TRANSPORTADORA DE GAS DEL NORTE S.A.

Financial Statements as of the year ended December 31, 2011, presented in comparative form

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

TRANSPORTADORA DE GAS DEL NORTE S.A.

To the Shareholders of Transportadora de Gas del Norte S.A.

In compliance with the legal and bylaw provisions in force, the Board of Directors of Transportadora de Gas del Norte S.A., hereinafter "TGN" or "the Company", is pleased to submit for the shareholders' consideration the annual report, the report on the code of corporate governance, reporting summary, balance sheet, statement of income, statement of changes in shareholders' equity, statement of cash flow, notes, annexes and additional information required by section 68 of the Regulations of the Buenos Aires Stock Exchange, corresponding to the twentieth fiscal year beginning January 1st, 2011 through December 31, 2011, whose information must be read, analyzed and interpreted jointly so as to have a comprehensive vision of the relevant corporate issues for the fiscal year.

BOARD OF DIRECTORS AND STATUTORY AUDITORS´ COMMITTEE

Regular directors:	**Alternate directors:**
Eduardo Ojea Quintana (President)	Fernando Liguori
Santiago Marfort	Martín Novillo
Alain Petitjean	Raúl Montalva
Marisa Basualdo	Claudia Elsholz
Carlos Ormachea	Carlos Rabuffetti
Ricardo Markous	Miguel Di Ranni
Muri Muhammad	Wan Zulkiflee Wan Ariffin
Marcelo Brichetto	Nicolás Schuster
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Alfonso Mario Lago	Marco Quiroga Cortinez
Ignacio Casares	Fernando Jorge Mantilla
Rubén Nasta	Alberto L'Huissier
Néstor Raffaeli	Carlos Gargiulo
Ernesto Guillermo Leguizamón	Alejandro Jorge Geretto

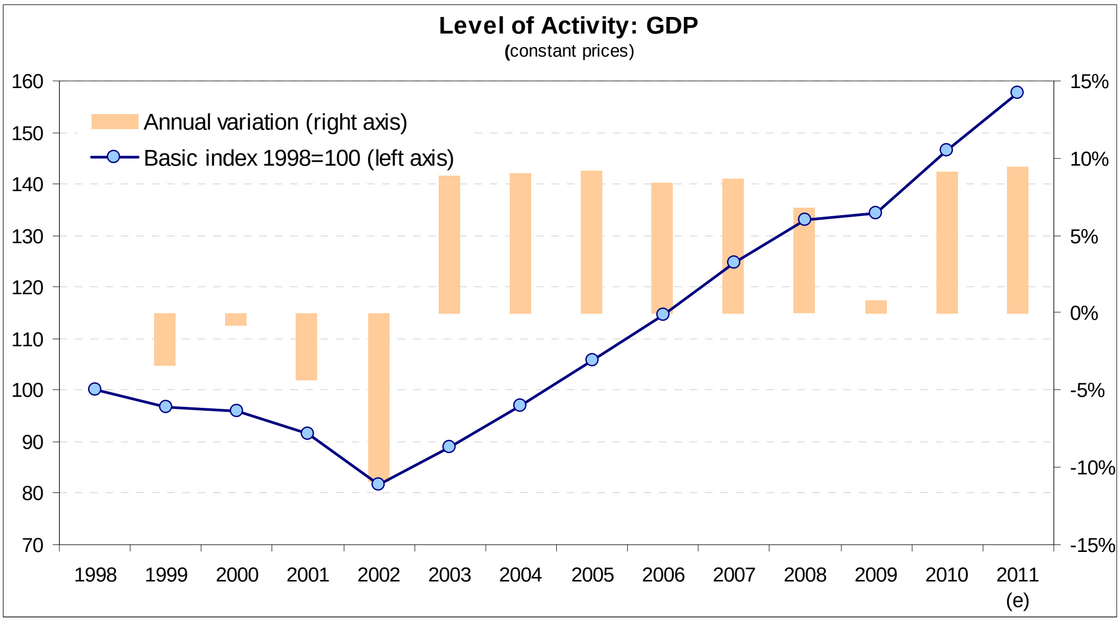
Regular statutory auditors´ committee:	**Alternate statutory auditors´ committee:**
Matías María Brea	Juan Carlos Pitrelli
Juan José Valdez Follino	Andrea Barbagelata
Julio César Abínzano	Alberto Luis Tessadro

ANNUAL REPORT OF TRANSPORTADORA DE GAS DEL NORTE S.A. [1] CORRESPONDING TO THE TWENTIETH FISCAL YEAR BEGINNING JANUARY 1ST, 2011 THROUGH DECEMBER 31, 2011.

1 - MACROECONOMIC CONTEXT

During 2011, the Argentine economy led the region's growth with a fast pace of year-on-year expansion, reaching an estimated growth rate of 9%. As from the third quarter of the year, however, the growth started to wind down.

As for demand, with a 19.9% year-on-year, the investment showed great dynamism, attaining an approximate 24% record participation in GDP. Public and private consumption, on the other hand, showed an estimated growth of 11.2%. The manufacturing industry at 12.5%, commerce at 16.2% and financial intermediation at 19.9% were some of the areas with highest growth in 2011.The areas relating to agriculture and mining, however, showed negative rates of -1.6% and -6% respectively.



(e): estimated as per INDEC data.

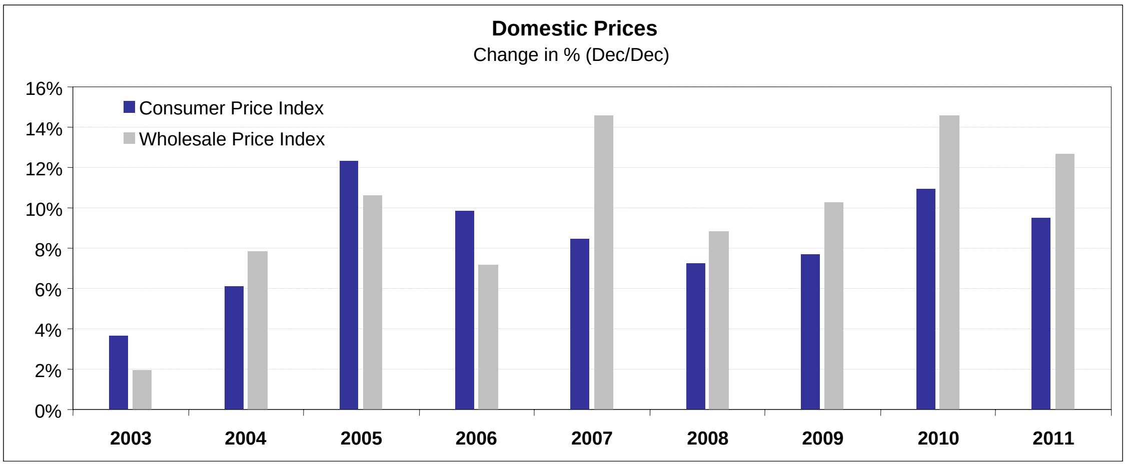
In the political area, the official party consolidated its power in the presidential elections of October by achieving the reelection of President Cristina Fernández with 54% of the votes with a wide advantage over the candidate in second place. The modification in the make-up of the legislative house, on the other hand, would guarantee to the reelected executive branch significant autonomy with its own seats. During 2012, there will be challenges relating to the international economic crisis, the decrease in the balance of trade, the increase in local prices and also the increasing need to import energy products.

On the international scene, the continuity of the European economic crisis was the main feature of the year 2011, a crisis that began in early 2010 with the financial difficulties in Greece. Despite negotiations between the leading countries and the financial bailout packages, the crisis has not yet been overcome, and even the

[1] A Company Not Adhering to the Optional Bylaw Regime of Mandatory Acquisition Public Offering.

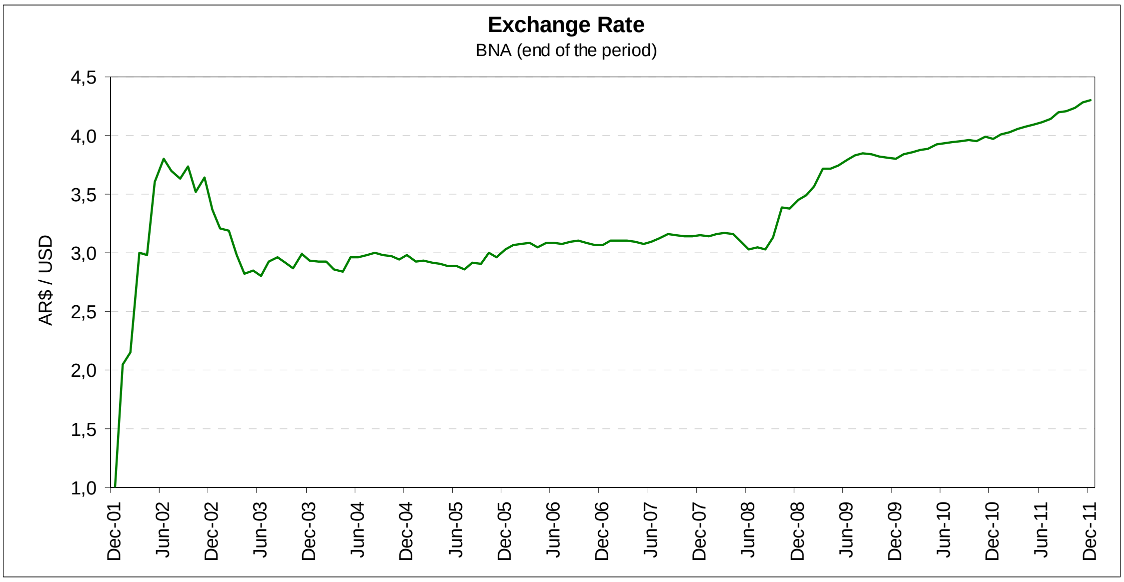
continuity of the Euro was under discussion. The weakening of the international financial situation, the loss of confidence and the uncertainty as to the future of the European Economic Union have begun to trickle down to the rest of the globalized world. Emerging countries, on the other hand, have begun to protect their economies, and protection measures are being talked about.

