Statements as of and for the years ended December 31, 2010 and 2009	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 and exhibits, for the 19th fiscal year commenced on January 1, 2010 and ended on December 31, 2010; this information should be jointly read, analyzed and interpreted to have a fuller vision of the relevant corporate matters for the fiscal year.

Board of Directors and Syndics' committee

Regular Directors

Eduardo Ojea Quintana (President)
Santiago Marfort
Alain Petitjean
Gabriela Roselló
Carlos Ormachea
Ricardo Markous
Muri Muhammad
Marcelo Bricchetto
Pablo Lozada
Alfonso Mario Lago
Ignacio Casares
Rubén Nasta
Néstor Raffaelli
Ernesto Guillermo Leguizamón

Alternate Directors

Fernando Liguori
-
Raúl Montalva
Miguel Vázquez
Carlos Rabuffetti
Claudio Hirschler
Wan Zulkiflee Wan Ariffin
Leonardo Fernández
Jorge Iglesias
Marco Quiroga Cortínez
Fernando Jorge Mantilla
Hugo Carranza
Carlos Gargiulo
-

Regular Syndics

Matías María Brea
Juan José Valdez Follino
Julio César Abínzano

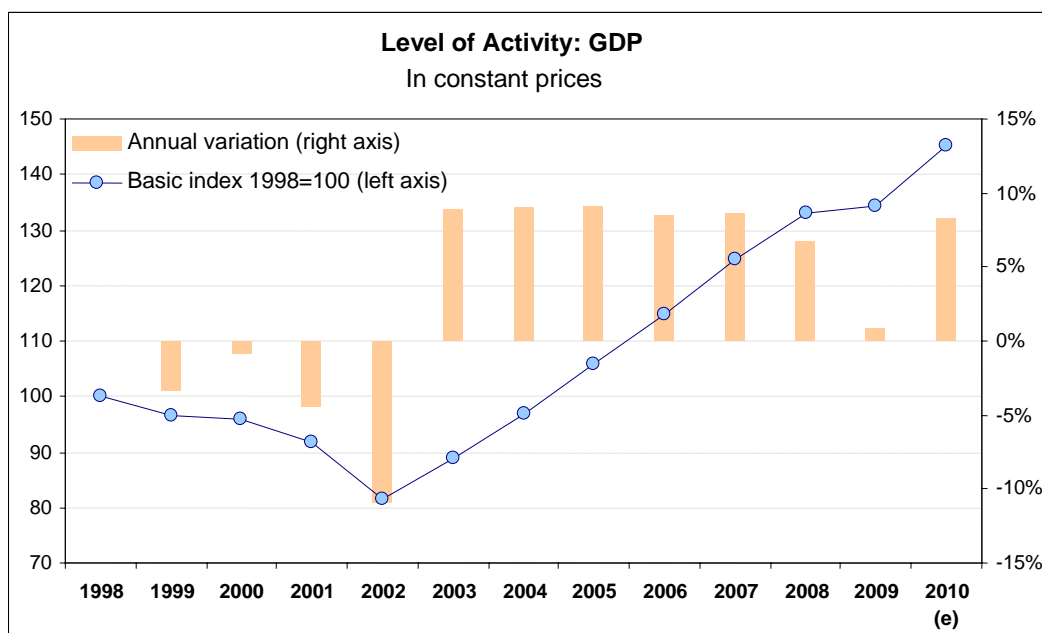
Alternate Syndics

Juan Carlos Pitrelli
Andrea Barbagelata
Alberto Luis Tessadro

ANNUAL REPORT OF TRANSPORTADORA DE GAS DEL NORTE S.A., FOR THE NINETEENTH FISCAL YEAR COMMENCED ON JANUARY 1, 2010 AND ENDED ON DECEMBER 31, 2010

1- MACROECONOMIC CONTEXT

After six consecutive years of growth at annual rates higher than 5%, the Argentine economy showed a slight increase of approximately 0.9% in the estimated level of activity. In 2010, the Argentine economy reflected a growing trend in the estimated level of activity of 8.3% year-on-year, after a slight economic stagnation in 2009.



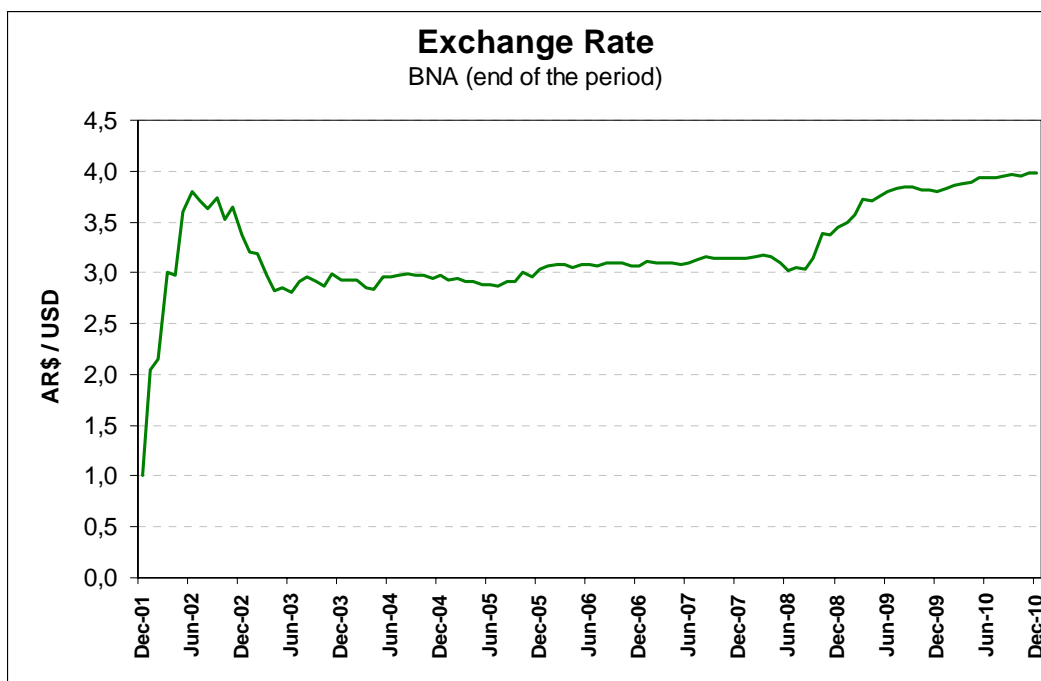
(e) Estimate according to Market Expectations Survey ("REM") by the Central Bank as of January 2011.

On the international level, after the late 2008 financial crisis, year 2010 started with the economic situation improving partly neutralizing the negative effects of the crisis. However, since mid 2010 the economic revival has slowed down in the developed countries, with a marked difference between the growth rates recorded in the emerging and developed countries.

The states of the developed countries continue to play an active role to counteract the effects of the crisis. In 2010 last few months, the United States announced a monetary program aimed at avoiding a new recessionary period, keeping high liquidity levels and very low interest rates. Further, the European Union continues with its aid to the member countries facing problems with their tax revenue, and the Japanese Central Bank has injected liquidity to avoid a further appreciation in the value of the yen.

As a result of the high levels of liquidity existing in the developed economies there have been more inflows of funds into the emerging economies to increase profitability. This has in turn led to an appreciation in the value of most currencies in those economies and to higher prices of other value reserve goods, such as gold or agricultural products.

Nevertheless, as a result of the interventionist exchange policy, the Argentine peso continued depreciating reaching 3.976 \$/US\$ (an annual devaluation of 4.6%) in December 2010. Unlike other countries, the Brazilian real overvaluation is due to the effect of inflation rather than to a decline in the nominal rate of exchange.



Source: Banco de la Nación Argentina (period end)

With respect to the 2011 Budget Bill, the national government have expressed their will to settle public debt by the due dates using Argentine Central Bank foreign currency reserves for US\$ 7.5 billion. This would eliminate the possibility of a new sovereign debt default and would ensure a high profitability in dollars for foreign investors, which is higher than the profitability investors would obtain in the developed countries. To date, however, the budget bill has not been passed. If the bill were passed, the budget in force in 2010 would be extended with the respective adjustments.

As regards taxes, during 2010, and compared to the previous year, there has been an improvement in public accounts, with a primary surplus higher than that of last year (\$ 25.1 billion vs. \$ 17.3 billion) and a lower financial result but higher than that of last year (\$ 3.0 billion vs. \$ -7.1 billion). The State's resources in the period consisted mainly of tax revenues (VAT, export duties and income tax); social security contributions and income on property. Likewise, primary expenses included wages, social security benefits and current transfers to the private sector.

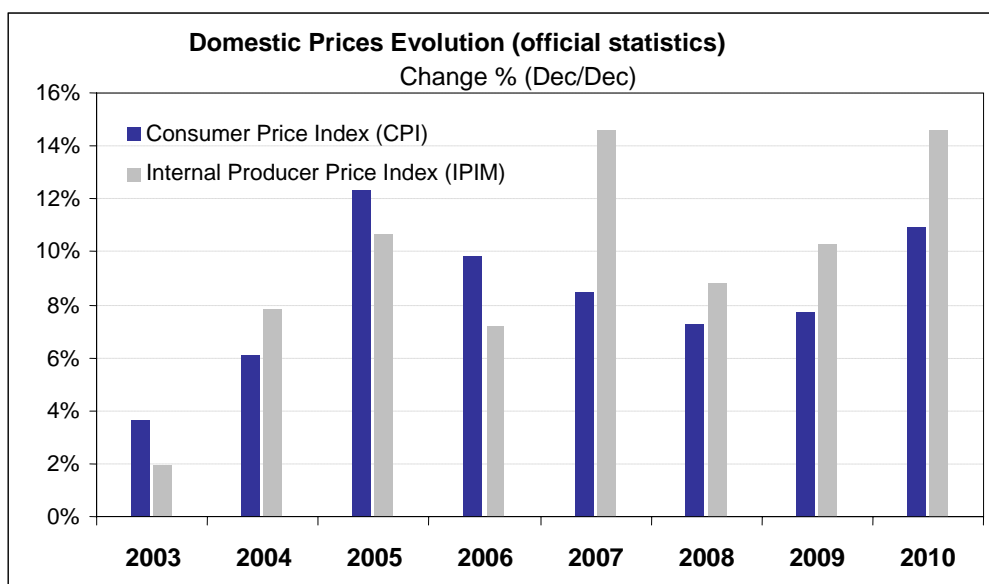
In relation to the Balance of Trade, exports increased 23% in 2010 as compared to the previous year. Imports increased 46% during that period, which led to a fall of 29% in the trade surplus. Thus, the trade surplus recorded in 2010 is US\$ 12.0 billion.

As regards social indicators, at the third quarter of 2010, the National Institute of Statistics and Census (INDEC) reported a decrease of 18% in the unemployment rate compared to the same period of the previous year, it having reached 7.5% in September.

As for the variations in domestic prices, the Consumer Price Index (CPI) recorded an increase of 10.9% (December 2010 / December 2009), while the domestic wholesale price index ("WPI") increased 14.6%, according to information published by the INDEC.

Widespread distrust of INDEC statistics showed a significant difference between the latter and private statistics since, according to private estimates, annual inflation was running at about 25%. In view of this, the Argentine government requested technical assistance from the International Monetary Fund ("IMF") for the review and design of the consumer price index

calculated by the INDEC. The team of technicians from the IMF arrived in Argentina in early December.



Source: INDEC

Lastly, the negotiation of most 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. Although the National Executive Branch ("PEN") ratified by Decree N° 458/10 the 20% increase in the gas carriage rates agreed with the Unit for the Renegotiation and Analysis of Public Utility Services Contracts ("UNIREN") in 2008, the National Gas Regulation Entity ("ENARGAS") continues to postpone the application of the respective rate schedules.

2- THE GAS INDUSTRY IN ARGENTINA

Natural gas is the main source of energy in Argentina, which represents approximately 30% higher than the average in the region.

Supply for primary energy by source (2009) [%]:

	Oil	Natural Gas	Coal	Nuclear Energy	Hydro-electricity
USA	38.6	27.0	22.8	8.7	2.9
Canada	30.4	26.7	8.3	6.4	28.3
Mexico	52.5	38.4	4.2	1.3	3.6
Total North America	38.5	27.6	19.9	8.0	5.9
Argentina	30.5	53.0	1.6	2.5	12.6
Brazil	46.2	8.1	5.2	1.3	39.2
Chile	54.8	10.7	14.4	-	20.1
Colombia	30.3	27.0	10.8	-	31.9
Ecuador	79.6	3.6	-	-	16.8
Peru	51.3	18.8	2.9	-	27.0
Venezuela	37.2	36.3	-	-	26.4
Others, South and Central America	57.1	22.0	1.8	-	19.1
Total South and Central America	45.5	21.5	4.0	0.8	28.1

Source: BP Statistical Review of World Energy

Since the privatization of the natural gas utility service at the end of 1992 and until 2010, an accumulated growth of approximately 83% was recorded in

domestic gas consumption, with a 249% growth in the demand for compressed natural gas (CNG) and a 59% growth in industrial consumption. Also, the segment of electricity generation recorded an important increase of 88%, due to the intensification of electric power consumption and the growth of the thermo-electrical sector.

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

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Residential (2)	16.2	16.3	16.5	16.6	16.6	16.9	18.8	20.0	19.3	19.3	20.1	20.1	21.8	21.7	26.5	25.1	25.1	27.3
Commercial	2.4	2.4	2.6	2.5	2.7	2.6	2.8	2.9	2.8	2.7	2.8	3.1	3.1	3.0	3.4	3.3	3.5	3.5
Industrial (3)	18.3	20.9	21.0	21.5	22.9	23.6	22.5	23.2	22.7	22.9	25.3	26.5	27.2	29.9	29.7	30.2	28.5	29.0
Electricity generators	16.3	15.7	19.6	23.8	23.6	23.4	29.3	29.8	24.4	21.3	24.0	28.3	29.3	31.2	33.4	35.5	36.1	30.5
CNG	2.1	2.6	2.8	3.0	3.5	3.9	4.1	4.6	5.1	5.6	7.2	8.3	8.7	8.3	7.8	7.5	7.1	7.3
Others (4)	8.9	8.6	10.5	9.8	9.1	10.7	6.6	10.4	14.3	16.0	19.5	21.0	21.4	19.5	18.6	17.7	14.9	13.8
TOTAL commercial use	64.1	66.4	73.0	77.3	78.5	81.1	84.2	90.8	88.5	87.8	98.9	107.3	111.5	113.7	119.4	119.2	115.2	111.4
Fields consumption and retained in pipelines	6.9	7.0	7.7	9.5	10.8	11.9	13.0	13.9	13.6	14.0	14.7	15.3	15.5	15.7	17.5	17.8	18.1	18.4
Total	71.0	73.4	80.7	86.8	89.3	93.0	97.1	104.7	102.1	101.9	113.7	122.6	127.0	129.4	136.9	137.0	133.3	129.8
Index	100	103	114	122	126	131	137	147	144	144	160	173	179	182	193	193	188	183

- (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 and TDF), official entities, and Patagonia pipelines.
- (5) Year 2010, estimated based on real values until August.

Source: ENARGAS and Argentina's Secretariat of Energy
Residential and commercial consumption of natural gas had slightly increased 0.7% between 2008 and 2009, and further increased at an estimated rate of 7.8% between 2009 and 2010.

The world economic crisis that had impacted on the industrial sector since the end of 2008 reduced natural gas consumption by 6% in 2009. Towards the end of 2010, the crisis seemed to have been defused, with an estimated recovery of 1.7% in gas consumption.

The estimated CNG consumption in 2010 discontinued the negative trend after four consecutive years, with an increase of approximately 2%, as against 2009.

Further, usage of natural gas for electricity generation shrank significantly in 2010 by 15.5%, as against 2009. However, demand for electricity grew 5.9% in 2010, as against 2009. The lower consumption of gas for electricity generation was due mainly to the higher hydroelectric power generation during the year.

In 2010 annual production of natural gas in Argentina was 47 thousand MMm³, with 55% corresponding to the Neuquen basin, 22% to the Austral basin, 12% to the Northwestern basin, and 11% to the San Jorge Gulf basin. Total output was 3% lower than the 2009 output. In addition, the level of reserves continues to decrease due to the lower level of exploration activity.

Proven reserves of natural gas in Argentina at the end of 2009 were 352 MMm³, and the current horizon of reserves at that date is 7.3 years, based on 2009 output.

Natural gas - Reserves and Production at December 2009 [Millions of cubic meters]

Basin	Proved reserves	Provable reserves	Proved +50% Provable	Production	Horizon: [Proved reserves/Production] (Years)
Austral	100,815	60,647	131,138	9,918	10.2
San Jorge					
Gulf	41,308	17,415	50,016	5,190	8.0
Neuquén	153,847	54,532	181,113	27,030	5.7
Northwestern	55,710	1,994	56,707	6,280	8.9
TOTAL ARGENTINA	351,681	134,589	418,975	48,418	7.3

Source: Argentina's Secretariat of Energy

National Government executed agreements for importing natural gas from Bolivia, which represented near 3.5% of the total volume injected into the carrying system between 2005 and 2007. This figure fell to 1.8% in 2008 and has again been near 3.5% since 2009.