As to the evolution in domestic prices, the Consumer Price Index ("CPI") recorded a 9.5% increase (December 2011 / December 2010), while the Wholesale Price Index ("WPI") increased by 12.7%, according to information published by the INDEC. On the other hand, salary demands continued during 2011, recording a 27% increase in the "Salary Index" (Source: INDEC).



Source: INDEC.

In order to address the exchange pressures, the government intervened in the exchange market by restricting the purchase of foreign currency. These measures have managed to keep the dollar at $ 4.3. During the fiscal year 2011, the Argentine peso suffered an 8.2% depreciation vis-à-vis December 2010 (Source: Banco de la Nación Argentina).



Source: Banco de la Nación Argentina (average selling exchange rate).

With regard to the trade balance, during 2011 exports grew 24% vis-à-vis the previous year. 16% of the increase is explained by price increases, and 6% by the variation in quantities. However, imports increased by 31%, 19% of which due to higher quantities and 10% to prices. The joint effect led to a 11% drop in the commercial surplus. Thus, the commercial surplus accrued in 2011 was US$ 10,347 million. During the fourth quarter of the period, new foreign trade regulations were established, mainly relating to restrictions on the import and export of certain products.

Internal difficulties in the energy supply partly explain the drop in the trade balance. It should be pointed out that the higher increase in absolute values of imported products took place in the areas of fuel and lubricants, mainly due to the 110% increase vis-à-vis the same period in the previous year, in purchases of gas oil, gaseous natural gas, liquefied natural gas and bituminous coal. Until late 2011, a substantial part of the price difference between imported fuel and fuel paid by the consumer was subsidized by the National State. Now, however, the National State has begun to reduce these subsidies.

Lastly, renegotiation of a large part of the utility contracts is still pending. This matter is essential for the Company's future, in an environment where inflation and salary demands have a persistent impact on costs. Regarding this, despite the fact that the National Executive Branch ("PEN") ratified by Decree No. 458/10 the 20% increase in the carriage rates agreed upon with the Unit for the Renegotiation and Analysis of Public Utility Services Contracts) ("UNIREN") in 2008, the National Gas Regulatory Entity ("ENARGAS") continues to postpone the rate increase to date.

2 - THE GAS INDUSTRY IN ARGENTINA

Unlike other countries in the region where oil is still the main energy source for consumers, natural gas is the main source of energy in Argentina, where it accounts for over 50% of the power grid.

Prime energy supply by source (2010) [%]

	Oil	Natural gas	Coal	Nuclear energy	Hydroelectricity	Renewable sources	TOTAL [%]
USA	37.1	27.2	23.0	8.4	2.6	1.7	100
Canada	32.2	26.7	7.4	6.4	26.2	1.1	100
Mexico	51.8	36.6	4.9	0.8	4.9	1.0	100
Total North America	**37.5**	**27.7**	**20.1**	**7.7**	**5.4**	**1.6**	**100**
Argentina	33.4	50.5	1.5	2.1	11.9	0.6	100
Brazil	46.0	9.4	4.9	1.3	35.3	3.1	100
Chile	51.8	14.9	13.2	-	17.3	2.8	100
Colombia	34.0	25.3	11.9	-	28.3	0.5	100
Ecuador	81.4	3.1	-	-	15.1	0.4	100
Peru	45.9	26.6	2.9	-	24.0	0.6	100
Trinidad & Tobago	9.8	90.2	-	-	-	-	100
Venezuela	43.9	34.4	-	-	21.7	-	100
Others South and Cent. America	66.0	5.8	2.4	-	23.8	2.0	100
Total South and Cent. America	**46.1**	**21.7**	**3.9**	**0.8**	**25.7**	**1.8**	**100**

Source: BP Statistical Review of World Energy

Since the privatization of the natural gas utility in late 1992 and until 2011, an accrued growth of approximately 95% in the domestic consumption of the fluid was recorded, with a relevant 257% growth in the demand for compressed natural gas ("CNG") and 66% growth in industrial consumption. The electric generation segment also recorded an important growth of 107%, due to the intensification of electric energy consumption and to the growth of the thermoelectric park.

Domestic gas consumption (1) – [Millions of m^3/day]

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (5)
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	28.4
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	3.4	3.5
Industrial (3)	18.3	20.9	21.0	21.5	22.9	23.6	22.5	23.2	22.7	22.9	25.4	26.5	27.2	29.9	29.7	30.1	28.5	29.1	30.4
Electric 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	31.7	33.7
CNG	2.1	2.6	2.8	3.0	3.5	3.9	4.1	4.6	5.1	5.6	7.2	8.3	8.7	8.3	7.8	7.5	7.1	7.3	7.4
Official Agencies	1.6	1.0	0.6	0.7	0.7	0.8	0.9	0.9	1.0	1.0	1.1	1.0	1.1	1.0	1.2	1.1	1.1	1.2	1.2
RTP + Patagonian Pipelines (4)	7.3	7.5	9.9	9.1	8.5	9.9	5.7	9.4	13.3	15.1	18.4	20.0	20.3	18.5	17.5	17.8	16.1	18.3	16.7
Subtotal p/commercial use	**64.1**	**66.4**	**73.0**	**77.3**	**78.5**	**81.1**	**84.2**	**90.8**	**88.5**	**87.8**	**98.9**	**107.2**	**111.5**	**113.7**	**119.4**	**120.4**	**117.4**	**118.2**	**121.3**
Consumption at field and withheld at pipeline	6.9	7.0	7.7	9.4	10.8	11.9	13.0	13.9	13.6	14.0	14.7	15.3	15.5	15.7	17.5	17.8	18.1	17.4	17.1
Total consumption	**71.0**	**73.4**	**80.7**	**86.7**	**89.3**	**93.0**	**97.1**	**104.6**	**102.1**	**101.9**	**113.7**	**122.5**	**127.0**	**129.4**	**136.9**	**138.1**	**135.5**	**135.7**	**138.3**
Index	100	103	114	122	126	131	137	147	144	144	160	173	179	182	193	195	191	191	195

(1) Includes: Off System, commercial by-pass and physical by-pass.
(2) Includes SDB.
(3) Does not include CERRI Plant included in RTP.
(4) Considers consumption of RTP (MEGA, REFINOR, CERRI, TDF, etc.) and Patagonian pipelines.
(5) Year 2011, estimated with actual values until October.
Sources: ENARGAS and National Secretariat of Energy.

The residential and commercial consumption of natural gas increased 7.3% between 2009 and 2010 and recorded a growth rate of 3.9% between 2010 and 2011.

The world economic crisis that affected the industrial sector since late 2008, reduced the natural gas consumption by 6% in 2009. In 2010 and 2011 natural gas consumption recovered by 2.1% and 4.6%, respectively.

In 2010 consumption of CNG reversed a negative trend, growing 2% vis-à-vis 2009, and in 2011 it grew 2.4 % vis-à-vis 2010.

The use of natural gas for electric generation dropped 12% in 2010, despite the 5.9% growth in the demand of electricity that year. Lesser availability of natural gas for the local market led to a substitution of natural gas with liquid fuels and energy imports from Brazil. In 2011, the electric sector's consumption of natural gas grew 6.5%, partly because of the increase in imports of natural gas from Bolivia and liquefied natural gas ("LNG").

In 2011 Argentina's annual production of natural gas was 45.5 thousand $MM^{m3/d}$, 56% from the Neuquén basin, 23% from the Austral basin, 10% from the Northwest basin and 11% from the Gulf of San Jorge basin. Total production was 3% less than that of 2010. Also, the reserve level continues to decrease due to a drop in exploration activities.

In late 2010 (latest published data as of the issuance of these financial statements) the proven natural gas reserves amounted to 332 thousand $MM^{m3/d}$ and, as of that date, the reserve horizon was 7 years, considering production in 2010.

NATURAL GAS - Reserves and production as of December 2010 [MM$^{m3/d}$]

Basin	Proven reserves	Probable reserves	Proven +50% Probable	Production	Horizon: [Proven reserves/Production] (Years)
Austral	94,756	58,004	123,758	10,435	9.1
San Jorge Gulf	43,693	20,109	53,747	5,219	8.4
Neuquén	156,005	30,521	171,265	26,039	6.0
Northwest	37,442	829	37,856	5,403	6.9
TOTAL ARGENTINA	**331,896**	**109,463**	**386,626**	**47,096**	**7.0**

Source: National Secretariat of Enery

The National State signed agreements to import natural gas from Bolivia, which represented nearly 4% of the total volume consumed between 2005 and 2010, with the exception of 2008 when imports dropped to 2%. In 2011, imports from Bolivia represented 6% of total volume.

Additionally, an LNG regasification ship was connected in the winter of 2008 in the Bahía Blanca node (province of Buenos Aires), contributing injections of 0.9% of the total volume consumed. The same operation was carried out in 2009 and 2010, contributing injections of 1.6% and 3.7%, respectively, of the system's annual supply. These volumes contributed to a certain extent to covering the decline in the domestic offer.