Additionally, a Liquefied Natural Gas (LNG) replenishment tanker connected to the Bahía Blanca node in the winter of 2008 contributed injections for 0.9% of the system annual supply. The same operation was carried out in 2009 and 2010, contributing injections for 1.6% and 3.8%, respectively, of the system annual supply. These volumes contributed to a certain extent to covering the decrease in domestic supply.

To increase supply and meet the winter peak demand in the Greater Buenos Aires and in the Capital City of Argentina, a new LNG regasification plant is being built in the locality of Escobar. This plant is built and operated by YPF S.A. and will be connected to the TGN pipeline. Commencement of the regasification operations is scheduled for winter of 2011.

3- 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 executed 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, with the pesification of the rates and the cessation of the half-yearly adjustment for the Producer Price Index (PPI).

The Public Emergency Law authorized the PEN to renegotiate the public utility services contracts according to the following criteria: 1) the impact of rates on the economic competitiveness and revenue distribution; 2) the service quality standards and investment plans, where applicable under contracts; 3) users' interest and access to the services; 4) the security of the systems involved, and 5) company profitability. The LEP also established that public utilities may not suspend or change compliance with their obligations.

Application of the LEP was successively extended by the Argentine Congress until December 2011.

License renegotiation

In 2002 the PEN established an ad hoc committee and started renegotiations; to this end, it set a work schedule that was to be met by June 2002.

In July 2003, the new national authorities created the UNIREN, within the jurisdiction of the Ministries of Economy and Production ("MEP") and Federal

Planning, Public Investment and Services ("MPFIPyS"). UNIREN missions 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. 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; however, application of this law was extended 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 that renegotiation, if the Executive Branch deems it proper, it would resolve upon the validity of the Temporary Agreement and the UNIREN, in turn, would proceed to make the recommendations it considered appropriate to the National Executive Branch, as provided for in Section 1, sub-sect. e) of Decree N° 311/03 and Section 11 of Joint Resolutions Nos. 188/03 and 44/03 of the Ministries of Economy and Planning.

The Temporary Agreement was ratified by the PEN in April 2010 (Decree 458/10). Nevertheless, TGN has not yet been able to charge the respective rate increase because the ENARGAS did not approve the new rate schedules. In view of the lack of reply of the administration to TGN's reiterated petitions, and on the

grounds of ENARGAS delay in granting said approval, in October 2010 TGN filed for legal protection against the ENARGAS and against the Coordination and Management Control Undersecretariat for the MPFIPyS, seeking enforcement of the Temporary Agreement and Decree N° 458/10.

However, TGN performed the works envisaged in the Temporary Agreement at its expense. At December 31, 2010 the Temporary Agreement has not had economic effects.

Notwithstanding the renegotiations with the UNIREN, TGN requested the ENARGAS to carry out a comprehensive review of the rates, as contemplated in Section N° 46 of the Gas Law, and considering that the domestic rates for gas carriage had been frozen since July 1999. In view of the administration's refusal, in November 2010 TGN filed for legal protection against the ENARGAS to obtain a court ruling requiring that the review be carried out.

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.

At the date of issue of the financial statements of TGN for the year ended December 31, 2010, no significant progress had been made to ensure compliance with the objective to sign a comprehensive License renegotiation 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 by means of a fair and reasonable rate that provides redress to TGN for the damage suffered as a result of the LEP.

Intervention established by the ENARGAS

For the reasons mentioned below with regard to its financial situation, on December 22, 2008, it was necessary for the Board of Directors of TGN to postpone principal and interest payments that fell due in December 2008 and those falling due after that date.

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 26, 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.

Application of Resolution I/587 was successively extended by the ENARGAS until June 19, 2011. TGN continues to provide the public utility service at its expense, normally and without affecting its customers.

4- 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, as mentioned in Note 1c.v), 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, 2010 past due payments of capital amounted to US\$ 82.7 million. In addition, contractual and compensatory interest totaling US\$ 66.8 million was recorded up to that date.

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 a request for an Out-of-court Plan of Reorganization to fully restructure its financial liabilities. Within the framework of the Restructuring Offer, TGN made a first swap offer which was subsequently improved and replaced with a new offer and a request for an Out-of-court Plan of Reorganization. This offer remained open 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 (pursuant to Section 45 bis of Law No. 24522), 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 hearing the case 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 TGN was served notice of a resolution adopted by the court in an ordinary lawsuit initiated by the National Social Security Administration ("ANSeS") seeking nullification of bondholders meetings; said court resolution 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 originally hearing the case.

On July 15, 2010, Panel D of the Commercial Court of Appeals resolved to revoke the injunction it had decreed in December 2009 at the request of the ANSeS; this decision was consented to by the ANSeS, but it was appealed by the Attorney General. Although the Panel D ruling involved the resumption of the proceedings to obtain confirmation of the APE, in September 2010 TGN was notified of a presentation made by the Attorney General whereby this lawyer

requested that all the resolutions adopted within the framework of the APE be declared null and void, alleging the illegality of the bondholders' meeting held on October 14, 2009, in line with article 45 bis of the LCQ (Argentine Insolvency and Bankruptcy Law), the unconstitutionality of the APE, and the fraudulent and deceitful nature of TGN swap offer. All this was answered and refuted by TGN.

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)). Under the terms of the APE, if not confirmed by the court, two thirds of the accepting creditors may request the rescission of the APE effective July 14, 2010; more than 50% of creditors could do it as from October 14, 2010; and 25%, as from April 14, 2011.

5- TGN BUSINESS ACTIVITIES

With its 6,195-km pipeline system, 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 eight of the nine gas distributors, and numerous electricity generation plants and industries, located across fourteen 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 MMm³/day to 54.4 MMm³/day¹, which represents an increase of more than 141%. The enlargements, as well as the numerous maintenance and system reliability works, required investments of approximately US\$ 1.2 billion by TGN.

In physical terms, this enlargement required the construction of new 1,314 km pipelines, the construction of five new compressor plants, and the installation of fourteen turbo-compressor units in the existing plants, which added 150,000 HP in installed capacity.

MPFIPyS Resolution N° 185/04, adopted pursuant to Decree N° 180/04, involved a Gas Trust Program organized by Argentina's Energy Secretariat for the completion of infrastructure works for natural gas transport and distribution.

In 2004, two financial trusts were created under that program to expand the Central-Western Pipeline, which added 30 km of pipelines increasing the carrying capacity by 0.55MMm³/day.

Additionally, TGN acted as Project Manager of the 2005 *Enlargement* carried out applying the financial trust methodology created by the Argentine Government, which thereby added 230 km of gas pipelines and 3 turbo-compressor units totaling 25,710 HP.

En 2005 and at the request of the Energy Secretariat, TGN called for a new Open Bid for expansion of capacity of the Northern Gas Pipeline. As a result, the ENARGAS awarded 15.2 MMm³/d to the Northern Gas Pipeline System operated by TGN. This project will involve the construction of approximately 1,860 km of parallel pipelines, and the addition of 55,000 HP in installed capacity in three new plants and in the two existing plants.

¹ Does not include 1.5 MMm³/d corresponding to the first stage known as "Hito AP" of the 2006-2008 *Expansions*, since this capacity was put into operation between sections rather than from the intake

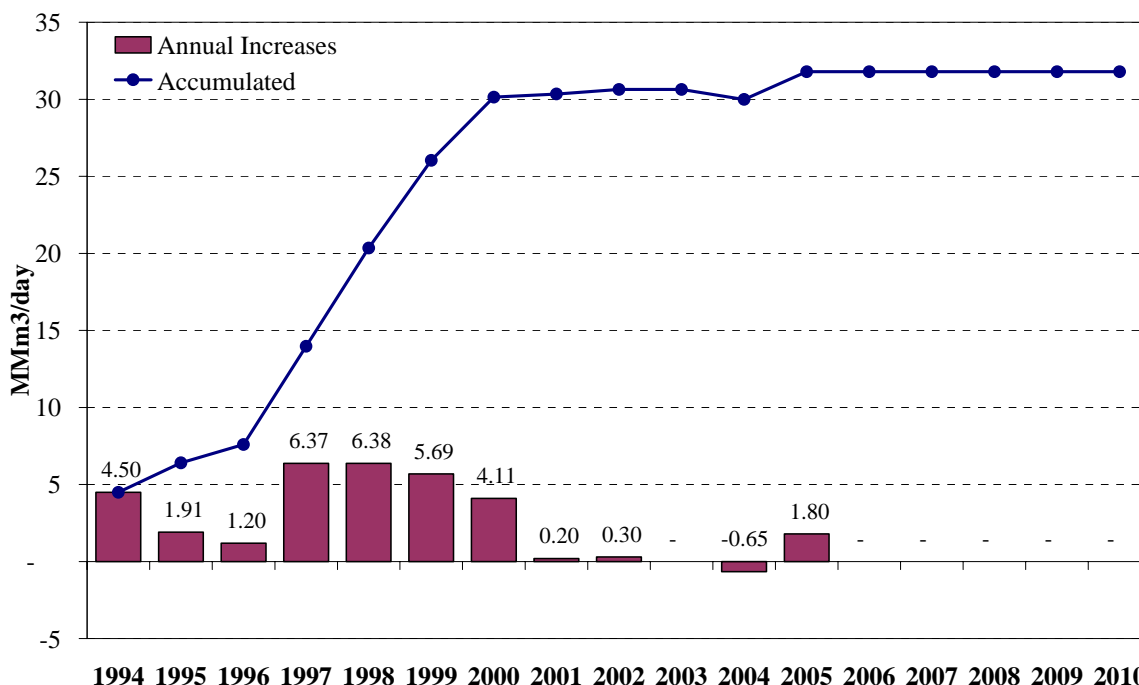
To that end, in December 2006 the Company, the Energy Secretariat and Nación Fideicomisos S.A. entered into a Supplementary Financial Trust Agreement for the Northern Gas Pipeline Work, the first addendum to this Contract and the Management Contract. The Operation and Maintenance Contract has not yet been signed.

The first stage of the work, "Hito AP", began in October 2007. In December 2008 the carrying capacity was increased by 1.5 MMm³/d in the Northern Pipeline between the Lumbreras compressor plant (Salta) and the Litoral region (final sections and the Timbúes Power Plant, along the Aldao-Santa Fe Gas Pipeline). 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.

Also, 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 that pipe section's carrying capacity by 1.4 MM^{m3}/d.

The second stage of the work, "Hito Post AP", includes the construction of almost 800 km of loops (between North and Central-Western pipelines) together with three 10,310-HP compressor plants in Salta, Córdoba and Santa Fe, respectively. It was originally considered that these works would have 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); a loop of 30.2 km between Miraflores and Lumbreras; a loop of 33.3 km between Tucumán and Lavalle; and a loop of 59.7 Km between Campo Durán and Pichanal. A loop of 67.42 km between Pichanal and Miraflores and La Candelaria compressor plant (Salta) is under way. These two works are currently under way and the Company plans to put them into service between March and May 2011. Construction of another loop of 44.9 km between Campo Durán and Pichanal has been scheduled, which is expected to be put into service in 2011 second semester. There is no certainty regarding the completion of the remaining works.

New carrying capacity - Annual and accumulated [MMm³/day]



Evolution of the TGN system

	Units	1994 - 1995	1996 -1997	1998 - 1999	2000 - 2001	2002- 2003	2004 - 2005	2006 - 2007	2008 - 2009	2010	Totals
New pipelines	Km.	242	455	168	380	-	310	-	346	120	2.019
Additional compression capacity	HP	27.600	-	90.800	21.600	-	33.410	-	20.620	-	194.030
Increase in capacity	MMm ³ /d	6.4	7.6	12.1	4.3	0.3	1.2	-	-	-	31.8

At year end, the Company's contracts for the firm carrying from the gas pipelines intake totaled 45.26 MMm³/day, 20.78 MMm³/day of which corresponded to the Northern System and 24.48 MMm³/day, to the Central-Western Pipeline System. In addition, the Company has 4.68 MMm³/day of firm contracts on partial routes, and a commitment to supply a volume of 2.74 MMm³/day in view of the redirecting of gas volumes stipulated by the ENARGAS.

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, it is worth mentioning the role played by the Company in the modernization and improvement of its assets, which contributed to the quality and reliability of the natural gas carrying service for large sectors of the economy.

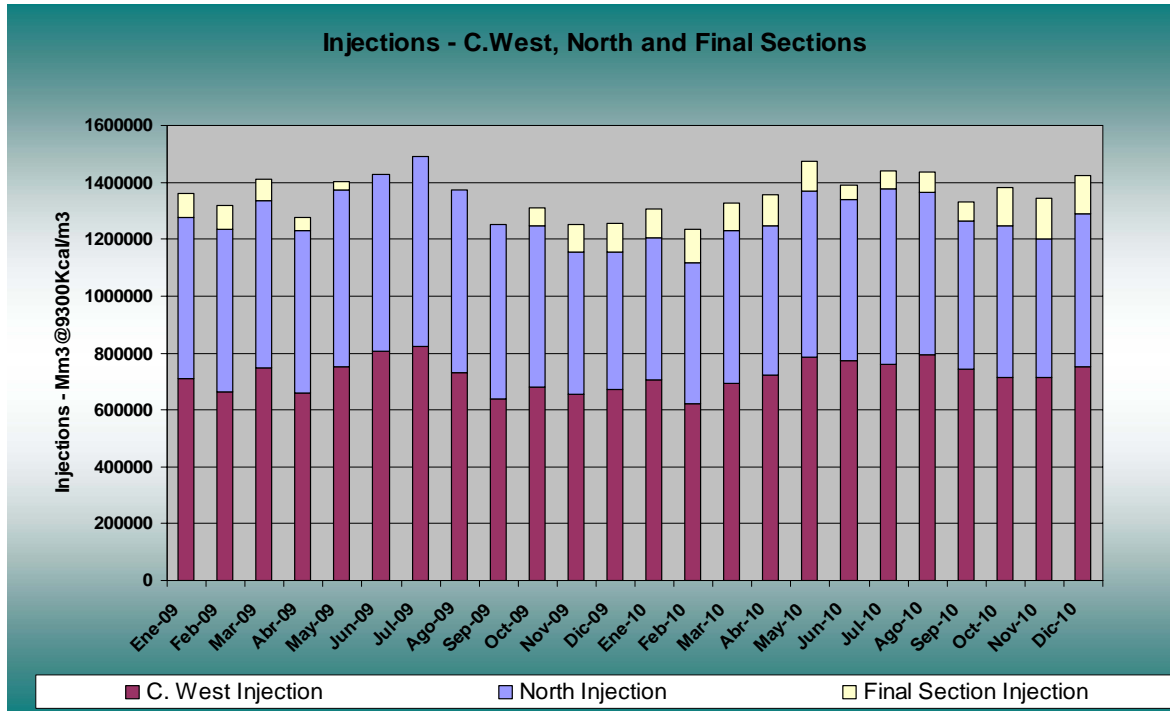
6- MAIN OPERATIONAL ISSUES

Gas carriage

The annual volume received by TGN in the Northern, Central-Western and in the at the Transportadora de Gas del sur S.A. ("TGS") linking points in Greater Buenos Aires gas pipelines during the year reached a value of approximately 16,449 MMm³, representing an average of 45.1 MMm³/day. Compared with the previous year, the injection into the Neuquen basin was increased from 23.4 MMm³/day to 24.0 MMm³/day, due to the availability of higher gas volumes in the basin resulting from the injection of LNG into TGS system. The injection into the Northern pipeline decreased from 19.2 MMm³/day to 18.0 MMm³/day, despite the average increase in the gas injections from Bolivia of 2.1 MMm³/day, compared to 2009. Under a gas shortage scenario, lower volumes were used from the carriage system operated by TGN.

Exports related to Neuquén injections, including Gas Andes, Gas Pacífico and Colón, decreased from 423 MMm³/day in 2009 to 306 MMm³/day in 2010. In the case of Norandino pipeline, only 54.0 MMm³ were exported due to the commissioning of the LNG Regasification Plant in the locality of Mejillones (Chile), with exports suspended during June 2010. At present, only 0.020 MM m³ is dispatched, as required by the Customs Service.

As occurred since 2007, gas dispatch operations were subject to a strict control exerted by officers of the ENARGAS and of the Ministry of Federal Planning, Public Investment and Services, which took the necessary decisions about this matter.



Maintenance and integrity of premises

This year, scheduled maintenance and other activities aimed at improving operating assets were carried out. The availability and reliability indicators reached 93.7% and 97.0%, respectively, which exceeded current regulatory requirements.

The following work was done on gas pipelines:

a) An internal inspection of tubes was conducted with "Magnetic Flux Leakage" technology, for a total length of 2,222 km, 1,524 km of which corresponded to sections of the Central-Western Pipeline, and 698 km, to sections of the Northern Pipeline.

b) Based on the results of the abovementioned assays, 1,075-meter defective tubes were replaced and 103 half-rounds were eliminated. Also, 15 reinforcement tubes are being installed.

c) New pipeline lining of 16", 24" and 30" in diameter, respectively, to protect 41,440 meters of gas pipelines, 23,759 meters of which corresponded to the Caimancito pipeline, Tucumán; 14,019 meters, to the Trunk Northern pipeline; and 3,662 meters, to the Central-Western pipeline.

d) The cathodic protection system ("CPS") that was out of service decreased, a monthly average of 2.5% of stations in that condition having been reached this year.

The following work was done on compressor plants and measurement and regulation stations:

a) Major overhauls of a Clark TLAD8 motor-driven compressor at the Miraflores compressor plant; a Solar Mars 100 turbo-compressor at the Pichanal compressor plant; a Solar Taurus 70 turbo-compressor at the Lumbreras plant; a Ruston TB5000 turbo-compressor at the Beazley plant, and two Ruston TB5000 turbo-compressors at the Cochico plant.

b) The inspection and evaluation for integrity of all compressor plants of the Central-Western pipeline (a total of ten plants), as well as the replacement of two tube components that did not conform to specifications at the Ferreyra and Lumbreras plants.

c) The inspection and evaluation for integrity of 61 measurement and regulation stations which, together with what was done in 2008, completes the measurement of all TGN stations (a total of 146).

d) Two panels of Dresser Rand DR990 Turbo-compressors were replaced at the San Jerónimo compressor plant, including detailed engineering, supply, installation, programming, commissioning, startup and documentation according to the work project.

e) Detailed engineering of the "Fire detection and extinguisher system" was developed at the San Jerónimo compressor plant; the commissioning of this plant is scheduled for 2011.

Actions under the Program for the Prevention of Damage by Third Parties included the following:

a) Installation of mechanical protection slabs along 850 meters, and placement of 300 warning signs in addition to those already existing in section 91, as part of the extraordinary safety measures in a densely populated area.

b) Construction and installation of more than 800 new "no excavation" warning signs throughout TGN, and more than 400 visits paid to agencies and prospective drillers.

7- REDIRECTING OF THE CARRYING CAPACITY. RENEGOTIATIONS WITH LOADERS OF GAS FOR EXPORT

Redirecting of the gas carrying capacity

In April 2004, the ENARGAS adopted a regulatory resolution establishing: (i) the reassignment to the distributor GasNea S.A. ("GasNea") and the sub-distributor Redengás S.A. ("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. in 1998 for up to 2.8 MMm³/d to supply a power plant in Uruguayana, Brazil; (ii) that YPF would continue paying TGN the export rate for the total reserved carrying 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.

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 MMm³/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 S.A., 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 S.A. 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 was 1.575 MMm³/day. Application of this mechanism was extended by the 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 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 S.A., which has always been made available to the loader.

In May 2010, ENARGAS notified TGN of a new regulatory order dated April 30, 2010 requiring TGN to confirm the carrying capacity awarded to distributors for up to the following maximum volumes: (i) GasNea, 915,000 m³/day; (ii) Redengás, 244,000 m³/day; and (iii) Distribuidora de Gas Cuyana S.A., 1,580,000 m³/day, from May 1, 2010 to April 30, 2011.

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, most of the loaders of gas for export have reacted in different manners against the terms or the duration of their firm carriage contracts. At year end, TGN had renegotiated the definitive terms of the carriage contracts with three loaders of gas for export, and temporarily with a fourth loader, as stated below:

Eléctrica Santiago S.A.

In February 2008, the Chilean customer Eléctrica Santiago S.A. ("ESSA") had 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.

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 -according to ESSA- to the unforeseeable extinction of their right to have natural gas liable to be exported from Argentina. In the alternative, ESSA alleged the frustration of the contract.

On December 29, 2010 TGN and ESSA entered into a compromise and settlement which put an end to the disputes between the parties in relation to the natural gas firm carriage contract.

In essence, the compromise and settlement set forth as follows: (1) the parties recognize that the contract was terminated on December 20, 2007 and

that they waive all claims directly or indirectly related to the contract; (2) ESSA undertakes under the compromise and settlement, and TGN accepts thereunder to pay TGN as full and final compensation for the contract rescission: (i) a fixed amount of US\$ 51.9 million, payable in 4 installments between October 2011 and April 2013; and (ii) a contingent amount, equivalent to one third of the possible spot margin for the energy to be generated at ESSA's power plants between January 1, 2011 and December 31, 2027, up to the amount of US\$ 22.0 million, valued at September 1, 2010 at an annual discount rate of 10%. Notwithstanding this, if prior to December 31, 2020 the amounts actually paid by ESSA to TGN as a contingent payment, valued at September 1, 2010 at an annual discount rate of 10%, make a total of US\$ 12 million, any and all ESSA's obligations to make contingent payments of additional amounts shall extinguish. ESSA's payment obligations are jointly guaranteed by its parent company AES Gener S.A.

Under the compromise and settlement, TGN shall cease to collect the revenues agreed under the gas carriage contract from December 20, 2007 to July 2022 (US\$ 0.8 million per month, at the rate applicable at compromise and settlement date), which will ultimately produce a negative net effect on its expected cash flows.

Colbún S.A.

After paying under protest carriage service invoices since October 2007, alleging non-fulfillment of the agreement by TGN due to gas carriage redirections ordered by national authorities, Colbún S.A. ("Colbún") suspended payment of the invoices for gas carriage services as from September 2009.

In July 2010, TGN and Colbún S.A. entered into a Compromise and Settlement which put an end to the disputes between the companies over the natural gas firm carriage contract binding upon them, and the disputes related to the firm carriage contract binding upon HSBC Bank Argentina S.A., as trustee, under the Series 02 Transportadora de Gas del Norte Financial Trust, and Colbún.

The compromise and settlement, which was formalized on August 24, 2010 when certain condition precedent occurred, set forth as follows:

a) The Contract was rescinded effective October 1, 2009 and the Reverted Contract, effective July 15, 2010, with the parties waiving the right to file claims directly or indirectly related to those contracts;

b) Colbún agrees, in order to settle the claims, to pay TGN, as total and final compensation for the rescission of the Carriage Contract and the Reverted Contract: (i) an Initial Compensation not subject to any condition for US\$ 5.06 million, which has already been paid by Colbún; (ii) a fixed compensation for US\$ 36.65 million plus interest, payable within twelve months. As of October 4, 2010, TGN has already collected US\$ 12.22 million; and (iii) a variable compensation for up to US\$ 5.65 million and payable based on the effective use of an uninterrupted carriage contract for a 36-month period as from June 18, 2010.

In addition, through an addendum to the Financial Trust, the Trustee, TGN and Colbún resolved that: (i) the Trust be dissolved; (ii) the right to reciprocally file claims be waived, subject to compliance with the obligations of each of the parties under that addendum; and that (iii) TGN acquired the pipelines whose trust ownership corresponded to the Trust for US\$ 2.6 million.

As a result of the compromise and settlement, TGN will no longer receive the income agreed upon in the Contract from October 2009 to December 2022 (US\$ 0.7 million monthly, at the rate effective at compromise and settlement date) and for the reverted contract from June 2010 to December 2027 (US\$ 0.1 million monthly, at the rate effective at compromise and settlement date); rather, TGN will receive the income described in section (b) above, which will ultimately produce a negative net effect on its expected cash flows.

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

In essence, the Compromise and Settlement set 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 rate applicable compromise and settlement date); 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, already 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. 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 subsequent extensions of time for answering the complaint, the amount claimed was taken to US\$ 71.5 million.

Further, on August 2009, YPF filed a presentation with ENARGAS seeking termination of the contract for firm carriage of gas effective 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.

In spite of the filing of the complaint, TGN continued to claim from YPF payment of the unpaid invoices for carriage services on a monthly basis, until TGN rescinded the contract for firm carriage of gas for export with YPF on December 16, 2010 due to nonpayment. Further, the pertinent claim for damages

as a result of the early recession shall be filed separately, after the compensation amount has been determined by TGN.

The remaining carrying capacity will be offered on the market in due course by means of a public bid subject to ENARGAS regulations.

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. Jurisdiction has not been defined so far.

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 out-of-court mediation hearing with TGN to be held on February 23, 2010 in the Autonomous City of Buenos Aires, which was postponed on several occasions, and more recently until March 29, 2011.

Norandino Argentina S.A.

Having paid the invoices under protest since October 2007, Norandino Argentina S.A. ("NAA") restricted payments as from May 2010, alleging its unilateral interpretation of the performance of the services by TGN, and paying less than 1% of the amounts invoiced for services provided between May and November 2010.

On December 30, 2010 TGN and NAA entered into a temporary compromise and settlement which put an end to the disputes between the parties in relation to two firm carriage contracts.

The Temporary Compromise and Settlement sets forth that over a suspension period which may be extended from two to six years counted as from May 2010, at the option of NAA, the parties agree: (1) to suspend the exercise of their respective rights arising from their disputes and not to file any claim, action or procedure in relation to those disputes; (2) to reduce the accumulated reserved capacity to 800 Dam^{3/day}; (3) NAA shall pay TGN (i) an initial one-off compensation equivalent to US\$ 1.74 million, payable until January 10, 2011, and (ii) a compensation payable in monthly installments, equivalent to US\$ 0.21 million adjustable semi-annually, the first installment being payable on February 20, 2011 and the last installment on May 20 of the year in which the suspension period ends. The initial compensation of US\$ 1.74 million was actually collected by TGN on January 6, 2011.

Subject to the terms of the temporary compromise and settlement, from February to the end of the suspension period NAA shall pay TGN a monthly sum both as compensation and gas carriage, equivalent to approximately 65% of the sum that should be paid for the original volume of 2,600 Dam^{3/day} under the gas carriage contracts.

8- QUALITY, SAFETY AND ENVIRONMENT

On the basis of the guidelines set forth in the integrated Quality, Security, Health and Environment policy of TGN, the plan of prevention activities was created with the aim of achieving a safe and environmentally responsible operation. This was drafted on the basis of the results obtained during the fiscal year 2009.

The Company's commitment to compliance with the policies and requirements in this regard continues growing at the different levels of the organization, enabled by the consolidation of the Integrated Management System "SIG"), which is ISO 9001-, OHSAS 18001- and ISO 14001-certified. In June 2010, the certification was revalidated through a control audit performed by the certifying agency Det Norske Veritas ("DNV").

We continued improving safety throughout the year specifically developing prevention activities previously agreed upon in the annual activity plan; and today, we have achieved an improved labor and vehicular accident rate both for our own staff and for contractors working for TGN. A remarkable increase in the hours devoted to safety training has been a part of this, as well as industrial hygiene measurement activities were completed in accordance with the law. Ongoing prevention activities in the occupational health area were primarily addressed to the program for the control of Type A Flu, vaccination and first aid training activities.

Furthermore, TGN extended safety and hygiene controls to expansion projects, under the aegis of the technical project manager.

Awareness campaigns in the area of environmental management made inroads along with the program for the identification of aspects and assessment of the environmental impact on operation and maintenance activities. Lastly and noteworthy, TGN continued actively participating in the work commissions of the Argentine Institute of Oil and Gas ("IAPG"), of the Argentine Corporate Council for Sustainable Development ("CEADS"), as well as in different professional councils, where valuable experiences were shared with other companies.

9- HUMAN RESOURCES

In 2010, in the context of conflicts with the labor unions caused by the higher cost of living and intra- and inter-union disputes, among other reasons, more wage increases were claimed by the labor unions which led to the adoption of extreme measures, including strikes in some cases. After having agreed to a wage increase of 24% in May 2010 for the employees encompassed in the Collective Bargaining Agreement, in the last quarter of this year the Company was faced with a whole series of direct action measures which called for the intervention of the Ministry of Labor. All this was resolved when the parties reached an agreement to pay a fixed sum and a wage increase of 4.8% in addition to the one agreed in May. The personnel not encompassed in the Collective Bargaining Agreement received equivalent wage adjustments.

Training activities

During the fiscal year 2010, the human resources area continued implementing policies for the improvement of internal and external staff training. An annual coverage rate of 70% of staff was recorded, with training through the Knowledge Transfer Center (CTC) totaling 8,656 man-hours as well as additional training provided by external consultants. The CTC completed its second year of training activities with the contribution of internal instructors from different sectors. 32 courses were taught, with the participation of over 300 people and involving 4,265 man-hours.

Within this framework, operation management began the training plan for each position, with a team of instructors mapping out the guidelines for starting each level of next year's course plan.

The CTC also designed and carried out the Section Head Training Program, addressing different issues relating to management, labor relationships,

operations and logistics. The activities were taught by internal instructors from different areas of the Company.

During the year, the TGN staff was provided external training in primarily technical and management specialties, with approximately 3,300 man-hours dedicated to this type of training.

Performance assessment activities

During 2010 implementation of the performance assessment process continued aimed at establishing a merit policy and specifying performance, while setting forth the goals for the next fiscal year.

Internal communication and staff integration

The comprehensive plan for internal communication begun in 2009 continued: consisting of issuing quarterly an internal magazine, posting message board notes on organizational life and other communication campaigns relating to activities for the public welfare, including the donation of no-longer-used computer equipment, paper-recycling campaigns and assistance to the Garrahan Hospital and other institutions.

Events to foster staff integration and bring the family and the Company closer together were organized, where children of the staff visited Company Headquarters for the day, as well as our annual Children's Day party. So that different areas of the Company would have the chance to be in closer contact, breakfasts with the CEO were organized. These were opportunities to update the staff on business information and for the CEO and the people of the Company to become better acquainted.

Additionally, a new space was set up for communication and learning joining with the middle management for monthly lunches to share issues that lead to debate and joint reflection.

Outdoor activities for middle management in operations with the CEO, COO and managers were further opportunities to discuss the current and future outlook for TGN focused on each sector of the company.

10- CORPORATE SOCIAL RESPONSIBILITY

TGN understands social responsibility as a commitment to promote sustainable development and an ethical relationship with dialogue between all stakeholders within the social context in which it interacts.

The TGN pipelines run many miles across territories with great socioeconomic and cultural diversity, imposing uncompromising trends in drafting strategies for managing the corporate social responsibility programs. Addressing each of the problematic issues that arise in the various terrains gives shape to a rich and complex learning process. In that process, TGN seeks to build relationships with each of its stakeholders, contributing to the sustainable development of TGN and of society in general.

The programs and actions implemented were designed based on articulating with the stakeholders Company interests and aims. Social diagnoses were made and interventions took place in communities near the Center-West Pipeline in the Argentine northwest and the province of Córdoba.

The activities were designed around the following dominant themes:

- a) Education
- b) Citizenship building
- c) Environmental care
- d) Local and inclusive business development through the value chain

Visits were made to neighboring native communities in the San Martín Department of the province of Salta, for the purpose of identifying opportunities for carrying out programs and joint actions. At Misión La Loma, in the city of Embarcación in the same province, work continued with the

Wichi, Toba and Guaraní communities to further strengthen forms of community organization. Support was given to the Guaraní community of Villa Rallé to take steps to enable access to the new government housing soon available from the Provincial Government.

The *Value Chain* program was extended to suppliers of the Lumberas plant, near the city of Metán in southern Salta; of the Lavalle plant, near the city of Frías in Santiago del Estero; of the Recreo plant, a few kilometers from the city of the same name in the province of Catamarca; and of the Deán Funes plant in the city of Deán Funes, province of Córdoba. As in previous years, the program's aim is to develop local suppliers. Local participants with the potential for achieving a TGN supplier profile took part.

Work was performed in localities near the Center-West Pipeline on different educational projects for strengthening citizenship awareness of issues as important as environmental care, education, community safety, coexistence and children's rights.

Throughout the drafting process of the 2009 Sustainability Report, TGN improved the systematization of processes relating to sustainability. The information gathered around the *Global Reporting Initiative Guide* ("GRI"), with the participation of different internal actors, enabled a better integration of the sustainability management.

The specialists of each area, working as a team, developed a process which enabled a better understanding of the contribution of each department to reaching sustainability goals.

TGN is one of the companies who originally signed the Global Compact in 2004 at the creation of the Argentine network. As a member of the pact, every year TGN has submitted the *Progress Communication* report on progress made in practices, processes and actions related to the ten principles of the Global Compact.

11- 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.

12- 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) nine regular directors and their respective alternate directors are appointed by Class A shares at a Special Meeting of that class; (ii) four regular directors and their respective alternate directors are appointed by Class B shares at a Special Meeting of that class; and (iii) one regular director and his respective alternate director are appointed by Class C shares at a Special Meeting of that class. At least one Class A director and one 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 (the "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 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 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 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 three regular syndics and three alternate syndics, of which: (i) two regular syndics and their alternate syndics are appointed at a Special Meeting of Class A and Class C shareholders acting jointly, at least one regular syndic being required to act as an independent syndic; and (ii) one 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.

13- AUDIT 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 Audit 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 2010, TGN's Audit 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.

14- 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.

15- 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, 2010, the balances and transactions of each company are described below.

Individuals and companies included Decree No. 677/01 and CNV regulations have been considered as related parties.