In order to reinforce the supply to the winter peak demand in the area of Greater Buenos Aires and City of Buenos Aires, a second regasification ship was installed in the district of Escobar (province of Buenos Aires), which injects gas into premises operated by YPF S.A., which in turn connected to the TGN pipeline system in May 2011. Both regasification operations in Escobar and Bahía Blanca represented 8% of the total volume of gas consumed in Argentina in 2011.

3 - REGULATORY ASPECTS

The Public Emergency Law

As provider of an essential utility, TGN is subject to significant state regulation based on Law No. 24,076 ("Natural Gas Act"), which is enforced by ENARGAS.

In January 2002, the Public Emergency and Exchange Regime Reform Law N° 25561 (“LEP”) unilaterally modified the rate regime established in the license agreements executed in 1992 between the National State and the licensees providing natural gas carriage services and distribution within the framework of the Natural Gas Act, by establishing the rates in pesos and ceasing the twice-yearly adjustment by Producer Price Index (“PPI”).

The LEP authorized PEN to renegotiate public utility contracts, taking into account the following criteria: 1) the impact of the rates on the economy's competitiveness and on the distribution of income; 2) the quality of the services and the investment plans, when contractually established; 3) the interest of the users and the accessibility of the services; 4) the safety of the systems included, and 5) company profitability. The LEP also established that utility companies could not suspend or alter fulfillment of their obligations.

The National Congress postponed putting LEP into effect until December 2013.

The renegotiation of the License

In 2002 the PEN set up an *ad-hoc* Commission and started the renegotiation process, after establishing a work schedule to be completed by June 2002.

In July 2003, the new national authorities created the UNIREN within the scope of the Ministries of Economy and Production (“MEP”) and of Federal Planning, Public Investment and Services (“MPFIPyS”). The duties of the UNIREN include carrying out the process for renegotiation of contracts established by the LEP, executing agreements to be ratified by the PEN, submitting legislation projects concerning potential rate adjustments, and drafting a general regulatory framework project.

Additionally, Law N° 25,790 established that the decisions adopted by the PEN during the renegotiation process *“will not be limited to or conditioned by the provisions set forth in the regulatory frameworks governing the respective utility concession or license agreements".* Said provision also establishes that *“the PEN will forward the renegotiation agreement proposals to the National Congress"* and that *"the National Congress will state its decision within 60 calendar days of receiving the proposal. Upon expiration of said term without it having stated a decision, the latter will be considered to be approved. If the proposal is rejected, the PEN shall resume the process for the renegotiation of the relevant agreement".*

During 2011 no relevant progress was made in this process. The temporary rate increase of 20% agreed upon by TGN with the national authorities in October 2008 and ratified by presidential decree in April 2010 has still not been applied. A judicial claim filed by the Company to put it into effect was upheld on appeal. Another judicial claim also filed by TGN for ENARGAS to apply the extraordinary rate reviewing process set forth in the Natural Gas Act was upheld in the first instance, but dismissed by the court of appeals.

TGN considers that the main obstacle preventing a comprehensive License renegotiation agreement to date is the National State's insistence on adding an indemnity clause in its favor, transferring to TGN the effects of judgments or arbitration awards which, with regard to its License, shall condemn Argentina to pay indemnifications based on the effects of LEP. However, other licensees who agreed to grant this indemnity have not obtained the rate adjustments by the National State either.

In late 2011, the National State announced a progressive elimination of subsidies which benefit different categories of users of the regulated gas and electricity utilities; users must henceforth bear part of the cost incurred by the National State for importing liquefied and gaseous fuels. The impact of these measures on consumers, which do not create any benefit for the licensees, is significant.

At the date of issuance TGN´s financial statements for the year ended December 31, 2011, no substantial progress has been made to guarantee that the aim of signing a comprehensive license renegotiation agreement in the short term will be fulfilled. Additionally, nothing guarantees that the potential result of renegotiation shall effectively reestablish the License's balance through a fair and reasonable rate which indemnifies TGN for the damages suffered as a consequence of the LEP.

Intervention ordered by ENARGAS

The intervention in TGN established by ENARGAS in December 2008 as a consequence of the Board of Directors' decision to postpone payment of the principal and interest installments that came due in December 2008 and the subsequent maturity dates still continues. Throughout this period, TGN continued to provide the public utility service for which it is responsible in a fully normal manner and without affecting its customers.

4 - FINANCIAL SITUATION

Postponement of December 2008 loan 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) to the attached financial statements, 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 above-mentioned, it has been necessary for the Board of Directors of TGN to postpone the principal and interest payments on the Series A and B negotiable obligations after their due date. The total debt as of December 31, 2011 amounts to US$ 451.3 million.

Proposal of restructuring of the financial debt

A swap offer (“Swap Offer”) and request of consideration for a Restructuring Agreement Proposal (“APE”) made in September 2009 was approved by a majority of favorable votes representing 87.97% of the total liabilities under restructuring.

The Swap Offer is to restructure: (i) the remaining principal for US$ 141,279,932 on the Class A negotiable obligations issued by the Company; (ii) the remaining principal for US$ 203,630,111 on the Class B negotiable obligations 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”).

The Swap Offer establishes, subject to compliance with certain conditions, that each holder of Outstanding Debt will receive at its choice:

- Cash Option

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

Option is US$ 40 million, subject to increases under certain circumstances.

- Swap Option at Par

Principal for US$ 1,000 on new Negotiable Obligations 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 Negotiable Obligations at par for up to US$ 247.3 million. The Negotiable Obligations 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.

The APE is currently subject to court approval from the commercial court of the Autonomous City of Buenos Aires. The process continues to be delayed due to several challenges filed by non-accepting creditors and by the Attorney General before the National Court of Appeals in commercial matters.

Lastly, the APE envisages certain grounds for automatic rescission of the reorganization proposal (APE, Section 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 (APE, Section 10.1 (b)). Under the terms of the APE, failing the confirmation, effective April 14, 2011 accepting creditors that represent 25% of debt within APE may request the termination of the APE.

5 - TGN'S ACTIVITY

With a 6,195-km pipeline network, TGN is a company engaged in carrying natural gas via high-pressure pipelines in the northen and central-western regions of Argentina.

Through its two trunk pipelines, the *North*ern and *Central West*, TGN supplies eight of the nine gas distributors and many electricity generators and industries across fourteen Argentine provinces. The TGN system connects to the *"GasAndes"* and *"NorAndino"* pipelines, which carry gas to the center and north of Chile, respectively; to the Entre Ríos Pipeline, which carries gas to the province of Entre Ríos and the Uruguayan coastal zone; and to the pipeline of Transportadora de Gas del Mercosur S.A., which carries gas to southern Brazil.

Since beginning its operations in 1992, TGN has expanded its carrying capacity from the pipeline intake from 22.6 MM$^{m3/d}$ to 54.4 MM$^{m3/d}$ [(1)], which is an increase of over 140%. These expansions, as well as numerous system maintenance and reliability works, required investments by TGN of approximately US$ 1,200 million.

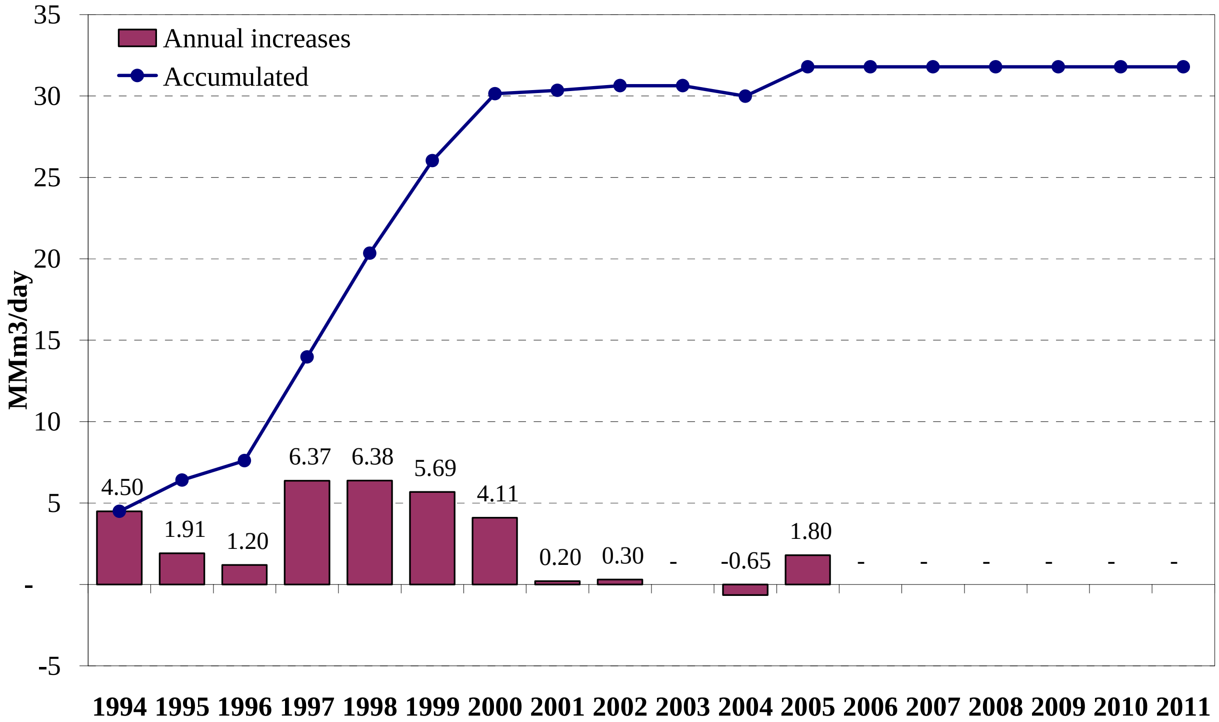
In physical terms, the expansions by TGN required the installation of 1,326 km of new pipelines, the construction of five new compressor plants, and the installation of fourteen turbo-compressor units, which added an installed power of 150,000 HP.