Balances at December 31, 2010 (in thousands of pesos):

Trade receivables

Other related parties

Transportadora de Gas del Mercosur S.A.	8,117
Litoral Gas S.A.	6,220
Siderar S.A.	1,003
Siderca S.A.	420
Gasoducto Gasandes Argentina S.A.	66
Total other related parties	15,826

Other receivables

Parent Company

Gasinvest S.A.	8
Total parent company	8

Foreign related companies

Companhia Operadora de Rio Grande do Sul	265
Comgás Andina S.A.	53
Total Foreign related companies	318

Other related parties

Siat S.A.	154
Transportadora de Gas del Mercosur S.A.	146
Litoral Gas S.A.	83

Tecgas N.V.	2
Total Other related parties	385

Company's key managerial staff

Advance Directors' and Syndics' fees	1,378
Total Company's key managerial staff	1,378

Trade payables

Current

Other related parties

Total Gas y Electricidad Argentina S.A.	12,084
Tecgas Argentina S.A.	11,838
Compañía General de Combustibles S.A.	11,838
Argentina Pipeline Holding Company S.A.	7,947
Siat S.A.	(1,287)
Transportadora de Gas del Mercosur S.A.	52
Total Other related parties	42,472

Other liabilities

Company's key managerial staff

Accrued Directors' and Syndics' fees	1,378
Total Company's key managerial staff	1,378

Transactions for the fiscal year 2010 (in thousands of \$):

Parent company

Other income, net

Gasinvest S.A.	25
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Foreign related companies

Net sales

Comgás Andina S.A.	60
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Operating costs

Comgás Andina S.A. (expense recovery)	14
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Collection of cash dividends

Comgás Andina S.A.	2,098
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Other related parties

Net sales

Litoral Gas S.A.	53,403
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Siderar S.A.	7,019
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Siderca S.A.	4,709
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Transportadora de Gas del Mercosur S.A.	3,392
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Gasoducto Gasandes Argentina S.A.	655
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Total Net sales	69,178
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Cost of services

Total Gas y Electricidad Argentina S.A.	(10,054)
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Tecgas Argentina S.A.	(7,257)
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Compañía General de Combustibles S.A.	(7,257)
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Argentina Pipeline Holding Company S.A.	(4,871)
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Total costs of services	(29,439)
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Administrative expenses	
Cainzos, Fernández & Premrou Sociedad Civil	(986)
Other income, net	
Litoral Gas S.A.	188
Gasoducto Gasandes Argentina S.A.	46
Tecpetrol Argentina S.A.	40
Total Other income, net	274
Fees and expenses - debt restructuring	
Tecpetrol Argentina S.A.	35
Expenses paid on behalf of third parties	
Transportadora de Gas del Mercosur S.A.	129
Purchases of materials and spare parts	
Siat S.A.	350
Purchases of fixed assets	
Siat S.A.	6,600
<hr/>	
<u>Company's key managerial staff</u>	
Directors' and Syndics' fees	(1,344)

16- PROPOSED ALLOCATION OF PROFITS

TGN has closed the fiscal year reporting an operating income of \$ 58,058 thousand, which increased at the level of the result before taxes by revenues for \$ 301,911 thousand from the agreements to terminate the contracts for export described in section 7 of this Annual Report; these agreements, however, produce a negative net effect on TGN's future expected cash flows.

For these reasons, the fiscal year 2010 showed a net profit of \$ 73,064 thousand, which the Board of Directors proposes that the Meeting of Shareholders should allocate as follows:

- a) To the legal reserve, \$ 3,653 thousand, equivalent to 5% of the profits for the year, as envisaged by Law N° 19550;
- b) In view of the economic and financial situation of the Company, as described in this Annual Report, and of the objective to maintain the safe and reliable provision of the public utility gas carriage service, \$ 69,411 thousand should be allocated to a discretionary reserve for future dividend payments; this reserve, considering the existing prior year balances plus the allocation of \$69,411 thousand, will amount to \$ 293,450 thousand;
- c) \$ 708 thousand, to the payment of fees for technical-administrative services to the Directors that are members of the Audit Committee, and \$ 636 thousand, to the payment of Syndics' fees.

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 3, 2011

Eduardo Ojea Quintana
President

ANNEX TO THE ANNUAL REPORT OF TRANSPORTADORA DE GAS DEL NORTE S.A.

**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, 2010 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.

Relationship with Issuer - 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, 2010, 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° 19550.

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.

Responsibility 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, 2010.

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.

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 TGN ⁽¹⁾ and its financial situation, which arises from the Annual Report, the Company's financial statements and the additional information attached.

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION

* Net Result for the year ended December 31, 2010

	(in million of pesos)					
	Year ended 12.31.					
	2010	2009	Variation \$	2008	2007	2006
Net Revenues						
Gas carriage service	560.1	565.9	(5.8)	523.0	521.8	474.2
Allowances for disputed amounts	(103.6)	(77.9)	(25.7)	(51.0)	(31.6)	4.0
Discount as per Decrees No 292/95, 1520/98, 814/01	(1.3)	(1.6)	0.3	(1.7)	(1.6)	(1.7)
Subtotal Gas carriage service	455.2	486.4	(31.2)	470.3	488.6	476.5
Gas Pipeline O&M services	28.8	30.0	(1.2)	26.2	18.7	19.0
Management fees - Gas Trust Program	11.2	14.6	(3.4)	8.0	11.3	11.3
Subtotal Gas pipeline operation and maintenance service and other services	40.0	44.6	(4.6)	34.2	30.0	30.3
Net Revenues	495.2	531.0	(35.8)	504.5	518.6	506.8
Cost of services						
Operating and maintenance costs	(218.2)	(196.9)	(21.3)	(168.8)	(149.2)	(132.1)
Fixed assets depreciation	(129.6)	(124.3)	(5.3)	(122.0)	(116.7)	(112.0)
Subtotal	(347.8)	(321.2)	(26.6)	(290.8)	(265.9)	(244.1)
Gross profit	147.4	209.8	(62.4)	213.7	252.7	262.7
Administrative and selling expenses	(89.3)	(70.9)	(18.4)	(52.9)	(49.0)	(76.2)
Operating income	58.1	138.9	(80.8)	160.8	203.7	186.5
Gain from equity investments, net	1.3	2.3	(1.0)	1.1	0.9	1.3
Financial and holding results	(224.7)	(210.3)	(14.4)	(189.7)	(134.2)	(195.4)
Gain on debt restructuring	-	-	-	-	-	243.9
Other income (expense), net	306.3	15.6	290.7	1.7	3.0	(4.7)
Net income (loss) before income tax	141.0	(53.5)	194.5	(26.1)	73.4	231.6
Income Tax	(68.0)	2.0	(70.0)	(7.4)	(13.7)	(16.3)
Net income (loss) for the year	73.0	(51.5)	124.5	(33.5)	59.7	215.3
EBITDA(2)(3)	501.1	297.4	203.7	304.1	337.3	307.5

(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.

(3) Including for the current year earnings for \$ 301.9 million from settlement agreements entered into with export customers (Note 13.h), n), o) and p))

	(in million of pesos)				
	12.31.10	12.31.09	12.31.08	12.31.07	12.31.06
Total Assets	3,186	2,878	2,639	2,614	2,648
Total Liabilities	1,886	1,651	1,361	1,302	1,370
Shareholders' Equity	1,300	1,227	1,278	1,312	1,278

The following paragraphs describe the reasons for the 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.									
	2010	%	2009	%	2008	%	2007	%	2006	%
Gas carriage	455.2	91.9	486.4	91.6	470.3	93.2	488.6	94.2	476.5	94.0
Gas Pipeline O&M services	40.0	8.1	44.6	8.4	34.2	6.8	30.0	5.8	30.3	6.0
Total net Revenues	495.2	100.0	531.0	100.0	504.5	100.0	518.6	100.0	506.8	100.0

- Gas carriage services

Net revenues corresponding to gas carriage services amounted to \$ 495.2 million in 2010 compared to \$ 531.0 million in 2009. The net decrease of \$ 31.2 million mainly results from the combined effect of the following variations:

- i. A higher allowance of \$ 25.7 million for receivables in dispute, mostly from customers with whom disputes still exist in relation to the export contracts (Note 13.i) and m) to the Company's financial statements);
- ii. decrease of 21.1 million due to the agreements reached with export customers mentioned in Note 13.h), n) and o) to the Company's financial statements;
- iii. lower billings for \$ 4.1, million, due to the rescission of a contract for gas carriage for export (Note 13.i) to the Company's financial statements);
- iv. increase of \$ 14.2 million in the billings for export transportation service as a result of the joint effect of the increase in the dollar exchange rate and in the Producer Price Index ("PPI") applicable in the present year;
- v. a \$ 4.2 million increase mainly in interruptible services, interchange and displacement services invoiced and others;
- vi. higher billing for \$1.0 million corresponding to new transportation services rendered during the year;
- vii. A lower discount for \$ 0.3 million in relation to National Executive Branch Decrees Nos. 292/95, 1520/98 and 814/01 which had established employer contribution abatement benefits. Considering that TGN will no longer make savings but a deficit from the application of the methodology envisaged in ENARGAS Resolution N° 234/95 which established the passing on to TGN customer, TGN no longer included the respective discount in the gas bills as from November 2010.

- Gas pipeline operation and maintenance and works management services

Revenues from these services showed a 4.6 million decrease between 2010 and 2009, being its main causes:

- i. Lower revenues for \$ 3.4 million due to the fee accrued in favor of TGN for the works management under the gas trust programs mentioned in Note 15.b) to the Company's financial statements. Revenue are recognized according to what it is mentioned in Note 3.p) to the Company's financial statements;
- ii. A decrease of \$ 1.2 million due to the variation in the price of the operation and maintenance contracts 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.									
	2010	%	2009	%	2008	%	2007	%	2006	%
Fees for professional services	2.8	0.8	3.9	1.2	4.5	1.5	2.4	0.9	2.4	1.0
Salaries, wages and other personnel benefits and social security contributions	79.5	22.9	66.4	20.7	56.5	19.4	45.7	17.2	38.9	15.9
Fees for technical operator services	26.6	7.6	11.2	3.5	9.5	3.3	15.0	5.6	6.2	2.5
Foreign staff residence	2.8	0.8	2.8	0.9	2.2	0.8	2.2	0.8	1.6	0.7
Consumption of spare parts and materials	16.2	4.7	16.5	5.1	14.5	5.0	13.6	5.1	12.8	5.2
Gas imbalance	(1.9)	(0.5)	(0.2)	(0.1)	0.9	0.3	0.2	0.1	2.4	1.0
Maintenance and repair of fixed assets and third party services and supplies	58.3	16.8	54.5	17.0	41.2	14.2	40.6	15.3	43.8	17.9
Communications, freight and transportation, travel expenses	9.9	2.8	8.5	2.6	8.1	2.8	6.0	2.3	6.0	2.5
Insurance	5.5	1.6	5.3	1.7	5.4	1.9	5.2	2.0	5.3	2.2
Rentals and office supplies	2.6	0.7	2.4	0.7	1.9	0.7	1.9	0.7	1.8	0.7
Easements	12.0	3.5	9.3	2.9	7.2	2.5	6.2	2.3	4.4	1.8
Taxes, rates and contributions	0.5	0.1	0.5	0.2	0.5	0.1	0.4	0.2	0.4	0.2
Fixed assets depreciation	129.6	37.3	124.3	38.7	122.0	42.0	116.7	43.9	112.0	45.9
Materials and spare parts slow-moving and obsolescence	2.5	0.7	13.5	4.2	14.6	5.0	8.9	3.3	5.2	2.1
Others	0.9	0.3	2.3	0.7	1.8	0.5	0.9	0.3	0.9	0.4
Total	347.8	100.0	321.2	100.0	290.8	100.0	265.9	100.0	244.1	100.0
% of Costs of services on net revenues	70.2%		60.5%		57.6%		51.3%		48.2%	

The \$ 26.6 million net increase between 2009 and 2010 is mainly explained by the following variations:

- i. An increase of \$ 15.4 million in technical operator's fees for technical audit and advisory services by application of the fee calculation method set forth in the respective contract (Note 1.c.iv) to the Company's financial statements). This contract envisages a valuable consideration for the services consisting of a payment of an annual remuneration equal to the higher of US\$ 3,000,000 or 7% of the earnings before interest and taxes ("EBIT") for each fiscal year. Nevertheless, in view of the decision to postpone the due dates of TGN financial debt made on December 22, 2008, the Board resolved to temporarily suspend, effective December 31, 2008, the payments of the fees envisaged in the Technical Assistance and Assistance to the Audit Area Contract;
- ii. a \$ 13.1 million increase in salaries, wages and other personnel benefits and social security contributions as a result of pay increases, partially corresponding to inflation adjustment.
- iii. a \$ 3.8 million increase in repair and maintenance costs of fixed assets and third party services and supplies. This account includes the items that showed the most significant variations: an increase of \$ 6.1 million in expenses for the passage of the equipment to detect corrosion in gas pipelines; an increase of \$ 4.0 million in overhauls of certain compressor plants; an increase of \$ 1.3 million in plant surveillance and security costs. These increases were partially offset by lower expenses for approximately \$ 7.6 million for repair of tubes, river intersections and environmental impact studies;
- iv. An increase of \$ 2.7 million in Rights of Way due to the higher fee amounts established and the new agreements entered into in the fiscal year;

TRANSPORTADORA DE GAS DEL NORTE S.A.

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

*** Cost of services (Cont.)**

- v. \$ 1.7 million of lower costs in gas imbalance and basin transfers due to a more efficient gas usage for compression in the system.
- vi. A decrease of \$ 11 million in slow-moving and obsolete consumption materials and spare parts, due to the variation occurred this year in those materials which were not fully used for regular maintenance as expected.

*** Administrative and Selling expenses**

	(in million of pesos)									
	Year ended 12.31.									
	2010	%	2009	%	2008	%	2007	%	2006	%
Salaries, wages and other personnel benefits and social security contributions	35.9	40.2	26.5	37.4	24.1	45.6	20.8	42.4	19.2	25.2
Fixed assets depreciation	1.8	2.0	1.8	2.5	1.7	3.2	1.7	3.5	1.6	2.1
Fees for professional services	4.7	5.3	5.8	8.2	5.7	10.8	4.0	8.2	3.2	4.2
Taxes, rates and contributions	25.9	29.0	22.8	32.2	24.6	46.6	25.1	51.2	19.4	25.5
Communications, freight and transportation, travel expenses	1.5	1.7	1.4	2.0	1.3	2.5	1.2	2.4	1.1	1.4
Maintenance and repair of fixed assets and third party services and supplies	3.1	3.5	1.9	2.7	2.1	4.0	1.9	3.9	1.9	2.5
Rentals and office supplies	1.1	1.2	1.3	1.8	1.0	1.9	0.8	1.6	0.6	0.8
Doubtful accounts	8.3	9.3	(2.4)	(3.4)	(1.7)	(3.2)	1.9	3.9	4.2	5.5
Contingencies	5.0	5.6	9.3	13.1	(8.8)	(16.7)	(12.6)	(25.7)	22.6	29.7
Fees for Directory and the Committee of Syndics	1.3	1.5	-	-	-	-	2.1	4.3	1.1	1.4
Fees for technical-administrative services	-	-	1.2	1.7	1.8	3.4	-	-	-	-
Others	0.7	0.7	1.3	1.8	1.1	1.9	2.1	4.3	1.3	1.7
Total	89.3	100.0	70.9	100.0	52.9	100.0	49.0	100.0	76.2	100.0
% of Administrative and Selling expenses on net revenues	18.0		13.4		10.5		9.4		15.0	

The \$ 18.4 million of net increase between 2010 and 2009 is mainly explained by the following variations:

- i. a \$ 9.4 million increase in salaries, wages and other personnel benefits and social security contributions as a result of pay increases, partially corresponding to inflation adjustment.
- ii. \$ 3.1 million higher expenses in taxes, rates and contributions as a result of higher verification and control rate accrued in favor of ENARGAS;
- iii. A \$ 10.7 million increase in Doubtful accounts as a result of higher allowances set up for default customer balances or receivables in litigation.
- iv. A decrease of \$ 4.3 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.
- v. A \$ 1.1 million decrease in Fees for professional services due to less requirements of external legal and financial consulting services during the year.

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.				
	2010	2009	2008	2007	2006
Interest and indexing generated by liabilities	(137.2)	(109.0)	(75.7)	(100.0)	(205.8)
Bank commissions, expenses and taxes on banking and financial operations	(7.2)	(8.9)	(8.1)	(7.5)	(6.2)
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	0.1	-	-	-	(1.7)
Subtotal financial result generated by liabilities before exchange rate differences	(144.3)	(117.7)	(82.5)	(106.0)	(213.5)
Interest, indexing and expenses generated by assets	8.9	10.5	1.3	5.8	20.7
Holding results generated by assets	5.6	23.4	8.8	9.3	14.8
Results from US\$ forward operations	(3.3)	(5.4)	-	-	-
(Loss) income on discounting of non-current and current assets	(43.1)	(22.7)	(22.3)	(10.7)	(0.5)
Subtotal financial result generated by assets before exchange rate differences	(31.9)	5.8	(12.2)	4.4	35.0
Exchange rate differences:					
Generated by liabilities	(70.1)	(124.7)	(105.3)	(34.0)	(30.3)
Generated by assets	21.6	26.3	10.3	1.4	13.4
Subtotal exchange rate differences	(48.5)	(98.4)	(95.0)	(32.6)	(16.9)
Total	(224.7)	(210.3)	(189.7)	(134.2)	(195.4)

The \$14.4 million of higher losses between 2010 and 2009 are mainly due to the following causes:

- i. Lower losses for \$ 54.6 million resulted from exchange rate differences generated by liabilities. The exchange rates were US\$ 1 = \$ 3.976 (as of December 31, 2010), US\$ 1 = \$ 3.800 (as of December 31, 2009) and US\$ 1 = \$ 3.453 (as of December 31, 2008). This impact on the result of the year is produced in relation to debt balances that amounted to US\$ 411.7 million as of December 31, 2010 and US\$ 378.8 million as of December 31, 2009.
- ii. Higher interest and indexing charges generated by debt balances mentioned in the previous paragraph for \$ 28.2 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 a lower exchange profit of \$ 4.7 million.
- iv. A decrease of \$ 17.8 million in holding results of stocks of consumption materials and spare parts in 2010, due to the stability in the prices of those assets;
- v. A \$ 20.4 million of additional loss on discounting of non-current and current assets was accrued during the year, which is principally related to non-current accounts receivables.

TRANSPORTADORA DE GAS DEL NORTE S.A.

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

*** Other income, net**

(in million of pesos)

	Year ended 12.31.				
	2010	2009	2008	2007	2006
Income from commercial indemnifications (Note 13.h), n), o) and p))	301.9	9.6	-	-	-
Result of disposal of fixed assets	(0.6)	(0.1)	(1.3)	(2.0)	(5.3)
Net income from sundry sales and others	4.7	5.8	2.8	3.8	0.8
Recovery of damages	0.3	0.3	0.2	1.3	0.3
Donations	-	-	-	(0.1)	(0.5)
Total	306.3	15.6	1.7	3.0	(4.7)

The net variation between 2010 and 2009 resulted in a \$ 290.7 higher income. The main cause was the income, in FY 2010, from commercial indemnifications which was recognized as follows: (1) Compromise and Settlement with Sociedad Eléctrica Santiago S.A. for \$ 141.7 million (Note 13.h)); (2) Compromise and Settlement with Colbún S.A. for \$ 138.1 million (Note 13.o)), (3) Compromise and Settlement with Compañía Eléctrica San Isidro S.A. for \$ 29.0 million (Note 13.n)) and Temporary Compromise and Settlement with Gasoducto Norandino Argentina S.A. for net loss \$ 6.9 million (Note 13.p)). Note 13 to the Company's financial statements describes the terms and conditions of each Compromise and Settlement and the implications for the Company's regulated activity.

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

(in million of pesos)

	Year ended 12.31.				
	2010	2009	2008	2007	2006
Net income (loss) for the year	73.0	(51.5)	(33.5)	59.7	215.3
Adjustments to arrive to cash net flow arising from operating activities	444.7	405.7	349.8	274.4	71.3
Net changes in assets and liabilities	272.4	(117.2)	(73.0)	(31.9)	(83.3)
Net cash flows provided by operating activities	245.3	237.0	243.3	302.2	203.3
Purchase of fixed assets	(78.0)	(77.8)	(45.5)	(59.7)	(60.0)
Collection of cash dividends	2.1	-	1.4	5.3	-
Increase in short-term investments	(186.9)	(19.4)	-	-	-
Short-term investments granted as guarantee	11.5	(11.5)	-	-	-
Net cash flows used in investing activities	(251.3)	(108.7)	(44.1)	(54.4)	(60.0)
Payment of debt	-	-	(54.6)	(118.3)	(418.3)
Interest paid	-	-	(61.6)	(85.4)	(191.2)
Increase in attachments on debt	(0.2)	(32.1)	-	-	-
(Decrease) increase in customer advances	-	(0.3)	0.5	(0.1)	(1.2)
Payment of cash dividends	-	-	-	(25.7)	-
Net cash flows used in financing activities	(0.2)	(32.4)	(115.7)	(229.5)	(610.7)
Financial and holding result generated by cash and cash equivalents	16.0	23.5	5.3	6.7	33.6
Net increase (decrease) in cash	9.8	119.4	88.8	25.0	(433.8)
Cash and cash equivalents as of beginning of the year	272.3	152.9	64.1	39.1	472.9
Cash and cash equivalents as of end of the year	282.1	272.3	152.9	64.1	39.1

(in million of pesos)

	Year ended 12.31.				
	2010	2009	2008	2007	2006
Cash and cash equivalents					
Cash and banks	64.0	22.9	135.5	62.9	24.6
Mutual funds in US\$	-	-	-	-	2.9
US Treasury bills in US\$	15.7	-	17.4	-	-
Time deposits in US\$	125.1	124.1	-	-	-
Time deposits in \$	31.2	48.3	-	-	-
Mutual funds in \$	18.7	52.1	-	1.2	11.6
Stock exchange securities in \$ and others	27.4	24.9	-	-	-
Cash and cash equivalents as of end of the year	282.1	272.3	152.9	64.1	39.1

TRANSPORTADORA DE GAS DEL NORTE S.A.

II) BUSINESS PROSPECTS

The business, operating, financial and regulatory prospects for the next fiscal year are described in the December 31, 2010 Annual Report and financial statements; this information should be jointly read, analyzed and interpreted to have a fuller vision of the relevant corporate matters for the year and of the Company's future.

III) COMPARATIVE BALANCE SHEET STRUCTURE AT DECEMBER 31, 2010, 2009, 2008, 2007 and 2006

(in million of pesos)

	As of 12.31.				
	2010	2009	2008	2007	2006
Current Assets	723	462	245	179	169
Non-current Assets	2,463	2,416	2,394	2,435	2,479
Total	3,186	2,878	2,639	2,614	2,648
Current Liabilities	1,819	1,594	1,309	208	195
Non-current Liabilities	67	57	52	1,094	1,175
Subtotal	1,886	1,651	1,361	1,302	1,370
Shareholders' Equity	1,300	1,227	1,278	1,312	1,278
Total	3,186	2,878	2,639	2,614	2,648

IV) COMPARATIVE STRUCTURE OF RESULTS FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, 2008, 2007 and 2006

(in millions of pesos)

	Years ended 12.31.				
	2010	2009	2008	2007	2006
Ordinary operating income	(58.1)	138.9	160.8	203.7	186.5
Financial and holding results, net	(224.7)	(210.3)	(189.7)	(134.2)	(195.4)
Gain from equity investments, net	1.3	2.3	1.1	0.9	1.3
Gain on debt restructuring	-	-	-	-	243.9
Other income (expenses), net	306.3	15.6	1.7	3.0	(4.7)
Income (loss) before income tax	141.0	(53.5)	(26.1)	73.4	231.6
Income Tax charge	(68.0)	2.0	(7.4)	(13.7)	(16.3)
Net income (loss) for the year	73.0	(51.5)	(33.5)	59.7	215.3

V) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2010, 2009, 2008, 2007 and 2006

Volume dispatched in million of cubic meters:

According to the type of carriage agreement

	Years ended 12.31.				
	2010	2009	2008	2007	2006
Firm carriage	13,653	13,500	14,267	14,955	16,434
Interruptible carriage and exchange and shifting	4,541	4,377	3,833	3,404	2,575
Total	18,194	17,877	18,100	18,359	19,009

According to the type of source

	Years ended 12.31.				
	2010	2009	2008	2007	2006
Norte Gas pipeline	7,589	7,480	7,039	7,460	7,333
Centro-Oeste Gas pipeline	10,605	10,397	11,061	10,899	11,676
Total	18,194	17,877	18,100	18,359	19,009

TRANSPORTADORA DE GAS DEL NORTE S.A.

VI) COMPARATIVE INDICATORS AT DECEMBER 31, 2010, 2009, 2008, 2007 and 2006

	Years ended 12.31.				
	2010	2009	2008	2007	2006
Current liquidity (1)	0.40	0.29	0.19	0.86	0.86
Solvency (2)	0.69	0.74	0.94	1.01	0.93
Freezing Capital (3)	0.77	0.84	0.91	0.93	0.94
Result on investment (4)	0.06	(0.04)	(0.03)	0.05	0.20

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

VII) PROGRESS IN THE IFRS (International Financial Reporting Standards) IMPLEMENTATION PLAN (not covered by the Limited Review Report)

No circumstances have been identified requiring modifications to the plan or indicating any departure from the accomplishment of the established objectives and deadlines as a result of the monitoring by the Board of Directors of the IFRS implementation plan.

The Company is giving priority to the analysis of those IFRS which it considers will be applicable to the preparation of its financial statements in the first year of adoption of those standards. Further, as a result of this analysis, the Company is working on the evaluation of the most significant economic impact of the adoption of IFRS.

Autonomous City of Buenos Aires, March 3, 2011

The Board of Directors
Eduardo Ojea Quintana

TRANSPORTADORA DE GAS DEL NORTE S.A.

Balance Sheets as of December 31, 2010 and 2009
(in thousands of Argentine Pesos, except for per share amounts)

	December 31, 2010	December 31, 2009
ASSETS		
Current Assets		
Cash and banks	\$ 63,991	\$ 22,935
Short-term investments (Note 18.c)	426,462	281,357
Accounts receivables, net (Note 4.a)	54,407	57,738
Other receivables, net (Note 4.b)	160,252	84,966
Materials and spare parts, net (Note 4.c))	17,665	15,014
Total Current Assets	722,777	462,010
Non-current Assets		
Accounts receivables, net (Note 4.a))	132,495	93,305
Other receivables, net (Note 4.b)	255,249	191,970
Materials and spare parts, net (Note 4.c))	34,529	36,732
Fixed Assets, net (Note 18.a))	2,011,501	2,066,353
Investments (Note 18.b))	3,100	2,379
Other assets	26,659	25,351
Total Non-Current Assets	2,463,533	2,416,090
Total Assets	3,186,310	2,878,100
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable (Note 4.d)	78,061	63,266
Debt (Note 10)	1,636,987	1,439,317
Salaries and social security payable	40,027	24,924
Taxes payable (Note 4.e)	26,944	27,619
Customer advances	195	197
Others (Note 4.f))	4,011	5,567
Subtotal	1,786,225	1,560,890
Contingencies (Note 13 and 18.d)	33,209	32,767
Total Current Liabilities	1,819,434	1,593,657
Non-Current Liabilities		
Others (Note 4.f))	28,165	20,521
Subtotal	28,165	20,521
Contingencies (Note 13 and 18.d)	38,965	37,240
Total Non-Current Liabilities	67,130	57,761
Total Liabilities	1,886,564	1,651,418
Shareholders' Equity	1,299,746	1,226,682
Total Liabilities and Shareholders' Equity .	\$ 3,186,310	\$ 2,878,100

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, 2010 and 2009**

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

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Net revenues (Note 4.g)	\$ 495,240	\$ 530,966
Cost of services (Note 18.f)	<u>(347,885)</u>	<u>(321,197)</u>
Gross Profit	147,355	209,769
Selling expenses (Note 18.f)	(22,032)	(10,863)
Administrative expenses (Note 18.f)	<u>(67,265)</u>	<u>(60,015)</u>
Operating income	58,058	138,891
Gain from equity investments, net	1,327	2,328
Financial and holding results, net		
Generated by assets:		
Interest and indexing	9,687	11,405
Exchange rate differences	21,592	26,289
Other financial and holding results (Note 4.h) .	<u>(41,579)</u>	<u>(5,652)</u>
Subtotal	(10,300)	32,042
Generated by liabilities:.....		
Interest and indexing	(137,195)	(108,992)
Exchange rate differences	(70,144)	(124,711)
Other financial and holding results (Note 4.h) .	<u>(7,084)</u>	<u>(8,669)</u>
Subtotal	(214,423)	(242,372)
Other income, net (Notes 4.i) and Note 13.h), .n), .o) and .p)	<u>306,359</u>	<u>15,574</u>
Net income (loss) before income tax	141,021	(53,537)
Income tax charge (Note 7)	<u>(67,957)</u>	<u>1,991</u>
Net income (loss) for the year	\$ 73,064	\$ (51,546)
Income (loss) per share in pesos (Note 6)	0.1663	(0.1173)

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, 2010 and 2009**

(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				
Balances as of December 31, 2008	439,374	506,053	945,427	57,216	309,119	(33,534)	1,278,228
Resolution adopted by the Ordinary Meeting of Shareholders held on April 28, 2009: Allocation to the voluntary reserve for future dividend distributions	-	-	-	-	(33,534)	33,534	-
Net loss for the year	-	-	-	-	-	(51,546)	(51,546)
Balances as of December 31, 2009	439,374	506,053	945,427	57,216	275,585	(51,546)	1,226,682
Resolution adopted by the Ordinary Meeting of Shareholders held on April 22, 2010: Allocation to the voluntary reserve for future dividend distributions	-	-	-	-	(51,546)	51,546	-
Net income for the year	-	-	-	-	-	73,064	73,064
Balances as of December 31, 2010	439,374	506,053	945,427	57,216	224,039	73,064	1,299,746

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, 2010 and 2009**

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

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Cash and cash equivalents as of beginning of the year	\$ 272,336	\$ 152,961
Cash and cash equivalents as of end of the year (Note 4.j))	<u>282,106</u>	<u>272,336</u>
Net increase in cash and cash equivalents.....	<u>9,770</u>	<u>119,375</u>
Cash flows from operating activities		
Net income (loss) of the year	73,064	(51,546)
Adjustments to arrive to cash net flow arising from operating activities:		
Income tax	65,957	(1,991)
Depreciation of fixed assets	131,463	126,073
Net book value of fixed assets written off	1,430	1,037
Increase in allowances and provisions, net	68,571	100,578
Financial and holding results generated by liabilities	137,195	108,992
Exchange rate differences and other financial results, net	39,426	73,356
Gain on equity investments	(1,327)	(2,328)
Net changes in assets and liabilities:		
Increase in accounts receivable	(96,136)	(113,195)
Increase in other receivables	(209,011)	(35,740)
(Increase) decrease in materials and spare parts and other assets	(287)	80
Increase in accounts payable	14,795	35,386
Increase in salaries and social security payable	15,103	4,870
(Decrease) increase in taxes payable	(675)	16,780
Increase in other payables	6,088	3,153
Decrease in contingencies	(2,375)	(28,529)
Net cash flows generated by operating activities.....	<u>245,280</u>	<u>236,976</u>
Cash flows from investing activities		
Purchase of fixed assets	(78,041)	(77,777)
Increase of short-term investments	(186,885)	(19,412)
Changes in short-term investments granted as guarantee	11,476	(11,476)
Collection of cash dividends	2,098	-
Net cash flows used in investing activities.....	<u>(251,352)</u>	<u>(108,665)</u>
Cash flows from financing activities		
Increase in court attachments and deposits	(232)	(32,118)
Increase in customer advances	(2)	(306)
Net cash flows used in financing activities.....	<u>(234)</u>	<u>(32,424)</u>
Financial and holding results generated by cash and cash equivalents		
Interest, exchange rate differences and other financial results	16,076	23,488
Total financial and holding results generated by cash and cash equivalents.....	<u>16,076</u>	<u>23,488</u>
Net increase in cash and cash equivalents.....	\$ <u>9,770</u>	\$ <u>119,375</u>

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, 2010 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 25,561 ("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, the LEP 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 National Gas Regulatory Entity ("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 trust funds was established to finance investments in the expansion of the capacity of the natural gas carriage and distribution systems and gas imports.

These government measures have produced negative results regarding TGN's gas carriage agreements. In this way, several contractual disputes regarding export customers presented below in Notes 13.f), h), i), m), n), o) and p) have been generated by the described situations.

- (iii) 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 would fall due since that date. In that context, 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 up to June, 2011 but with a much restricted scope, as explained in Note 1.c.vi).

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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) 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, 2010 was calculated on the basis of evaluations and estimates made by the Company's Board of Directors at the date these 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 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, which 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;
- (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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

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.

A hearing attended by TGN was held on May 2005, at which only a unilateral proposal that had been formulated by the UNIREN in July 2004 and that TGN considers unsatisfactory was analyzed.

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.

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,

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

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.

Although the Temporary Agreement was ratified by the National Executive Branch through Decree N° 458 of April 5, 2010, the rate increase can not be invoiced by TGN until the ENARGAS approves the new rate schedules. However, TGN performed the foreseen works at its expense. At December 31, 2010, no economic effects were noted in relation to the Temporary Agreement. Given the lack of a reply on the part of the administration to the reiterated requests for approval of the new rates, in September 2010 TGN filed action for protection due to delay against the ENARGAS and against the Under-secretariat for Management Coordination and Control (Ministry of Federal Planning) to obtain an express ruling requiring compliance with the Temporary Agreement and with Decree N° 458/10.

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.