[1] These do not include 3.68 MM$^{m3/d}$ of the first stage, known as Hito AP of the *2006-2008 Expansions*, as the capacity was enabled between certain sections and not from the intake.

Resolution N° 185/04 of MPFIPyS, issued under Decree N° 180/04, established a Gas Trust Program organized by the National Secretariat of Energy for the purpose of financing infrastructure works for the carriage and distribution of natural gas.

Under this program, TGN in 2011 continued to act as Technical Manager of the 2006-2008 Expansion Project defined by the National Secretariat of Enery and the ENARGAS. At year-end, these works represented an increase of 2.275 $MM^{m3/d}$ in the capacity of the Northern pipeline in the Miraflores-Final Sections route, and 1.4 $MM^{m3/d}$ in the Central-Western pipeline exclusively between Beazley and La Dormida (increased capacity obtained through the construction of a 28.3-km loop in the area, the only expansion work executed on the Central Western pipeline. There is no certainty as to whether the remaining works will be carried out.

New carrying capacity (at intake) - Annual and accumulated [$MM^{m3/d}$]



Evolution of TGN system

	Units	1994 - 1995	1996 - 1997	1998 - 1999	2000 - 2001	2002 - 2003	2004 - 2005	2006 - 2007	2008 - 2009	2010 - 2011	Totals
New pipelines added	km	242	455	168	380	-	310	-	346	120	2,021
Additional compression capacity	HP	27,600	-	90,800	21,600	-	33,410	-	20,620	10,310	204,340
Capacity increases	$MM^{m3/d}$	6.41	7.57	12.06	4.31	0.30	1.15	-	-	-	31.80

At year-end, the Company's firm carriage contracts from the pipeline intakes totaled 48.91 $MM^{m3/d}$, 20.82 $MM^{m3/d}$ of which corresponded to the Northern pipeline and 28.09 $MM^{m3/d}$ to the Central Western pipeline. The Company also has 5.77 $MM^{m3/d}$ in firm contracts on partial routes.

Within the context of the current difficulties relating to the process of renegotiation of its license and to the demanding operating conditions that have characterized the last years, it is worth mentioning the Company's role in the modernization and enhancement of its assets, which contributed to the quality and reliability of the natural gas carriage service for large sectors of the economy.

6 - MAIN OPERATIONAL ISSUES

Gas carriage

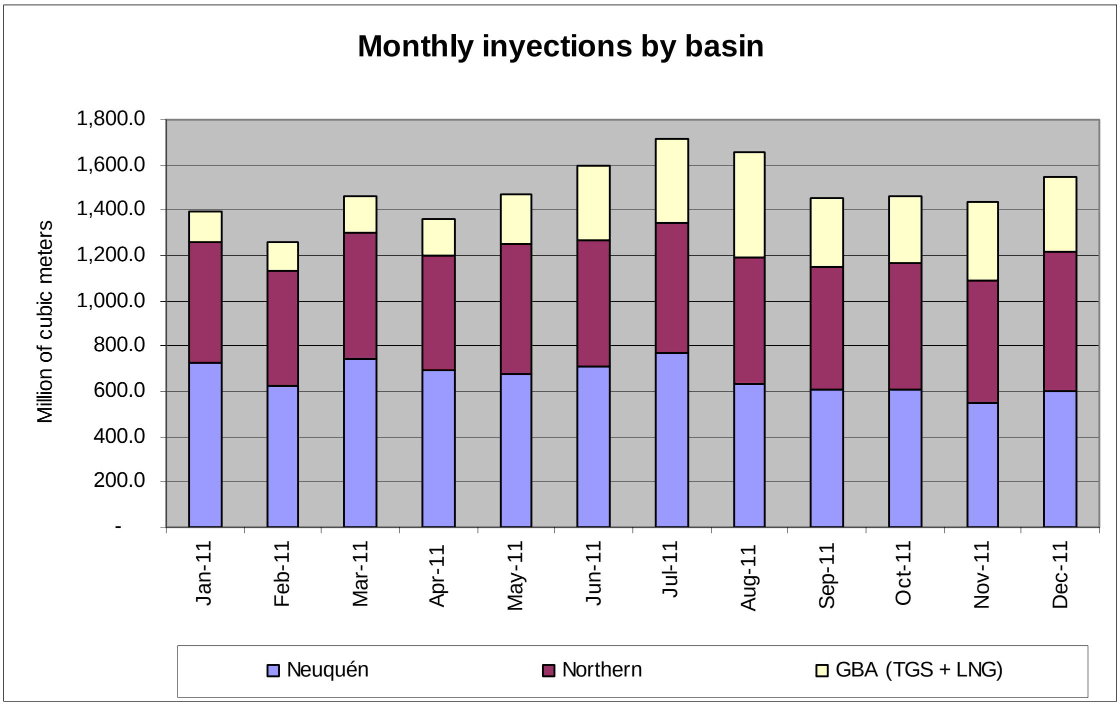
The annual volume received by TGN in the Northern and Central Western pipelines and in the linking points with Transportadora de Gas del Sur S.A. (“TGS”) located in Greater Buenos Aires reached in the last year an approximate value of 15,373 MM^{m3}, which represents an average 42.2 $MM^{m3/d}$.

Due to the reduction in the Neuquén basin, the average injection to the Central Western pipeline decreased from 24 $MM^{m3/d}$ to 23 $MM^{m3/d}$. In the case of the Northern pipeline, local production dropped from 15 $MM^{m3/d}$ to 13 $MM^{m3/d}$. At the country level, this lesser injection was offset by the contribution of LNG in the Port of Escobar through regasification ships and through a larger supply from Bolivia.

As mentioned above, a LNG port was inaugurated in May 2011 in the city of Escobar. The total regasified volume in the May/December 2011 period reached 1,580 MM^{m3}.

The exports connected to the Neuquén basin (included in the “GasAndes”, “Gas Pacífico” and “Colón-Paysandú” pipelines) dropped from 306 MM^{m3} in 2010 to 173 MM^{m3} in 2011. In the case of the ”NorAndino” pipeline, only 0.243 MM^{m3} were exported, marking a significant reduction vis-à-vis the 54 MM^{m3} of the year 2010. Both reductions are a consequence of the consolidation of the LNG regasification projects started in Chile, which supply the clients of the *GasAndes* and *NorAndino* pipelines.

As occurred since 2007, the main feature of gas dispatch operations has been the active presence and participation of the ENARGAS and MPFIPyS’ officers in making decisions on dispatch guidelines. During 2011 the *Procedure for Gas Requests, Confirmations and Control* issued by the ENARGAS through Resolution I 1410 – 2010 was fully applied. As in previous years, the dispatch operations show that the local gas production is not sufficient to satisfy the domestic demand.



Maintenance and integrity of installations

During the fiscal year assessment, prevention and repair activities on the operating assets were carried out.

- <u>Pipelines:</u>

An internal inspection ("ILI") was carried out on thirteen stretches of pipeline, which add to a total of 1,475 km inspected. On the other hand, twelve pipe replacements were performed, totaling approximately 260 m, as well as 55 excavations for the verification and repair of flaws.

On the basis of the information obtained from the ILI performed on the Central Western pipeline, six crossings with cased pipes were inertized in 2010, where flaws due to external pipeline corrosion had been reported.

A new liner was applied to 35.5 km of the 24"-diameter Northern main pipeline, distributed between three areas: 6.8 km between the 160 and 169 milestones, 21.7 km between the 1,130 and 1,153 milestones, and 7 km between the 1,277 and 1,284 milestones.

Within the *Stress Corrosion Cracking* ("SCC") Program, soil samples were taken at 50 points from the Caimancito-Tucumán pipeline to the discharge of the Lumbreras Compressor Plant to assess if it is prone to developing SCC.

Tests were carried out to discover the presence of bacteria along 49 sections of pipeline not previously tested (generally pipes built under TGN operations).

Over 570 visits were made to potential excavators and agencies as part of the *Third Party Damage Prevention* program. Training meetings were held with companies doing intensive work on the pipelines (refineries) and over 600 newly-designed prevention signs were put up.

Additionally, integrity conditions of ten river crossings were evaluated as well as areas with major erosion. A decision was made to intervene at La Brida Creek, the Southern Negro River and the Yuto River. As part of the 2012 campaign, field surveys on the crossings were also anticipated in order to implement potential adequation works during the winter season. Areas where that were not intervened will be monitored to assess their evolution.

Technical and commercial advice together with project management determined the awarding and execution of a 750-m curved tunnel to be built in the Mal Paso area of the "NorAndino" pipeline. A survey of all minor erosion at crossings in the pipeline structure was done so that engineering adjustments could be performed. Procedures and programs for the prevention of geological risks were drafted, as well as guides for studying unstable slopes, with follow-up and control of all the conflictive geotechnical points in the pipeline structure.

- Compressor plants ("PC") and measurement and regulation stations ("EM&R"):

A new liner was applied to the Lumbreras PC on the following pipes; plant entrance and exit, by-pass between scraper traps and separators, all belonging to the Northern main pipeline installed in 1960.

Review and approval of the inspection and evaluation reports on the integrity of the ten PCs on the Central Western pipeline were made. Additionally, the use of carbon fiber reinforcements to repair pipe components whose thickness is lower than the required standard was investigated. Engineering was prepared to change three caps in the Colón measurement station, as well as to change 80 m of pipes in the Arroyo Mista EM&R, with a report for the rerating of eleven pieces of equipment (entry separators and FM filters) located in nine EM&Rs. A hydraulic test report, analysis and calculation for 22 pressure tanks in the air circuit belonging to seven moto-compressor plants on the Northern pipeline were also carried out.

Using the Direct Current Voltage Gradient technique, the cathodic protection systems of the Miraflores, Tucuman and Recreo PCs were updated; and a survey was done on the state of coverage of linings for the pipes of 65 EM&Rs that are buried underground.

Preliminary projects were drafted for the EM&Rs in Olleros - Santa Fe, in Ing. Bazan – Córdoba, in Pichanal – Salta, and for the new connections on TGN's pipeline. The Guañaco, Metan and North Córdoba stations were also updated, as well as the grounding of the North Tucumán, South Tucumán, North Córdoba, South Córdoba, Pilar Usina, Puesto Viejo and Prelidiana EM&Rs.

Detailed engineering was designed for the *fire detection and extinguishing system project* in the Beazley PC, which is expected to start in 2012. A detailed plan for automating the emergency generator at the Pichanal plant was prepared. The PLC-2 in moto-compressors in Tucumán was upgraded. *Hazard and Operability* ("HAZOP") procedures were performed on the La Paz, Cochico, Beazley and San Jerónimo PCs. Detailed engineering was planned for the new "R" Operating Mode for the reversion at the Tío Pujio PC.

- Integrity Management:

New normative requirements were analyzed and implemented for the start-up of *Part O* of the NAG-100 Standard, which involves the creation of an Integrity Management System, and consequently, a treatment of the transmission lines based on a management concept instead of a prescriptive or mandatory follow-up as previously done was initiated. This requires the programming of *Base Plans* along all the sections of pipelines operated and maintained by TGN, with the resulting determination of sensitive areas, identification of threats and risk analysis, all necessary for defining the prevention, mitigation and repair activities that may apply.

- Pipeline engineering:

Basic detailed engineering of the YPF S.A. pipeline was checked, a pipeline which connects the Escobar LNG plant with the TGN Cardales station. Details for the expansion of sections 74^{a}, 74^{b} and 75 were reviewed, as well as technical specifications for the class change in the layout of the pipeline. Replacements were projected for Maíz Negro, Pueblo Andino, La Dormida and Epec Pilar. Lengths of pipeline were upgraded with the inclusion of valves in Piquirenda, Cornejo and La Dormida. Upgrading of the interferences in the Ledesma Refinery, as well as those caused by third parties in the TGN, ”NorAndino” (Chile and Argentina), “Gasoducto del Pacífico” and TGM pipelines were made. Basic engineering and technical specifications for the layout change of the ”NorAndino” pipeline for the Mal Paso tunnel was finished.

7 – REDIRECTING OF CARRYING CAPACITY. RENEGOTIATIONS WITH EXPORT LOADERS

In April 2011, carriage capacity redirectioning established by the ENARGAS since 2004 were set aside in favor of the distributors GasNea S.A. and Distribuidora de Gas Cuyana S.A. and sub-distributor Redengas S.A.

Company income drops

With the increase in gas domestic demand and a simultaneous drop in production and reserves, the National State adopted measures that are still in force to first ensure that the natural gas supply is destined to supply the domestic market. This involved restrictions to gas exports, which significantly affected the sales of gas carriage abroad and caused the constant fall of the utilization of associated firm carriage.

In 2010 TGN definitively renegotiated the terms of carriage contracts with two export loaders (Sociedad Eléctrica Santiago S.A. and Colbún S.A.), as well as the temporary renegotiation with a third loader (NorAndino Argentina S.A.). Although TGN obtained compensation for the early termination of the contracts and/or for the reduction of the hired capacity, these agreements finally had a negative net effect on its expected cash flows. During 2011 TGN collected US$ 44.8 million in agreed-upon compensations.

During 2011 TGN continued and extended the legal actions begun in 2009 against YPF S.A. for the collection of mature and outstanding invoices for US$ 74.8 million, plus interest accrued at each respective date and interest to be accrued until the amounts are to be settled by YPF S.A. In December 2010 TGN declared the termination of the export firm carriage contract with YPF S.A. due to the loader’s breach of contract, reserving the right to claim damages for said wrongful termination. The remaining carriage capacity was offered to the market in March 2011 through an open bidding process under the regulations of the ENARGAS, as a result of which TGN partially allocated this capacity to domestic loaders that pay a rate in pesos, which eventually represents a loss of income.

During 2011 TGN also started legal actions against Metrogas Chile S.A., pursuing the collection of US$ 37.2 million for outstanding carriage services provided between September 2009 and August 2011, plus interest and costs. In 2009 Metrogas Chile S.A. 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 Metrogas, had apparently been confirmed and injected into the intake by its producers / suppliers.

8 - QUALITY, SAFETY AND ENVIRONMENT

In 2011 the activities established in the *Annual Quality, Safety and Environment Plan* were completed, with an emphasis on the development of prevention and middle management training programs.

The Company's commitment to this is reflected by the *Integrated Management System*, an extensive internal audit program, and compliance with the requirements of the ISO 9,001, OHSAS 18,001 and ISO 14,001 standards, revalidated in January 2012 by the Det Norske Veritas certifying agency.

In the area of work safety, prevention and awareness programs were developed during the year to assist the Company in maintaining its safety performance. Field drills were performed for training and to verify the level of response and emergency preparedness.

Collaboration provided helped to develop new suppliers to execute new projects through training and verification of the necessary skills to comply with the Company's quality, safety and environmental standards.

Emphasis was also placed on road safety and defensive driving for both Company staff and contractors. Office safety programs were also offered.

Environmental protection program including waste management, the control of polluting gases by sampling and later modeling of effects for each PC was also implemented. This is a service that TGN offers to third parties as well.

Regarding the *Expansion Project,* safety, health and environmental protection control activities were performed in the expansion projects of the pipeline system, where TGN is the technical manager.

Finally, a new institutional *Quality, Safety, Health and Environment* policy was designed and approved by the General Management and then published on TGN's website.

9 - HUMAN RESOURCES

During 2011 there was a context of intense union conflicts derived from the increase in the cost of living as well as intra- and inter-union disputes, among other reasons. In May 2011 a salary increase of

29.15% for the employees encompassed in the Collective Bargaining Agreement was agreed upon, which prevented unions from adopting strike actions. The employees not encompassed in the Collective Bargaining Agreement received equivalent adjustments.

Reorganization and downsizing

During 2011, taking into account the economic and financial situation the Company was going through, an internal restructuring process took place through the downsizing of 30 employees, going from a payroll of 533 at December 2010 to 503 at December 2011. Eleven of these 30 employees belonged to the upper management of the Company.

Training activities

2011 activities were aimed at promoting people integration, improving their quality of life and contributing through coaching and training to professional and technical development.

The CEO, the Directors of Operations and Finance, as well as all managers and middle management of the Company participated in an outdoor cycle, which focused on organizational environment and leadership, opportunities for growth, communication and teamwork. The process concluded in consolidating objectives to open channels of communication, promote participation and listen to the contributions of each collaborator by encouraging a culture focused on the generation of shared value. The cycle also allowed participants to share their views regarding TGN’s current and future situation from the perspectives of the different areas of the Company.

Several spaces for integration were also promoted:

- The professionals and supervisor-level staff participated in meetings with general management and various managers.

- All the heads of areas participated in the annual coordination and teamwork program.

- Workshops to share issues encouraging debate and group reflection: personal development, communication and other topics.

- Sport days, visits to museums and other outings took place.

- Lastly, a cycle of conferences on healthy living aimed at transmitting concepts for improving the quality of life was started.

Transparency, quality of life, focus on people as well as challenging projects received positive feedback in these spaces.

Coaching and training also enjoyed a prominent place in 2011. There was 75% coverage of staff for the year, with a total of 12,000 hours recorded.

Within this framework, the CTC or Knowledge Transfer Center completed its third year of training activities with the design of primarily technical courses. In-house instructors designed and taught these courses in which over 300 people participated, reaching the 58% of the total training man-hours. The training-by-position plan also occupied an important place including courses in accordance with each specialty.

For the second consecutive year, the CTC also designed and carried out the *Area Head Training Program*, with emphasis on training on issues related to management, work relationships, operations, administration and logistics. The specific topics were taught by in-house instructors from different areas of the Company.

A program for Project Managers was developed with the purpose of updating the project leadership model. This event allowed the incorporation of tools and techniques for critical stages in projects, as well as sharing team experiences.

The Vision and Mission of the Company were redefined together with its organizational objectives and objectives per area, which were later included in performance evaluations. In 2012 the Company will complete the process by defining TGN Values.

Evaluation activities

In 2011 the performance evaluation process at all levels of the Company continued. The evaluation process was highlighted as an opportunity for dialogue, learning and development for the whole organization.

Employment

Throughout the year, young technicians and professionals joined the Company in different sites of the country with the purpose of starting a training and development program in 2012.

Internal communication

During 2011 communication support was given to the *New Spaces for Integration* guideline, through board messages, e-mail campaigns, paper and other means in order to disseminate and promote staff integration.

Distribution of an in-house quarterly magazine also continued, adding an electronic Newsletter with highlights of the Company projects.

The objective of bringing employees and their families closer to the Company was reflected in events such as *Our Children Visit Us* and *Celebrating Children's Day*.