Notwithstanding the renegotiation process before the Unit for the Renegotiation and Analysis of Public Utility Services Contracts (UNIREN), TGN requested ENARGAS to perform a comprehensive rate review on the basis of section No. 46 of the Gas Law and considering that the domestic carriage rates had been frozen since July 1999. Given the negative reply on the part of the administration, in November 2010 TGN filed an action for protection against the ENARGAS to obtain a court ruling ordering that said review is carried out.

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 January 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. As of December 31, 2010 the Company accrued this compensation based on the EBIT at the end of the year. This compensation amounted to \$ 26.6 million.

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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

Dispatched export volume has systematically decreased from 2006 until the end of the year. In that context, there are loaders that ceased to pay and initiated administrative and judicial actions to obtain the rescission without negligence of the gas carriage contracts in effect (such as YPF S.A. or "YPF"), attempted to unilaterally rescind the agreement and claimed compensation (Metrogás S.A. Chile or "Metrogas") or entered into compromise and settlement replacing and/or rescinding the contracts previously in force (Sociedad Eléctrica Santiago S.A. or "ESSA", Compañía Eléctrica San Isidro S.A., Gasoducto Norandino Argentina S.A. or "NAA" and Colbun S.A. or "Colbún").

Although the abovementioned compromise and settlement contemplate the collection of compensation amounts, TGN shall cease to collect revenue in the future which will eventually produce a negative net effect on its expected cash flows.

YPF and Metrogás recorded unpaid balances of \$ 295.1 million and \$ 93.5 million, respectively, at the balance sheet date, so the Company has set up an allowance of \$ 194.3 million to cover the uncollectible past due balance for the carriage service.

Disputes with these customers are fully described in Note 13.

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 since that date (December 2008 and years 2009 and 2010 maturities).

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/587/08 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/587/08 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/587/08 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 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/587/08 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.

Resolution I/587/08 was successively extended until June 19, 2011, term over which TGN will continue 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

**Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form**
(In thousands of Argentine Pesos, except for per share amounts)

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, 2010 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 ("FACPCCE"), as approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("CPCCECABA"), 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.

The Company's Board of Directors estimates that these financial statements include all the necessary adjustments to reasonably disclose the results for the years ended December 31, 2010 and 2009.

(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, 2010 this deviation has not had a significant impact on the financial statements of TGN.

The rate used for restatement of items for the pertinent year was the internal wholesale price index, 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

TRANSPORTADORA DE GAS DEL NORTE S.A.

**Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form**
(In thousands of Argentine Pesos, except for per share amounts)

2. Preparation of financial statements (Continued)

(d) Use of estimates (Continued)

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, 2009 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 CNV has established the application of Technical Pronouncement N° 26 of the FACPCE which adopted the international financial reporting standards ("IFRS") issued by the I.A.S.B. ("International Accounting Standards Board"), 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. Application of those standards shall be mandatory for the Company as from the fiscal year commencing January 1, 2012, being the first interim financial statements those as of March 31, 2012.

On March 4, 2010 TGN Board approved the IFRS Implementation Plan, as called for by Technical Resolution N° 26.

The Company is giving priority to the analysis of those IFRS which it considers will be applicable to the preparation of its financial statements in the first year of adoption of those standards. Further, as a result of this analysis, the Company is working on the evaluation of the most significant economic impact of the adoption of IFRS.

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, 2009.

(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 and other 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 other investments in US\$ have been valued at nominal invested capital plus accrued interest.

(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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

3. Summary of significant accounting policies (Continued)

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

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/or 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, 2010 and 2009 (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 keeps fully cover with an allowance its investment in the Brazilian company COPERG because that business fell short of expectations. Consequently, it is estimated that the reduced level of activity of that company will not allow recovering the value of the investment in it.

(g) Materials and spare parts, net

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

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

(h) Fixed assets, net

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

The Company has considered as elements forming part of the value of addition to assets of fixed assets the net costs of financing investment works with third parties' capital, the construction of which extends over time, until they are placed into service.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

3. Summary of significant accounting policies (Continued)

(h) Fixed assets, net (Continued)

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, 2010 a pipeline recoating campaign was carried out over a length of 309.4 km. In accordance with ENARGAS Resolutions Nos. 1,660/00 and 1,903/00, \$ 109.1 million were capitalized and were included in the "Recoating" line (Note 18.a)), 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, which is considered necessary to maintain its operating capacity, 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, 2010 and 2009, loans have been stated at nominal value of principal, interest 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 income tax, 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.

(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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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) (Continued)

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. Also, for the fiscal year ended December 31, 2010 the income tax exceeds the minimum presumed income tax and therefore no liabilities have been recorded for the latter.

(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): 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 of the allowance for spare parts, slow-moving and obsolete consumption materials were 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.

Decrees 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

**Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

Considering that TGN will no longer make savings but a deficit from the application of the methodology envisaged in ENARGAS Resolution N° 234/95, TGN no longer included the respective discount in the gas bills as from November 2010.

The Company has recorded an allowance for differences between the total amount invoiced and the estimate of the recoverability of certain balances in contractual and regulatory dispute (Note 13.h), .i), .m) and .o) 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.

Individuals and companies included Decree No. 677/01 and CNV regulations have been considered as related parties.

(r) Derivative instruments

During the year TGN has conducted exchange rate risk hedging transactions to cover its funds balances in pesos. The cost of the contracts in force until December 31, 2010 amounted to \$ 3.3 million. At that date, there are no contracts in force to protect against exposure to those potential fluctuations in the peso/US dollar exchange rate.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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>2010</u>	<u>December 31,</u> <u>2009</u>
a) Accounts receivable, net		
Current		
Gas carriage services		
Billed		
Distributors	\$ 19,922	\$ 14,975
Industrial	13,344	8,625
Generators	17,958	15,267
Unbilled.....	<u>14,175</u>	<u>27,628</u>
Subtotal	65,399	66,495
Other services		
Billed.....	9,516	4,266
Unbilled.....	<u>2,477</u>	<u>2,308</u>
Subtotal	11,993	6,574
Allowance for doubtful accounts (Note 18.d)).....	(11,363)	(4,002)
Allowance for disputed amounts (Note 18.d)).....	<u>(11,622)</u>	<u>(11,329)</u>
Total.....	\$ <u>54,407</u>	\$ <u>57,738</u>
Non Current		
Gas carriage services		
Billed		
Distributors	\$ 73,235	\$ 9,057
Industrial	244,386	152,776
Generators	-	58,740
Unbilled.....	<u>9,192</u>	<u>14,427</u>
Subtotal	326,813	235,000
Allowance for disputed amounts (Note 18.d)).....	<u>(194,318)</u>	<u>(141,695)</u>
Total.....	\$ <u>132,495</u>	\$ <u>93,305</u>
b) Other receivables, net		
Current		
Gas carriage services		
Commercial indemnifications receivable (Note 13.h)) .	\$ 70,305	\$ -
Court attachments and deposits	32,350	32,118
VAT, net	-	947
Tax credits - withholdings and perceptions	2,622	4,565
Income tax prepayments	-	5,275
Directors' and management fees (Note 5)	1,378	1,372
Prepaid expenses	4,655	1,578
Fees and expenses - debt restructuring	24,452	19,946
Receivables from transactions on behalf of third parties and sundry	<u>6,820</u>	<u>7,518</u>
Subtotal	<u>142,582</u>	<u>73,319</u>
Others		
Gas Trust Program management (Note 15.a) and b))	\$ 3,592	\$ 859
Receivable with controlling shareholder (Note 5)	8	8
Foreign related parties (Note 5)	318	1,814
Other related parties (Note 5)	385	838
Receivables from transactions on behalf of third parties	1,451	2,316
Advances to employees	654	1,024
Receivables from sundry sales	<u>13,118</u>	<u>5,793</u>
Subtotal	19,526	12,652
Allowance for doubtful accounts (Note 18.d))	<u>(1,856)</u>	<u>(1,005)</u>
Total.....	\$ <u>160,252</u>	\$ <u>84,966</u>

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

4. Breakdown of the main accounts (Continued)

	December 31, 2010	December 31, 2009
b) Other receivables, net (Continued)		
Non Current		
Gas carriage services		
Commercial indemnifications receivable (Note 13.h) .	114,433	-
Deferred tax asset, net (Note 7)	\$ 55,988	\$ 76,200
Minimum presumed income tax (Note 7)	79,041	108,502
Turnover tax withholdings	113	113
Deposit in escrow and disputed tax payments	7,994	7,575
Guarantee deposits	699	633
Allowance for deposit in escrow and disputed tax payments (Note 18.d))	(7,994)	(7,575)
Subtotal	250,274	185,448
Others		
Gas Trust Program management fee (Note 15.b))	4,744	6,197
Sundry	231	325
Subtotal	4,975	6,522
Total	\$ 255,249	\$ 191,970
c) Materials and spare parts, net		
Current		
Materials and spare parts	\$ 17,665	\$ 15,014
Total	17,665	15,014
Non-current		
Materials and spare parts	118,336	118,057
Allowance for slow-moving and obsolescence (Note 18.d))	(83,807)	(81,325)
Total	\$ 34,529	\$ 36,732
d) Accounts payable		
Gas carriage services		
Suppliers	\$ 9,589	\$ 5,545
Importation of natural gas administration trust (Note 16)	1,650	1,745
Others related parties (Note 5)	42,472	16,013
Unbilled services	24,350	39,963
Total	78,061	63,266
e) Taxes payable		
Income tax	\$ 7,314	\$ 16,864
VAT, net	657	-
VAT withholdings and perceptions	881	1,203
Income tax withholdings	17,934	9,268
Turnover tax withholdings and perceptions	158	284
Total	\$ 26,944	\$ 27,619
f) Others		
Current		
Easements	\$ 2,462	\$ 4,013
Directors' and management fees (Note 5)	1,378	1,385
Customer's warrants and others	171	169
Total	4,011	5,567
Non-current		
Easements	28,165	20,521
Total	\$ 28,165	\$ 20,521

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

4. Breakdown of the main accounts (Continued)

	December 31, 2010	December 31, 2009
g) Net revenues		
Gas carriage services		
Gas carriage services	\$ 560,121	\$ 565,914
Discounts as per Decrees No. 292/95, 1520/98, 814/01 (Note 3.p)	(1,330)	(1,651)
Allowance for disputed amounts (Note 3.p)	(103,572)	(77,880)
Subtotal	455,219	486,383
Other services		
Pipeline O&M services	\$ 28,835	\$ 29,962
Management fees - Gas Trust Program (Note 15.b)	11,186	14,621
Subtotal	40,021	44,583
Total	\$ 495,240	\$ 530,966
h) Other financial and holding results, net:		
Generated by assets:		
Bank commissions and expenses	\$ (882)	\$ (903)
Holding results	5,649	23,384
Result of exchange rate risk hedging transactions (Note 3.r)	(3,280)	(5,422)
Loss on discounting of non-current and current assets	(43,066)	(22,711)
Total	\$ (41,579)	\$ (5,652)
Generated by liabilities:		
Bank commissions, expenses and taxes on banking and financial operations	\$ (7,188)	\$ (8,892)
Result on discounting of non-current and current liabilities	(75)	(3)
Discounts	179	226
Total	\$ (7,084)	\$ (8,669)
i) Income from commercial indemnifications and other incomes, net		
Income from commercial indemnifications (Note 13.h), .n), .o) and .p)	\$ 301,911	\$ 9,627
Result of disposal of fixed assets	(553)	(173)
Net income from sundry sales and others	4,648	5,773
Recovery of damages	353	347
Total	\$ 306,359	\$ 15,574
j) Cash and cash equivalents:		
Cash and banks	\$ 63,991	\$ 22,935
Mutual funds in \$	18,677	52,052
Time deposits in \$	31,229	48,350
Time deposits in US\$	125,064	124,117
US Treasury Bills in US\$	15,741	-
Stock exchange securities in \$	27,404	24,882
Cash and cash equivalents as shown in the statements of Cash flows	\$ 282,106	\$ 272,336

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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, 2010	December 31, 2009
Accounts receivable:		
Current:		
Other related parties	\$ 15,826	\$ 11,478
Other receivables:		
Current:		
Receivable with controlling shareholder (Note 4.b)) ..	8	8
Foreign related parties (Note 4.b))	318	1,814
Other related parties (Note 4.b))	385	838
Directors' and management fees (Note 4.b))	1,378	1,372
Accounts payable:		
Other related parties (Note 4.d))	42,472	16,013
Others:		
Directors' and management fees (Note 4.f))	1,378	1,385

Transactions with related parties

	December 31, 2010	December 31, 2009
Controlling shareholder:		
Income from commercial indemnifications and other income, net	\$ 25	\$ 25
Foreign related parties:		
Net revenues	60	67
Cost of services	-	(16)
Income from commercial indemnifications and other income, net	-	2
Full expenses by third party account	14	-
Collection of cash dividends	2,098	-
Other related parties:		
Net revenues	69,178	59,823
Cost of services	(29,439)	(13,930)
Administrative expenses	(986)	(818)
Other income, net	274	331
Fees and expenses - debt restructuring	35	-
Full expenses by third party account	129	111
Materials and spare parts, net	350	-
Fixed assets, net	6,600	7,553
Directors' and management fees:		
Directors and Syndics' fees	(1,344)	-
Technical-administrative services (Note 18.f))	-	(1,182)

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, 2010 and 2009, by the weighed average of outstanding ordinary shares, which made a total of 439,373,939 shares at those dates.

At December 31, 2010 and 2009 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, 2010 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, 2010 and December 31, 2009 are presented below:

	December 31, 2010	December 31, 2009
Deferred tax assets and liabilities:		
Accounts receivable	(1,719)	27,181
Other receivables	21,365	11,748
Fixed assets	(21,432)	(22,171)
Materials and spare parts	29,332	28,464
Other assets	(7,821)	(7,221)
Accounts payable and other payables	15,213	5,536
Debt and expenses related to debt restructuring	(166)	2,533
Contingencies	20,547	19,642
Directors' fees	669	415
Tax loss carryforward	-	10,073
Net deferred tax asset	\$ 55,988	\$ 76,200

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 \$ 318.1 million, and its reversal would have taken place in a total approximate term of 17 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)		
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
Total	909.1	318.1

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:

TRANSPORTADORA DE GAS DEL NORTE S.A.

**Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form**
(In thousands of Argentine Pesos, except for per share amounts)

7. Income tax and MPIT (Continued)

	December 31,	
	2010	2009
Net income (loss) before income tax	\$ 141,021	\$ (53,537)
Income tax rate	35%	35%
Income tax charge at statutory tax rate	(49,357)	18,738
Permanent differences:		
Inflation adjustment	(18,461)	(18,367)
Non-deductible expenses	(85)	(36)
Gain from equity investments, net	465	815
Others	(519)	841
Income tax charge	\$ (67,957)	\$ 1,991
Current income tax charge	(47,745)	-
Deferred income tax charge	(20,212)	1,991
Income tax charge	\$ (67,957)	\$ 1,991

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

	12.31.10	12.31.09
Recorded income tax	(67,957)	1,991
Temporary differences:		
Variation in valuation for doubtful accounts	19,283	14,935
Variation in valuation of fixed assets	(739)	554
Variation of the provision for contingencies	(905)	(1,546)
Variation of debt and expenses relating to debt restructuring ..	2,699	2,680
Variation of the provision for inventories	(268)	(4,712)
Variation of tax loss carryforwards	10,073	(10,073)
Other net temporary differences	(9,931)	(3,829)
Total tax assessed for fiscal purposes (estimated)	(47,745)	-

Below is a detail of the breakdown of the credit for the minimum presumed income tax accumulated at December 31, 2010:

Year	Amount	Expires in
2002	12,959	2012
2003	14,097	2013
2004	15,366	2014
2005	16,294	2015
2006	12,362	2016
2007	13,426	2017
2008	6,797	2018
2009	17,085	2019
2010 (estimated)	(29,345)	
Balance at the closing of the year (Note 4.b)	79,041	

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, 2010 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, 2010 and 2009 segregated by business segment:

For the year ended December 31, 2010	Gas carriage Services		Others	Total
	Domestic	Exports		
Net revenues	\$ 279,364	175,855	40,021	495,240
Cost of services, administrative and selling expenses (before depreciation)	(240,041)	(47,986)	(17,692)	(305,719)
Depreciation	(111,350)	(20,034)	(79)	(131,463)
Other income, net	3,768	302,589	2	306,359
Gain from equity investments, net	-	-	1,327	1,327
Financial and holding results, net	(190,340)	(34,248)	(135)	(224,723)
Income tax	84,256	(144,461)	(7,752)	(67,957)
Net income for the year	\$(174,343)	231,715	15,692	73,064

As of December 31, 2010	Gas carriage services		Others	Total
	Domestic	Exports		
Fixed assets, net	\$ 1,703,878	306,416	1,207	2,011,501
Accounts receivable, net	34,360	140,549	11,993	186,902
Debt	1,386,528	249,477	982	1,636,987
Other net assets	625,228	112,658	444	738,330
Shareholders' equity	976,938	310,146	12,662	1,299,746
Purchase of fixed assets	66,103	11,894	44	78,041

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)
Income from commercial indemnifications and other income, 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	43,904	(32,552)	(9,361)	1,991
Net income for the year	\$(163,613)	97,464	14,603	(51,546)

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

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, 2010 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) There are funds subject to court attachments for approximately US\$ 8.2 million, according to what it is mentioned in Note 13.1).