10 - CORPORATE SOCIAL RESPONSIBILITY

Despite the fact that economic and financial difficulties, as well as those linked to the process of re-composition of the license, continued throughout 2011, TGN maintained its practices and policies of social responsibility. The progressive application of prevention policies and of the *Global Pact* principles within its sphere of influence, and the process of elaboration of the second sustainability report based on the G3 guide of the *Global Reporting Initiative* contributed to the gradual incorporation of social and environmental variables, as well as operational practices. The most distinctive aspects of this change appeared in the development of suppliers in the value chain and the creation of the process of dialogue with contractors, to prevent risks and avoid human rights violations through social conflicts.

Education, citizenship building, environmental care and local development were the basis on which the programs implemented during the fiscal year were designed. Interventions and social diagnoses were carried out in communities near the Central Western pipeline, in the provinces of Salta and Jujuy, and in the province of Córdoba.

TGN is associated to the network that operates within the *Accident Prevention Program* of the Ministry of Health of the province of Mendoza and contributed with important achievements to the reduction of accidents in La Paz and General Alvear departments of the province. Awareness and prevention programs implemented in kindergardens, city halls and other institutions in contact with small children for the second consecutive year helped keeping fatalities of children under 5 at zero. This was confirmed by data supplied by the Biostatistics Department of the province. TGN received recognition from the network for its contribution to the prevention program.

Dialogue was held with representatives of neighboring Argentine native communities in the province of Salta. At Misión La Loma, in the city of Embarcación, contact was maintained with the Wichi and Toba communities for the purpose of finding solutions to improve their living environment. Help was given to strengthening community and steps were taken together with the provincial government for access to new social housing in conjunction with the Pueblo Guaraní native community of Villa Rallé.

The *Argentine Network for the United Nations World Pact* awarded TGN a special mention for its track record and commitment as an active member of the local network, especially for its participation in the Board in 2007-2009 and 2009-2011 and for the Company's contribution to and leadership in achieving important network objectives, with regard to the World Pact's universally accepted principles: human rights, working standards, environment and anti-corruption.

TGN is one of the companies that joined the World Pact from the creation of the Argentine network in 2004. As a member of the pact, it has annually submitted the *Progress Communication, a* report informing about progress made in practices, processes and actions relating to World Pact principles.

11 - REMUNERATIONS POLICY

The remuneration of the Board of Directors is set up by the Shareholders' Meeting for each fiscal year. The salary chart of the management level of the Company establishes a basic, fixed monthly remuneration, and an additional amount, annually payable, consisting of a fixed and a variable part. While the fixed parts are established in accordance with the responsibility level inherent to the position and market values, the variable part consists of an additional amount associated to performance and achievement of yearly objectives. The Company's policy does not establish options or other plans for staff.

12 - DECISION-MAKING POLICY

The Company Bylaws establish that the Board of Directors of the Company shall consist of 14 regular directors and the same number of alternates, and shall be in charge of the direction and administration of TGN. The directors' term of office is of one year, counted from their appointment by the Shareholders' Meeting. Of the 14 directors: (i) nine regular directors and their respective alternates are elected by the Class A shares in a Class Meeting of said class; (ii) four regular directors and their respective alternates are elected by the Class B shares in a Class Meeting of said class, and (iii) one regular director and the respective alternate are elected by the Class C shares in a Class Meeting of said class. Of these, at least one Class A director and one Class B director shall be independent, as per Decree N° 677/2001 and applicable provisions of the National Securities Commission (“CNV”). The director appointed by Class C shall not possess this feature.

The controlling company of TGN, Gasinvest S.A. (“Gasinvest”) has the right to appoint the majority of the regular and alternate directors. The shareholders of Gasinvest have executed a Shareholders' Agreement ("the Agreement") to regulate certain aspects related to their indirect equity in TGN, such as the number of directors that each shareholder may appoint, and the decisions and actions that must be unanimously agreed upon.

The Agreement establishes that the following actions and decisions must be unanimously agreed upon by Compañía General de Combustibles S.A. (“CGC”), Techint Compañía Técnica Internacional (“Techint”) and Total Gas y Electricidad Argentina S.A. (“Total”), jointly known as the *Managing Companies*:

i. amendments to TGN's Bylaws or other equivalent documents,
ii. any consolidation or merger of TGN with another company,
iii. the adoption of annual activity plans, investment plans and financial plans,
iv. budgets and any amendment to the same,
v. increase or decrease in the Board of Directors of TGN and/or any other Company committee,
vi. the issuance or redemption of TGN shares,
vii. dissolution, liquidation or bankruptcy proceedings of TGN,
viii. a declaration or payment of dividends or another distribution by TGN which is not consistent with the dividends policy established in the activity plan,
ix. any investment by TGN in another company,
x. the execution of any agreement to which TGN is a party and which involves total payments or the purchase or sale by TGN of assets which, valued at their book value, exceeding US$ 3 million in one or more operations within a six-month period.
xi. any material change in TGN's direction, and
xii. the selection of TGN's independent auditor.

Additionally, Gasinvest, its shareholders (the *Managing Companies*) and former shareholder CMS, which sold all of its equity in TGN to Blue Ridge Investments LLC as recorded in the communication dated June 5, 2008 subscribed by both parties and addressed to TGN, executed an agreement establishing that all contracting for the supply of assets and/or services must be done in accordance with mechanisms which guarantee the necessary participation of several technically and economically able bidders, to ensure that contracting is done on arm’s-length terms, following TGN's organization and management provisions and policies.

It is also established that contracts for the acquisition of assets and/or services with a company and/or its controlling and/or controlled companies, which as a whole exceeds the amount of US$ 4 million, must be approved by the Board of Directors.

The Company's internal surveillance is in charge of the Statutory Auditors' Committee consisting of three regular and three alternate statutory auditors, of which: (i) two regular members and their alternates are appointed at a Class Meeting of class A and B shares acting jointly, of which at least one regular member must be independent; and (ii) an regular member and his or her alternate are appointed at a Class meeting of class B shares.

The Statutory Auditors' Committee holds its meetings with an absolute majority of members in attendance, and decisions are adopted by a majority of present votes, without affecting the rights of the dissenting statutory auditor. The members of the Statutory Auditors' 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 Company’s issues and the Company’s compliance with the law and the Bylaws.

13 - AUDIT COMMITTEE

As per the provisions of the Public Offering Transparency Regime envisaged in Decree No. 677/01, companies who publicly offer their shares must set up an Audit Committee, with 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 2011, TGN’s Audit Committee performed the duties assigned to it under the law and its internal regulations, in line with an Annual Plan reported to the Board and the Statutory Auditors’ Committee, and whose results are included in the report issued upon presenting and publishing the annual financial statements of the Company.

14 - INTERNAL CONTROL OF THE COMPANY

The Internal Audit Management, 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 performed by the Management and the rest of the personnel and designed to provide reasonable assurance that the objectives of the organization will be accomplished, considering the effectiveness and efficiency of the operations, 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, which is oriented to monitoring critical and relevant operating, equity, legal, regulatory and IT-related risks. TGN’S Audit Committee is assisted by the Internal Audit Management to raise awareness of the identified control weaknesses, as well as of corrective measures to be adopted.

15 - DISCLOSURE OF THE COMPANY’S BALANCES AND TRANSACTIONS WITH ITS CONTROLLING COMPANY, FOREIGN INVESTMENTS AND OTHER RELATED PARTIES.

Complementarily to the information disclosed in Note 5 to TGN's financial statements as of December 31, 2011, the balances and transactions of each company are described below.

The persons and companies encompassed in Decree No. 677/01 and regulations of the CNV have been included as related parties.

Balances as of December 31, 2011 (in thousands of $):

__**Trade Receivables**__	
Other related parties	
Transportadora de Gas del Mercosur S.A.	13,513
Litoral Gas S.A.	6,219
Siderar S.A.	1,038
Siderca S.A.	559
Gasoducto Gasandes Argentina S.A.	71
Total other related parties	**21,400**
__**Other Receivables**__	
Controlling shareholder	
Gasinvest S.A.	**8**
Foreign investments	
Companhía Operadora do Rio Grande do Sul	967
Comgas Andina S.A.	181
Total foreign investments	**1,148**
Other related parties	
Transportadora de Gas del Mercosur S.A.	158
Tecpetrol S.A.	(13)
Litoral Gas S.A.	129
Tecgas N.V.	2
Total other related parties	**276**
Key management personnel	
Advance payment of fees to the Board of Directors and Statutory Auditors’ Committee	**1,871**
__**Trade Payables**__	
Other related parties	
Total Gas y Electricidad Argentina S.A.	16,497
Tecpetrol S.A.	16,332
Compañía General de Combustibles S.A.	16,332
Argentinean Pipeline Holding Company S.A.	12,373
Transportadora de Gas del Mercosur S.A.	52
Total other related parties	**61,586**
__**Other Payables**__	
Key management personnel	
Provision of fees to the Board of Directors and Statutory Auditors’ Committee	**1,871**

Transactions of fiscal year 2011 (in thousands of $):

__**Controlling shareholder**__	
Other income and expenses, net	
Gasinvest S.A.	**25**
__**Foreign investments**__	
Net revenues	
Comgas Andina S.A.	**58**
Collection of cash dividends	
Comgas Andina S.A.	**1,634**

Other related parties

Net revenues	
Litoral Gas S.A.	54,653
Siderar S.A.	7,193
Siderca S.A.	4,854
Transportadora de Gas del Mercosur S.A.	3,681
Gasoducto Gasandes Argentina S.A.	722
Total net revenues	**71,103**
Operating costs	
Total Gas y Electricidad Argentina S.A.	(4,539)
Tecpetrol S.A.	(3,364)
Transportadora de Gas del Mercosur S.A.	207
Compañía General de Combustibles S.A.	(3,375)
Argentinean Pipeline Holding Company S.A.	(2,264)
Total operating costs	**(13,335)**
Administrative expenses	
Total Gas y Electricidad Argentina S.A.	**(896)**
Other income and expenses, net	
Litoral Gas S.A.	(71)
Gasoducto Gasandes Argentina S.A.	50
Compañía General de Combustibles S.A.	40
Total Austral S.A.	40
Tecpetrol S.A.	720
Total Other income and expenses, net	**779**
Purchase of fixed assets	
Siat S.A.	**2,441**
Key management personnel	
Technical-administrative services	(957)
Statutory Auditors’ Committee’s fees	(879)
Total transactions with key management personnel	**(1,836)**

16 - PROPOSAL FOR THE ALLOCATION OF RESULTS

In fiscal year 2011, a net loss of $ 154,078 thousand was reported, which the Board of Directors proposes to the Company's Shareholders' Meeting shall be offset against the *“Voluntary reserve for future dividends”*, which, considering the existing balances from previous fiscal years plus this allocation, amounts to $ 139,372 thousand.