10. Debt

The Negotiable Obligations issued by the Company in 2006, in force up to December 22, 2008, 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.

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, 2010 the past due principal installments amounted to US\$ 82.7 million. Total debt as of December 31, 2010 amounts to US\$ 411.7 million, which is formed by US\$ 344.9 million of principal, US\$ 59.4 million of past-due contractual interest and US\$ 7.4 million of punitive interest.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

10. Debt (Continued)

Breakdown of debt balances as of December 31, 2010 and 2009

	12.31.10	12.31.09
	Thousands of \$	
Ordinary non-convertible Class A		
Principal	561,729	536,864
Interest	82,153	43,620
Punitive	13,558	3,721
Ordinary non-convertible Class B		
Principal	809,633	773,794
Interest	153,830	77,380
Punitive	16,084	3,938
Total current	1,636,987	1,439,317
Total Debt	1,636,987	1,439,317

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 (the "Swap Offer") launched September 8, 2009, which remained open until October 14, 2009 regarding the meeting considered in section 45 bis of the 24,522 law, as approved by the Board of Directors of the Company at that date. The Proposal is to restructure: (i) the remaining principal 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 restructuring proposal, subject to compliance with certain conditions, each holder of Outstanding Debt will receive at its choice:

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

- 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, 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 same Court, 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 in an ordinary complaint in which the declaration of nullity of the bondholders' meetings called by the ANSeS was requested. The resolution 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

**Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

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 the resolution passed by the corresponding Panel of the Commercial Court of Appeals, by virtue of which it was decided to grant the appeal filed by TGN, thus partially revoking the injunction with the resultant restoration of the judicial decision issued on October 26, 2009 that ordered that all pecuniary actions filed against TGN were stayed. On July 15, 2010, Panel D of the Commercial Court of Appeals resolved to revoke the injunction it had decreed in December 2009 at the request of the ANSeS, and this decision was consented to by the ANSeS but appealed by the Attorney General. Although the ruling issued by Panel D involved the resumption of the proceedings to confirm the Out-of-court Reorganization Agreement, in September 2010 TGN was notified of a presentation made by the Attorney General whereby this lawyer requested that all the resolutions adopted within the framework of the Out-of-court Reorganization Agreement be declared null and void, alleging the illegality of the bondholders' meeting held on October 14, 2009, in line with article 45 bis of the Insolvency and Bankruptcy Law, the unconstitutionality of the Out-of-court Reorganization Agreement, and the fraudulent and deceitful nature of TGN swap offer. All this was answered and refuted by TGN.

Lastly, the Out-of-court Reorganization Agreement envisages certain grounds for automatic rescission of the reorganization proposal (Out-of-court Reorganization Agreement, Article 10.1(a)), and other grounds allowing creditors who have given their consent to the terms of this agreement the possibility of rescinding it at their sole option (Out-of-court Reorganization Agreement, Article 10.1 (b)). Under the terms of the Out-of-court Reorganization Agreement, failing the confirmation, effective July 14, 2010 two thirds of the accepting creditors may request the termination of the Out-of-court Reorganization Agreement; 50% could do it as from October 14, 2010; and 25% as from April 14, 2011. At the date of issuance of these financial statements, the judicial confirmation of the Out-of-court Reorganization Agreement was pending resolution.

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

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

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.

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	-
Total		439,374				

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

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

(c) Restriction on 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, 2010 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 \$ 2.1 million for the tax, \$ 1.6 million for interest and \$ 1.0 million for fines, corresponding to the fiscal periods from January 1996 to March 2004.

In view of the uncertain outcome of this issue, and reserving the pertinent rights, TGN paid the tax amount claimed for \$ 2.1 million and interest for \$ 2.4 million (including, in addition to the \$ 1.6 million amount claimed by the Tax Authority, interest accrued between the official assessment date and the actual payment date) 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, which has been rejected. The extraordinary appeal was also rejected, as well as a petition in error because of denial of appeal filed by TGN with the Argentine Supreme Court of Justice.

(b) Fines imposed by the ENARGAS

At the date of issuance of these financial statements, the Company records twenty four fines applied by the ENARGAS for a total amount of \$ 10.0 million, of which fourteen have been appealed in the administrative orbit for \$ 5.0 million and ten for \$ 5.0 million, which were confirmed by the Court of Appeals on Administrative Matters and have been appealed by TGN to the Supreme Court of Justice, either by ordinary and extraordinary appeals.

(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 MMm3/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 2003, objecting to its prosecution and claiming damages for non-compliance with the contract.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

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 m³/d (minimum volume) before December 1, 2008.

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

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

Although the actual provision of the carriage service for the minimum volume had not started at December 1, 2008 and AES was empowered to terminate the agreement, in which case the parties would be free to continue with their respective actions, 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, 2010, 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 certain 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 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 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 \$ 3.9 million. The Company has appealed this new computation before the National Tax

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

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.

On June 29, 2010 the Court requested the parties to appoint expert witnesses so that they could answer consultations about certain technical issues relating to the asset useful life objected to by the Tax Authorities. The requested expert witnesses' reports were submitted on October 19, 2010.

(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.

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

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

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

13. Contingencies (Continued)

(f) Redirecting of the carrying capacity (Continued)

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 uninterruptible demand from those entities which exceeds their firm capacity contracted with TGN shall be satisfied affecting the abovementioned YPF transportation contract or the export contracts with delivery in La Mora where necessary, as a result of the unavailable transportation in the system. The total volume awarded according to this mechanism from May 2008 to April 2009 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.

In May 2010, the ENARGAS notified TGN of a new regulatory order dated April 30, 2010, through which TGN was required to confirm the assignments of carriage capacity to the following distributors for up to the maximum volumes established below: (i) GasNea, for 915,000 m³/day; (ii) Redengás, for 244,000 m³/day; and (iii) Distribuidora de Gas Cuyana, for 1,580,000 m³/day, from May 1, 2010 to April 30, 2011.

(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

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

13. Contingencies (Continued)

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

the Tax Authority, pursuant to which the final liability for payment of stamp duty, where applicable, should fall exclusively on the Trust.

h) Compromise and Settlement with Sociedad Eléctrica Santiago S.A. ("ESSA")

In December 2010 the Company and ESSA entered into a compromise and settlement which put an end to the disputes between the two parties in relation to the firm natural gas carriage contract entered into in August 1995, for a term that would expire in July 2022, and for a volume of up to 1,740,000 m³/day. In essence, the compromise and settlement sets forth as follows: (1) the parties recognize that the contract was terminated on December 20, 2007 and that they waive all claims directly or indirectly related to the contract; (2) ESSA undertakes under the compromise and settlement, and TGN accepts thereunder, as full and final compensation for the contract rescission, to pay TGN: (i) a fixed amount of US\$ 51.9 million, payable in 4 installments between October 2011 and April 2013; and (ii) a contingent amount, equivalent to one third of the possible spot margin for the energy to be generated at ESSA's power plants between January 1, 2011 and December 31, 2027, up to the amount of US\$ 22.0 million, valued at September 1, 2010 at an annual discount rate of 10%.

Notwithstanding this, if prior to December 31, 2020 the amounts actually paid by ESSA to TGN as a contingent payment, valued at September 1, 2010 at an annual discount rate of 10%, make a total of US\$ 12.0 million, any and all ESSA's obligations to make contingent payments of additional amounts will extinguish as from verification of compliance with the said condition.

ESSA's payment obligations are jointly guaranteed by its parent company AES Gener S.A. Under the compromise and settlement, TGN shall cease to collect the revenues agreed under the gas carriage contract from December 2007 to July 2022 (US\$ 0.8 million per month, at the currently applicable rate); in exchange for this, TGN shall collect the revenues described in point (2) above, which will eventually produce a negative net effect on its expected cash flows.

The accounting effect of the settlement agreement has been recorded under Other income and expenses, net.

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 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 January 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. The amount claimed was increased to approximately US\$ 30.8 million at July 2010, corresponding to periods between March 2009 and May 2010.

In December 2010 the amount claimed was again increased by US\$ 10.4 million corresponding to the invoices issued by TGN for firm gas carriage services provided to YPF from June 2010 up to and including October 2010.

YPF filed motion for challenge to the jurisdiction of the court and, in the alternative, answered the complaint alleging basically that TGN had not complied

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

with the carriage under the terms envisaged because it was "unable to comply" as a result of the issuance of the emergency regulations and, in the alternative, in view of the impossibility to export the peso rate should be applied.

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

In December 2010 TGN rescinded the contract entered into with YPF for the firm carriage of gas for export, due to noncompliance by the loader, and reserved the right to claim damages for such a rescission on negligence grounds.

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.

On February 5, 2010, the CNV filed an extraordinary appeal to the Argentine Supreme Court of Justice against the decision of Panel B, which was rejected by Panel B. As a result, the CNV filed with the Supreme Court of Justice a petition in error because of denial of appeal which was also rejected and Panel B ruling became firm.

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. In 20 of those lawsuits, writs of execution and judicial sale were issued. Eleven of those 20 judgments were confirmed by the Commercial Court of Appeals and became firm. 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 pending petition for bankruptcy not yet notified to TGN has been suspended by the courts and a sixth petition for bankruptcy has been desisted. Under the mentioned petitions for bankruptcy and actions for executory collection there are funds subject to court attachments for approximately US\$ 8.2 million (including principal, interest and estimated legal expenses).

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

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

13. Contingencies (Continued)

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

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.

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. On July 15, 2010, Panel C ordered to declare null and void: (i) the suspension of the procedure for denunciations and objections to the APE, whose confirmation by the Court had been requested by TGN; and (ii) the suspension of all administrative formalities before the National Securities Commission.

In September 2010 TGN was notified of a presentation made by the Attorney General whereby this lawyer requested that all the resolutions adopted within the framework of the Out-of-court Reorganization Agreement be declared null and void, alleging the illegality of the bondholders' meeting held on October 14, 2009, in line with article 45 bis of the Insolvency and Bankruptcy Law, the unconstitutionality of the Out-of-court Reorganization Agreement, and the fraudulent and deceitful nature of TGN swap offer. All this was answered and refuted by TGN.

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

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

13. Contingencies (Continued)

m) Dispute with Metrogás (Chile) (Continued)

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 which was held in Buenos Aires on February 23, 2010; this instance was extended by subsequent hearings held on successive occasions, the latest hearing having been scheduled for March 29, 2011.

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 was signed in 1995 and became operative in October 1998 for a term of 25 years, expiring in October 2023, for a volume of up to 1,684,000 MMm³/day.

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), which will ultimately produce a negative net effect on its expected cash flows.

The accounting effect of the settlement agreement has been recorded under Other income and expenses, net.

o) Compromise and Settlement with Colbún S.A.

In July 2010, TGN and Colbún S.A. entered into a Compromise and Settlement which brought to a conclusion the disputes between both companies over the natural gas firm carriage contract (the "Contract") and the firm carriage contract which involved HSBC Bank Argentina S.A. as trustee (the "Trustee") under the TGN Serie 02

Financial Trust (the "Trust") and Colbún (hereinafter the "Reverted Contract" and together with the Contract, the "Contracts").

The Compromise and Settlement, which was finally settled on August 24, 2010 when certain condition precedent occurred, establishes that:

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

13. Contingencies (Continued)

o) Compromise and Settlement with Colbún S.A. (Continued)

(A) the Contract will be rescinded as from October 1, 2009 with the Reverted Contract as from July 15, 2010, with the parties waiving the right to directly or indirectly file claims related to those contracts;

(B) Colbún agrees, in order to settle the claims, to pay TGN, as total and final compensation for the rescission of the Carriage Contract and the Reverted Contract: (i) an Initial Compensation not subject to any condition for US\$ 5.06 million, which has already been paid by Colbún; (ii) a fixed compensation for US\$ 36.65 million plus interest, payable in up to twelve months. As of October 4, 2010, TGN has already collected US\$ 12.22 million; and (iii) a variable compensation for up to US\$ 5.65 million and payable based on the effective use of a uninterruptible carriage contract for a 36-month period as from June 18, 2010.

In addition, Colbún paid US\$ 0.72 million for the uninterruptible carriage service in relation to the volumes delivered until June 30, 2010.

In addition, through an addendum to the Trust (the "Addendum"), the Trustee, TGN and Colbún resolved to: (i) dissolve the Trust; (ii) waive the right to reciprocally file claims, subject to compliance with the obligations of each of the parties under that addendum; and (iii) acquire the pipelines whose trust ownership by TGN corresponds to the Trust for US\$ 2.6 million.

The Compromise and Settlement also implies that TGN will no longer receive the income agreed upon in the Contract from October 2009 inclusive until December 22 (US\$ 0.699 million monthly, as per the tariff effective as of today) and for the Reverted Contract from June 2010 until December 2027 (US\$ 0.113 million monthly as per the effective tariff as of today); rather, it will receive the income described in section (B), which generates a negative net effect on its expected cash flows.

The accounting effect of the settlement agreement has been recorded under Other income and expenses, net.

p) Temporary Compromise and Settlement with Gasoducto Norandino Argentina S.A. ("NAA")

In December 2010 the Company entered into a temporary compromise and settlement with its loader for export NAA, which put an end to the disputes between the two parties in relation to the two firm natural gas carriage contracts for an accumulated reserved capacity of 2,600,000 m3/day.

In essence, the Temporary Compromise and Settlement sets forth that over a suspension period which may be extended from two to six years counted as from May 2010, at the option of NAA, the parties agree: (1) to suspend the exercise of their respective rights arising from their disputes and not to file any claim, action or procedure in relation to those disputes; (2) to reduce the accumulated reserved capacity to 800,000 m3/day; (3) the parties further agree that NAA shall pay TGN (i) an initial one-off compensation equivalent to US\$ 1.74 million, payable at the date of the Temporary Compromise and Settlement, and (ii) a compensation payable in monthly installments, equivalent to US\$ 0.21 million adjustable semi-annually, the first installment being payable on February 20, 2011 and the last installment on May 20 of the year in which the suspension period ends. The initial indemnity compensation, amounting to US\$ 1.74 million, was effectively paid to TGN on January 6, 2011.

Subject to the terms of the Temporary Compromise and Settlement, over the suspension period NAA shall pay TGN a monthly sum as compensation and gas carriage, equivalent to approximately 65% of the sum that should be paid for the original volume under the Carriage Contracts.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(In thousands of Argentine Pesos, except for per share amounts)

13. Contingencies (Continued)

p) *Temporary Compromise and Settlement with Gasoducto Norandino Argentina S.A.*
(“NAA”) (Continued)

The accounting effect of the settlement agreement has been recorded under Other income and expenses, net.

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.

Series 01 defines as Final and Definite Payment Date September 30, 2019 or the date on which the Series 01 securities are repaid, while the Final and Definite Payment Date for Series 02 is March 30, 2019 or the date on which the Series 02 securities are repaid.

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 expansion projects related to TGN Serie 01 Trust and the TGN Serie 02 Trust have been completed in the estimated period.

On July 15, 2010, within the framework of the resolution of various disputes between TGN and Colbún S.A., both companies and the trustee agreed to dissolve the TGN Serie 02 Financial Trust and rescind the related operation and maintenance contract. The carriage contract related to the TGN Serie 02 Financial Trust reverted to TGN, its rescission having been agreed with Colbún S.A. for another financial instrument (see Note 13.o)).

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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

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 MMm³/day of gas in the Northern Gas Pipeline. A local trust (the "trust") organized by the Energy Secretariat and administered by Nación Fideicomisos S.A., as trustee, entrusted TGN with the management of the Northern Gas Pipeline expansion works. TGN contributed US\$ 8.4 million to the total cost of the works.

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

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

b) Trust for the 2006-2008 expansion work

Again, at the request of the Ministry of Energy, in September 2005, we called for a new open bid for capacity for the expansion of the Northern Gas Pipeline. As a result, more than 15.2 MMm³/d were awarded by the ENARGAS.

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

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

The total fee to be collected by TGN 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 MMm³/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 that pipe section's carrying capacity by 1.4 MMm³/d.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the year
ended December 31, 2010 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 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 have 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) and a loop of 30.2 km between Miraflores and Lumbreras and a loop of 33.3 km between Tucumán and Lavalle loop of 59.71 Km between Campo Durán and Pichanal. A loop of 67.42 km between Pichanal and Miraflores and La Candelaria compressor plant (Salta) is under way. These two works currently under way are planned to be put into service in the first months of 2011. The construction of another loop of 44.89 km between Campo Durán and Pichanal has been scheduled, which is expected to be put into service in 2011 second semester.

For the repayment of these investments, the ENARGAS created a specific new charge which amounts to 415% 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 and since January 2010 it has been collected in full, without any discount.

As for the project management fee, the Company received from Nación Fideicomisos up to June 2010 \$ 57.5 million in cash, that jointly with the \$ 17.9 million received in bonds, had been applied to past due invoices.

As of late December, 2010 the management fee billed amounted to \$ 94.5 million, including VAT, totaling the 44 installments envisaged by the contract. As set forth in the contract and until a new agreement is reached, TGN shall be empowered to receive a monthly sum equivalent to 1% of the contract value for a three-month period. For that reason and notwithstanding the above, at the end of the period TGN billed \$2.8 million (including VAT) for the October to December 2009 period.

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.

However, 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.

At the date of issuance of these financial statements, there was no news from the authorities regarding the renegotiation of the Management Contract.

The final net receivable registered by the Company as of December 31, 2010 amounts to \$ 4.7 million based on the estimate of the revenue accrual, as described in Note 3.p), and on the estimate of its present value.

TRANSPORTADORA DE GAS DEL NORTE S.A.

**Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form**
(In thousands of Argentine Pesos, except for per share amounts)

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 apportionedly distributed between all the items included in the respective invoice. As of December 31, 2010, the balance to be transferred to the trust amounts to \$ 1.6 million.

17. Subsequent events

Subsequent to December 31, 2010, 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.

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 and other 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, 2010 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	12.31.2010										12.31.2009				
	Original values					Depreciation					Net book value	Net book value Essential items	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	76,849	-	(131)	540	77,258	21,757	2	1,538	(47)	-	23,248	54,010	41,169	12,841	55,092
Installations and mixtures	2,344	-	-	-	2,344	732	4	92	-	-	824	1,520	-	1,520	1,612
Gas pipelines	2,034,449	10,150	(56)	16,474	2,061,017	692,648	2.22	56,977	(30)	9	749,604	1,311,413	1,311,413	-	1,341,801
Recoating (Note 3.h))	87,149	-	-	21,996	109,145	11,280	5.88	6,320	-	(41)	17,559	91,586	91,586	-	75,869
High-pressure branch lines	890	-	-	-	890	303	3.33 and 2.22	26	-	-	329	561	561	-	587
Compressor plants	877,922	-	(201)	10,037	887,758	436,818	4	51,340	(119)	32	488,071	399,687	399,687	-	441,104
High-pressure control and/or measurement stations	68,716	-	(245)	461	68,932	39,011	5	3,726	(148)	-	42,589	26,343	26,343	-	29,705
Other technical installations	46,331	-	(805)	323	45,849	27,929	6.67	2,509	(537)	-	29,901	15,948	15,654	294	18,402
Machinery, equipment and Tools	25,452	522	(6)	-	25,968	21,063	10, 20 and 50	1,969	(6)	-	23,026	2,942	-	2,942	4,389
Computer and telecommunication Systems	79,118	-	(1,085)	7,803	85,836	53,045	10 and 20	4,941	(1,061)	(20)	56,905	28,931	917	28,014	26,073
Vehicles	18,235	552	(859)	-	17,928	13,959	20	1,374	(826)	-	14,507	3,421	-	3,421	4,276
Furniture and mixtures	10,041	246	(15)	-	10,272	9,135	10	218	(11)	-	9,342	930	-	930	906
Assets held at third parties	6,591	-	(23)	4,350	10,918	6,034	12.5	433	(17)	20	6,470	4,448	1,773	2,675	557
Work in process (1)	61,954	63,135	(806)	(58,461)	65,822	-	-	-	-	-	-	65,822	54,022	11,800	61,954
Advances to suppliers	752	3,436	-	(3,523)	665	-	-	-	-	-	-	665	-	665	752
Total as of 09.30.2010	3,400,067	78,041	(4,232)	-	3,473,876	1,333,714		131,463	(2,802)	-	1,462,375	2,011,501	1,945,101	66,400	-
Total as of 12.31.2009	3,325,608	77,777	(3,318)	-	3,400,067	1,209,922		126,073	(2,281)	-	1,333,714	-	1,994,341	72,012	2,066,353

(1) Increases in Fixed Assets (Work in Process) are reduced in \$ 6.7 million corresponding to a Mars 100 turbine interchange 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, 2010 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					
					12.31.2010	12.31.2009		Date	Latest financial statements				
									Capital stock and capital adjustment	Other Reserves	Retained earnings	Shareholders' equity	% of direct holding
Non-current investments													
Comgas Andina S.A.	Common	(a) 1	490	246	3,100	2,379	Gas pipeline services	12.31.10	10	-	6,316	6,326	49.0
Companhia Operadora de Rio Grande do Sul.....	Common	(b) 1	49	0.1	552	449	Gas pipeline services	12.31.10	-	912	215	1,127	49.0
Impairment of investment (Note 18.(d) and 3.f)					(552)	(449)							
Total.....					3,100	2,379							

(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, 2010 presented in comparative form
(in thousands of Argentine Pesos, except for per share amounts)

18. Other financial statement information (Continued)

(c) Short-term investments

	December 31, 2010	December 31, 2009	
Mutual funds in \$	\$ 18,677	\$ 52,052	
Funds pledged as collateral for futures operations	-	11,476	(1)
Time deposits in \$	31,229	48,350	
Time deposits in US\$	148,685	124,117	
US Treasury bills in US\$	102,291	-	
Other investments in US\$	97,084	-	(2)
Stock exchange securities in \$	27,404	24,882	
Republic of Argentina Central Bank Notes (NOBAC's)	-	19,412	
Government bonds in US\$	1,092	1,068	(3)
Subtotal	\$ 426,462	\$ 281,357	

(1) Include \$ 9.8 million in NOBAC's and \$ 1.7 million in Discount bonds.

(2) Refer to Note 13.(o)

(3) In 2009 corresponds to Discount Bond

TRANSPORTADORA DE GAS DEL NORTE S.A.
Notes to the Financial Statements as of and for the year
ended December 31, 2010 presented in comparative form
(in thousands of Argentine Pesos, except for per share amounts)

18. Other financial statement information (Continued)

(d) Allowances and provisions

	12.31.2010			12.31.2009	
	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
Deducted from assets					
Current					
Accounts receivables					
Allowance for doubtful accounts.....	4,002	7,361 (2)	-	11,363	4,002
Allowance for disputed amounts.....	11,329	293 (1)	-	11,622	11,329
Other receivables					
Allowance for doubtful accounts.....	1,005	851 (2)	-	1,856	1,005
Non Current					
Accounts receivables					
Allowance for disputed amounts.....	141,695	105,569 (2)	(52,946) (5)	194,318	141,695
Other receivables					
Allowance for disputed tax payments and judicial escrow accounts.....	7,575	419 (3)	-	7,994	7,575
Materials and spare parts					
Allowance for slow-moving and obsolescence.....	81,325	2,482 (4)	-	83,807	81,325
Investments					
Allowance for impairment of COPERG (Note 18.(b) and 3.(f))	449	103	-	552	449
Total allowances deducted from assets	247,380	117,078	(52,946)	311,512	247,380
Included in Liabilities					
Current					
Contingencies					
Provision for contingencies.....	32,767	2,817 (3)	(2,375)	33,209	32,767
Non Current					
Contingencies					
Provision for contingencies.....	37,240	1,725 (3)	-	38,965	37,240
Total provisions included in liabilities.....	70,007	4,542	(2,375)	72,174	70,007
Total as of 12.31.2010.....	317,387	121,320	(55,321)	383,686	-
Total as of 12.31.2009.....	245,115	100,801	(28,529)	-	317,387

- (1) \$ 103,572 charged to Net Revenues (Nota 4.g)), \$ 47 to Selling Expenses - Doubtful accounts (Note 18.f)) and \$ 2,243 to Financial and holding results generated by assets.
(2) Charged to Selling Expenses - Doubtful accounts (Note 18.f)).
(3) Charged to Administrative expenses - Contingencies (Note 18.f))
(4) Charged to Cost of Services, materials and spare parts slow-moving and obsolescence (Note 18.f)).
(5) Charged to Other income, net (Note 13.h))

TRANSPORTADORA DE GAS DEL NORTE S.A.
Notes to the Financial Statements as of and for the year
ended December 31, 2010 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

	12.31.2010			12.31.2009		
	Foreign currency class and amounts	Exchange rate	Amount in Thousands of \$	Foreign currency class and amounts	Amount in Thousands of \$	
Assets						
Current assets						
Cash and banks						
Cash			\$ -	US\$ 2	\$ 6	
Banks	US\$ 15,949	3.936	62,775	US\$ 5,784	21,748	
			<u>62,775</u>		<u>21,754</u>	
Short-term investments						
Time deposit in US\$	US\$ 37,776	3.936	148,685	US\$ 33,010	124,117	
US Treasury bills in US\$	US\$ 25,989	3.936	102,291		-	
Other investments in US\$	US\$ 24,666	3.936	97,084		-	
Government bonds in US\$ - Discount bonds	US\$ 277	3.936	1,092	US\$ 730	2,746	
			<u>349,152</u>		<u>126,863</u>	
Accounts receivable						
Gas carriage services (1)	US\$ 2,163	3.936	8,513	US\$ 4,095	15,397	
Other services	US\$ 2,571	3.936	10,120	US\$ 1,847	6,945	
			<u>18,633</u>		<u>22,342</u>	
Other receivables						
Commercial indemnifications receivable	US\$ 19,242	3.936	75,738			
Court attachments and deposits	US\$ 8,219	3.936	32,350	US\$ 8,260	31,058	
Prepaid expenses on behalf of third parties and others ..	R\$ 114	2.320	265	R\$ 776	1,661	
			-	£ 2	12	
	€ 12	5.2191	62	\$ch 188,800	1,416	
	US\$ 3,651	3.936	14,369	US\$ 1,540	5,790	
			<u>122,784</u>		<u>39,937</u>	
Total current assets			\$ 553,344		\$ 210,896	
Non-current assets						
Accounts receivables						
Gas carriage services (1)	US\$ 98,739	3.936	388,636	US\$ 75,370	283,391	
			<u>388,636</u>		<u>283,391</u>	
Other receivables						
Commercial indemnifications receivable	US\$ 34,400	3.936	135,398		-	
Guarantee deposits	US\$ 200	3.936	787	US\$ 200	752	
			<u>136,185</u>		<u>752</u>	
Investments						
Comgas Andina (Note 18.b)	\$ch 373,468	0.0083	3,100	\$ch 317,171	2,379	
			<u>3,100</u>		<u>2,379</u>	
Total non-current assets			\$ 527,921		\$ 286,522	
Total assets			\$ 1,081,265		\$ 497,418	

TRANSPORTADORA DE GAS DEL NORTE S.A.
Notes to the Financial Statements as of and for the year
ended December 31, 2010 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)

	12.31.2010			12.31.2009		
	Foreign currency class and amounts	Exchange rate	Amount in Thousands of \$	Foreign currency class and amounts	Amount in Thousands of \$	
Liabilities						
Current liabilities						
Accounts payable						
Suppliers and unbilled services.....	US\$	872	3.976	\$ 3,466	US\$	175 \$ 665
	€	1	6.1187	9		-
Other related parties.....	US\$	10,932	3.976	43,464	US\$	4,182 15,892
				46,939		16,557
Debt						
Ordinary non-convertible Class A						
Principal.....	US\$	141,280	3.976	561,729	US\$	141,280 536,864
Interest.....	US\$	20,662	3.976	82,153	US\$	11,479 43,620
Punitive.....	US\$	3,410	3.976	13,558	US\$	979 3,721
Ordinary non-convertible Class B						
Principal.....	US\$	203,630	3.976	809,633	US\$	203,630 773,794
Interest.....	US\$	38,690	3.976	153,830	US\$	20,363 77,380
Punitive.....	US\$	4,045	3.976	16,084	US\$	1,036 3,938
				1,636,987		1,439,317
Total current liabilities				\$ 1,683,926		\$ 1,455,874
Total liabilities				\$ 1,683,926		\$ 1,455,874

US\$: United States dollars; \$ch: Chilean Pesos; R\$: Brazilian Reals; £: Pound Sterling; €: Euros
(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, 2010 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 12.31.2009	
	Total at 12.31.2010	Carriage service	Other services	Total	Carriage service	Others services				Total
Fees for technical-administrative services	-	-	-	-	-	-	-	-	1,182	
Directors and Syndics' fees	1,344	-	-	-	-	-	1,344	-	-	
Fees for professional services	8,187	1,553	1,261	2,814	165	-	4,584	624	10,269	
Salaries, wages and other personnel benefits	95,701	56,511	8,990	65,105	1,050	-	29,116	430	77,574	
Social security contributions	20,154	13,008	1,375	14,383	279	-	5,492	-	15,823	
Fees for technical operator services	26,645	26,645	-	26,645	-	-	-	-	11,189	
Foreign staff residences	2,794	2,794	-	2,794	-	-	-	-	2,746	
Consumption of spare parts and materials	24,084	15,572	667	16,239	-	-	80	7,765	21,854	
Gas imbalance	(1,877)	(1,877)	-	(1,877)	-	-	-	-	(208)	
Third party services and supplies .	7,903	6,882	564	7,446	25	-	432	-	6,561	
Maintenance and repair of fixed assets (1).....	58,629	49,394	1,458	50,852	18	-	2,585	5,174	65,048	
Travel expenses	8,651	6,287	1,161	7,448	27	-	1,013	163	7,777	
Freight and transportation	1,965	1,639	46	1,685	-	-	26	254	2,226	
Communications	1,289	669	146	815	25	-	444	5	1,242	
Insurance	5,920	5,455	-	5,455	1	-	464	-	5,716	
Office supplies	1,932	857	142	999	14	-	905	14	2,214	
Rentals	1,708	1,018	556	1,574	17	-	113	4	1,620	
Easements	11,963	11,963	-	11,963	-	-	-	-	9,331	
Taxes, rates and contributions	26,409	518	26	544	10,631	1,251	13,983	-	23,381	
Fixed assets depreciation	131,463	129,543	79	129,622	263	-	1,578	-	126,073	
Fixed assets expenses	16,543	308	-	308	-	-	144	16,091	6,192	
Doubtful accounts	8,259	-	-	-	8,259	-	-	-	(2,446)	
Contingencies	4,961	-	-	-	-	-	4,961	-	9,302	
Material and spare parts slow-moving and obsolescence	2,482	2,482	-	2,482	-	-	-	-	13,462	
Others.....	2,764	540	49	589	7	-	1	2,167	3,844	
Total at 12.31.2010	469,873	331,365	16,520	347,885	20,781	1,251	22,032	67,265	32,691	-
Total at 12.31.2009	-	299,822	21,375	321,197	9,413	1,450	10,863	60,015	29,897	421,972

(1) Increases in Fixed Assets (Work in Process) are reduced in \$ 6.7 million corresponding to a Mars 100 turbine interchange 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, 2010 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

	12.31.2010			
	Short-term investments (a)	Account receivables and other receivables (b)	Debt (c)	Other liabilities (d)
Past due until				
12.31.2009.....	-	131,416	1,505,980	-
03.31.2010.....	-	33,359	31,352	-
06.30.2010.....	-	35,827	32,234	-
09.30.2010.....	-	9,263	33,355	-
12.31.2010.....	-	47,620	34,066	-
Without due date	19,770	337,262	-	71,640
To be due				
03.31.2011	262,407	48,399	-	103,915
06.30.2011	96,226	6,125	-	616
09.30.2011	-	1,076	-	616
12.31.2011	48,059	63,856	-	616
12.31.2012	-	113,370	-	-
12.31.2013	-	1,983	-	-
Total at 12.31.2010	426,462	829,556	1,636,987	177,403
Balances subject to adjustment	19,770	-	-	-
Balances not subject to adjustment	406,692	829,556	1,636,987	177,403
Total at 12.31.2010	426,462	829,556	1,636,987	177,403
Interest bearing balances	406,450	820	1,607,345	30,627
Non - interest bearing balances	20,012	828,736	29,642	146,776
Total at 12.31.2010	426,462	829,556	1,636,987	177,403

(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, 2010 and 2009, 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 \$ 2,012 million and \$ 2,066 million at December 31, 2010 and 2009, respectively.

4. As mentioned in Note 1.c) to the attached financial statements, at December 31, 2010 the Company has contractual disputes for significant amounts with certain customers that provide gas carriage services for export for outstanding balances of \$ 388.6 million (\$ 283.4 million at December 31, 2009) 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, 2010 a net receivable for \$ 4.7 million (\$ 6.2 million at December 31, 2009) 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, 2010, the Company carries financial debts denominated in US dollars for a total of US\$ 411.7 million (US\$ 378.8 million at December 31, 2009), and has not paid principal for US\$ 82.7 million and interest for US\$ 66.8 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, 2010 and 2009 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, 2010 and 2009, 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, except for the titled chapter "Progress in the IFRS implementation plan", 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) we have applied laundering abatement and anti-terrorist financing procedures foreseen in the professional standards issued by the Professional Council in Economic Sciences of the City of Buenos Aires;
- e) at December 31, 2010, the debt accrued in favor of the Argentine Integrated Social Security System amounted, as shown by the Company's accounting records, to \$ 2,869,426 which was not yet due at that date.

Autonomous City of Buenos Aires, March 3, 2011

PRICE WATERHOUSE & CO. S.R.L.

by _____ (Partner)
Daniel A. López Lado