As of December 31, 2012 and resulting from the obligation of applying the IFRS adopted by the “Federación Argentina de Consejos Profesionales de Ciencias Económicas”, the Company shall record the deferred tax liability generating by recognizing the inflation adjustment of fixed assets as a temporary difference, a liability that by December 31, 2012 will amount to $ 282,000 thousand. According to General Resolution 592/11, such deferred tax liability could be allocated to any account of the Shareholders’ equity (excluding the Common stock account and the Legal reserve). Consequently, the Board of Directors proposes to the Company’s Shareholders’ Meeting to withdraw the whole “Voluntary reserve for future dividends” and build an “Optional Reserve” in order to record against it as of December 31, 2012 part of the amount of the deferred tax liability above-mentioned.

Additionally, the Board of Directors proposes to the Company's Shareholders' Meeting the payment of $ 957 thousand in technical-administrative service fees to the Directors who are members of the Audit Committee, and $ 879 thousand in fees to the members of the Statutory Auditors’ Committee.

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

Autonomous City of Buenos Aires, March 6, 2012

Eduardo Ojea Quintana
President

APPENDIX 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, 2011 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 this Code, although the method for their implementation may differ in certain cases.

Relationship Issuer – Economic Group

TGN's transactions with related parties conform to current legal provisions, including their review by the Audit Committee. In the fiscal year ended December 31, 2011, TGN has carried out only a relevant transaction with one related party company. This transaction corresponds to a firm carriage contract celebrated between the Company and Litoral Gas S.A., partially controlled by one company exercising indirectly the control of the Company. (See Section 15 of the Annual Report). Such transactions conforms to the price and other contractual terms regulated by the ENARGAS, an independent entity belonging to the PEN and application authority of Law 24,076.

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

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

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

It is also considered that the application of Law N° 19,550 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, statutory auditors, 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 policy for corporate social responsibility), subject to the management control exercised by the Shareholders' Meeting.

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

The Board holds regular meetings to deal with the management reports drafted by 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 management control reports that are regularly issued by the Management.

- Internal Control and Reporting Risk Management

The Company has internal control policies, which the Internal Audit Management is in charge of, under the direct authority of the Board. This management is wholly 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 alternate 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 were held during the fiscal year ended December 31, 2011.

- 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 alternate directors are appointed by Class A, with at least one acting as independent director; FOUR (4) regular directors and the respective alternate directors are appointed by Class B, with at least one acting as independent director; and ONE (1) regular director and the respective alternate 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 convenient 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 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 statutory auditors perform duties as such in other companies, this without prejudice to the provisions of Section 272 of Law N° 19,550.

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 shareholders' meeting, which also controls its management, to assess its performance.

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

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

- 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 outlined in CNV General Resolution N° 400 and the individual declaration of each of its members ensure compliance with the condition of independence. However, 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 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 information that is symmetric in terms of quality, quantity and timeliness 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 when it must be disseminated.

- Participation of Minority Shareholders in Shareholders' Meetings

The Board of Directors considers that the provisions in force ensure the minority shareholders' right to participate in the shareholders' meetings should they be interested in doing so. The Board of Directors of TGN considers that the minorities' participation in shareholders' meetings is healthy.

- Control Market

The Company Bylaws of TGN considers, under certain conditions, the possibility of the minority Class C shareholders' selling their shares to the purchaser of a controlling interest in the Company.

- Dividends Policy

In view of the environment within which the Company operates since the enactment of Law No. 25,561, the Board does not consider it feasible or prudent to establish a dividend distribution policy.

- Communication via Internet - Site requirements

The Company has a free-access website which includes varied 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 ENARGAS.

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 which is not subject to any confidentiality obligation.

- Chairmanship of the Committee by an independent director

The Board considers it preferable that the Audit Committee be chaired by an independent director.

- Turnover of Statutory Auditors´ Committee and/or External Auditors - Double participation as Statutory Auditor and External Auditor

Pursuant to the Corporate Bylaws, the statutory auditors that make up the Statutory Auditors' Committee are appointed by the Shareholders, so it is understood that establishing the policies on turnover of members of the Statutory Auditors’ Committee is not within the competence of this Board. Historically, the Statutory Auditors’

Committee of TGN has changed its membership and chairmanship with reasonable frequency, in full compliance with the usual provisions 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´s Statutory Auditors' Committee do not carry out external audit activities for the Company; nor do they participate in or are associated with the firm that provides the external Audit service. They participate in Board meetings, meetings of the Audit Committee and Shareholders' Meetings, as established by law and the Bylaws of the Company.

- Remuneration systems

The remunerations paid by TGN to directors and managers are in accordance with the market guidelines applicable to comparable companies. The Company has not paid and does not contemplate the possibility of paying remunerations in Company security and/or share options.

Eduardo Ojea Quintana
President

TRANSPORTADORA DE GAS DEL NORTE S.A.

In accordance with the terms of General Resolution 368/01 and its modifications issued by the National Securities Commission ("CNV"), we detail below an analysis of the results of the operations of Transportadora de Gas del Norte S.A. ("TGN" or "the Company") (1), its financial situation, its business prospects and other financial indicators, as well as the progress in the international financial reporting standards ("IFRS") implementation plan, which should be read in conjunction with the financial statements, the press releases opportunely notified to the CNV and the additional information to the Notes required by Section 68 of the Buenos Aires Stock Exchange regulations.

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION

** Net result for the year ended December 31, 2011*

(In million of pesos)

	Year ended 12.31.					
	2011	**2010**	**Variation**	**2009**	**2008**	**2007**
Net Revenues						
Gas carriage service	415.2	560.1	(144.9)	565.9	523.0	521.8
Allowances for disputed amounts and others	(42.6)	(104.9)	62.3	(79.5)	(52.7)	(33.2)
Subtotal gas carriage service	**372.6**	**455.2**	**(82.6)**	**486.4**	**470.3**	**488.6**
Other services:						
Gas pipeline operation and maintenance ("O&M") services	28.7	28.8	(0.1)	30.0	26.2	18.7
Management fees – Gas Trust Program	5.7	11.2	(5.5)	14.6	8.0	11.3
Subtotal other services:	**34.4**	**40.0**	**(5.6)**	**44.6**	**34.2**	**30.0**
Net Revenues	**407.0**	**495.2**	**(88.2)**	**531.0**	**504.5**	**518.6**
Cost of services						
Operating and maintenance costs	(223.3)	(218.2)	(5.1)	(196.9)	(168.8)	(149.2)
Fixed assets depreciation	(131.2)	(129.6)	(1.6)	(124.3)	(122.0)	(116.7)
Subtotal	**(354.5)**	**(347.8)**	**(6.7)**	**(321.2)**	**(290.8)**	**(265.9)**
Gross profit	**52.5**	**147.4**	**(94.9)**	**209.8**	**213.7**	**252.7**
Administrative and selling expenses	(109.8)	(89.3)	(20.5)	(70.9)	(52.9)	(49.0)
Operating (loss) income	**(57.3)**	**58.1**	**(115.4)**	**138.9**	**160.8**	**203.7**
Results from foreign investments	(0.4)	1.3	(1.7)	2.3	1.1	0.9
Financial and holding results	(260.6)	(224.7)	(35.9)	(210.3)	(189.7)	(134.2)
Other income and expenses, net (3)	110.4	306.3	(195.9)	15.6	1.7	3.0
Net (loss) income before income tax	**(207.9)**	**141.0**	**(348.9)**	**(53.5)**	**(26.1)**	**73.4**
Income tax	53.8	(68.0)	121.8	2.0	(7.4)	(13.7)
Net (loss) income for the year	**(154.1)**	**73.0**	**(227.1)**	**(51.5)**	**(33.5)**	**59.7**
***EBITDA* (2) and (3)**	**189.0**	**501.1**	**(312.1)**	**297.4**	**304.1**	**337.3**

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

(2) Income before income tax, financial and holding results, depreciation and charges for consumable goods not entailing outlays of funds. If the item "Other income and expenses, net", mainly made up by commercial indemnifications (as explained in (3) below) had not been included, the level of EBITDA in both years would have been $ 78.6 million and $ 194.8 million, respectively.

(3) Including earnings for $ 108.4 million and $ 301.9 million in 2011 and 2010, respectively, from settlement agreements entered into with export customers (Note 14).

(In million of pesos)

	12.31.11	***12.31.10***	***12.31.09***	***12.31.08***	***12.31.07***
Total Assets	*3,358*	*3,186*	*2,878*	*2,639*	*2,614*
Total Liabilities	*2,212*	*1,886*	*1,651*	*1,361*	*1,302*
Shareholders' Equity	*1,146*	*1,300*	*1,227*	*1,278*	*1,312*

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

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

*** Net Revenues***

TGN's net revenues by type of service:

(In million of pesos)

	Year ended 12.31.									
Type of service	***2011***	***%***	***2010***	***%***	***2009***	***%***	***2008***	***%***	***2007***	***%***
Gas carriage	*372.6*	*91.6*	*455.2*	*91.9*	*486.4*	*91.6*	*470.3*	*93.2*	*488.6*	*94.2*
Gas pipeline O&M services - Gas Trust Program	*34.4*	*8.4*	*40.0*	*8.1*	*44.6*	*8.4*	*34.2*	*6.8*	*30.0*	*5.8*
Total net revenues	***407.0***	***100.0***	***495.2***	***100.0***	***531.0***	***100.0***	***504.5***	***100.0***	***518.6***	***100.0***

- Gas carriage services

The net decrease of $ 82.6 million between fiscal years 2011 and 2010 is mainly explained by:

i. lower billings for $ 94.5 due to the rescission of an export gas carriage contract. Refer to Note 13.g);

ii. $ 77.5 million decrease in invoicing due to the agreements reached with certain export customers. Refer to Note 14.

iii. $ 61.0 million increase in 2011 due to lower allowances for disputed amounts, compared to 2010, mostly related to the situation of certain export customers;

iv. increase of $ 15.9 million in billings nominated in foreign currency as a result of the joint effect of the increase in the dollar exchange rate and in the Producer Price Index ("PPI");

v. higher income for $ 7.8 million corresponding to new carriage service contracts rendered during the year; and

vi. higher income for $ 4.7 million mainly in interruptible services, exchange and displacement services and others.

- "Gas pipeline O&M" and "Management Fee – Gas Trust Program"

The $ 5.6 million net decrease between 2011 and 2010 is mainly explained by lower revenues for $ 5.5 million related to management fee accrued in favor of TGN according to the gas trust programs mentioned in Note 16.b).

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

*** Cost of services**

(In million of pesos)

Accounts	Year ended 12.31.									
	2011	**%**	**2010**	**%**	**2009**	**%**	**2008**	**%**	**2007**	**%**
Fees for professional services	1.9	0.5	2.8	0.8	3.9	1.2	4.5	1.5	2.4	0.9
Salaries, wages and other personnel benefits and social security contributions	90.1	25.4	79.5	22.9	66.4	20.7	56.5	19.4	45.7	17.2
Fees for technical operator and audit services	12.4	3.5	26.6	7.6	11.2	3.5	9.5	3.3	15.0	5.6
Foreign staff residence	1.2	0.3	2.8	0.8	2.8	0.9	2.2	0.8	2.2	0.8
Consumption of spare parts and materials	17.9	5.0	16.2	4.7	16.5	5.1	14.5	5.0	13.6	5.1
Gas imbalance	-	-	(1.9)	(0.5)	(0.2)	(0.1)	0.9	0.3	0.2	0.1
Maintenance and repair of fixed assets and third–party services and supplies	65.1	18.4	58.3	16.7	54.5	17.0	41.2	14.2	40.6	15.3
Communications, freight, transportation and travel expenses	11.7	3.3	9.9	2.8	8.5	2.6	8.1	2.8	6.0	2.3
Insurance	5.2	1.5	5.5	1.6	5.3	1.7	5.4	1.9	5.2	2.0
Rentals and office supplies	2.8	0.8	2.6	0.7	2.4	0.7	1.9	0.7	1.9	0.7
Easements	11.9	3.4	12.0	3.5	9.3	2.9	7.2	2.5	6.2	2.3
Taxes, rates and contributions	0.6	0.2	0.5	0.1	0.5	0.2	0.5	0.1	0.4	0.2
Fixed assets depreciation	131.2	37.0	129.6	37.3	124.3	38.7	122.0	42.0	116.7	43.9
Slow-moving and obsolete materials and spare parts	1.6	0.4	2.5	0.7	13.5	4.2	14.6	5.0	8.9	3.3
Others	0.9	0.3	0.9	0.3	2.3	0.7	1.8	0.5	0.9	0.3
Total	**354.5**	**100.0**	**347.8**	**100.0**	**321.2**	**100.0**	**290.8**	**100.0**	**265.9**	**100.0**
% of Costs of services on net revenues	**87.1**		**70.2**		**60.5**		**57.6**		**51.3**	

Accounts recording the most relevant variations between fiscal years ended December 31, 2011 and 2010 are as follows:

i. a $ 10.6 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. a $ 6.8 million increase in Maintenance and repairs of fixed assets and third party services and supplies, mainly due to the fact that in the year ended December 31, 2011 higher expenses were made in: a) gas pipeline maintenance ($ 2.0 million); b) compressor plants and control and measurement stations maintenance ($ 2.0 million); and c) third party services and supplies and others ($2.8 million); and

iii. a $ 14.2 million decrease in Fees for technical operator and audit services by application of what is set forth in the Technical Operator and Audit Services agreement mentioned in Note 1.c.iv).

TRANSPORTADORA DE GAS DEL NORTE S.A.

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

* *Administrative and selling expenses*

(In million of pesos)

Accounts	Year ended 12.31.									
	2011	**%**	**2010**	**%**	**2009**	**%**	**2008**	**%**	**2007**	**%**
Salaries, wages and other personnel benefits and social security contributions	43.9	40.0	35.9	40.2	26.5	37.4	24.1	45.6	20.8	42.4
Fixed assets depreciation	1.9	1.7	1.8	2.0	1.8	2.5	1.7	3.2	1.7	3.5
Fees for professional services	5.7	5.2	4.7	5.3	5.8	8.2	5.7	10.8	4.0	8.2
Taxes, rates and contributions	36.7	33.4	27.5	31.0	22.8	32.2	24.6	46.6	25.1	51.2
Communications, freight, transportation and travel expenses	1.9	1.7	1.5	1.7	1.4	2.0	1.3	2.5	1.2	2.4
Maintenance and repair of fixed assets and third-party services and supplies	2.3	2.1	3.1	3.5	1.9	2.7	2.1	4.0	1.9	3.9
Rentals and office supplies	1.5	1.4	1.1	1.2	1.3	1.8	1.0	1.9	0.8	1.6
Doubtful accounts	8.3	7.6	8.3	9.3	(2.4)	(3.4)	(1.7)	(3.2)	1.9	3.9
Contingencies	4.4	4.0	3.4	3.6	9.3	13.1	(8.8)	(16.7)	(12.6)	(25.7)
Board of Directors and Statutory Auditor´s Committee´s fees	0.9	0.8	0.6	0.7	-	-	-	-	2.1	4.3
Fees for technical-administrative services	0.9	0.8	0.7	0.8	1.2	1.7	1.8	3.4	-	-
Others	1.4	1.3	0.7	0.7	1.3	1.8	1.1	1.9	2.1	4.3
Total	**109.8**	**100.0**	**89.3**	**100.0**	**70.9**	**100.0**	**52.9**	**100.0**	**49.0**	**100.0**
% of Administrative and selling expenses on net revenues	**27.0**		**18.0**		**13.4**		**10.5**		**9.4**	

Among the items showing the most significant variations between both years, it is important to mention:

i. a $ 8.0 million increase in salaries, wages and other personnel benefits and social security contributions as a result of compensations and pay increases, partially corresponding to inflation adjustment; and

ii. a $ 9.2 million increase in Taxes, rates and contributions. The most significant variations were: higher charge for the verification and control rate in favor of the Ente Nacional Regulador del Gas (“ENARGAS”) amounting to $ 5.2 million; net adjustments during the year on the turnover tax amounting to $ 0.9 million and a $ 3.1 million increase due to a justice fee payment related to the claim against Metrogas Chile S.A. (Note 13.j).

* *Financial and holding results*

(In million of pesos)

Accounts	Year ended 12.31.				
	2011	**2010**	**2009**	**2008**	**2007**
Interest and indexing generated by liabilities	(179.4)	(137.2)	(109.0)	(75.7)	(100.0)
Commissions, taxes and expenses on banking and financial operations	(7.2)	(7.2)	(8.9)	(8.1)	(7.5)
Results on loans repurchases	-	-	-	1.1	1.6
Results on discounting at present value and others	0.3	0.1	0.2	0.2	(0.1)
Subtotal financial results generated by liabilities before exchange rate differences	**(186.3)**	**(144.3)**	**(117.7)**	**(82.5)**	**(106.0)**
Interest, indexing and expenses generated by assets	7.7	8.9	10.5	1.3	5.8
Holding results generated by assets	9.1	5.6	23.4	8.8	9.3
Results from risk hedging transactions	-	(3.3)	(5.4)	-	-
Results on discounting at present value	(22.6)	(43.1)	(22.7)	(22.3)	(10.7)
Subtotal financial and holding results generated by assets before exchange rate differences	**(5.8)**	**(31.9)**	**5.8**	**(12.2)**	**4.4**
Exchange rate differences:					
Generated by liabilities	(147.8)	(70.1)	(124.7)	(105.3)	(34.0)
Generated by assets	79.3	21.6	26.3	10.3	1.4
Subtotal exchange rate differences	**(68.5)**	**(48.5)**	**(98.4)**	**(95.0)**	**(32.6)**
Total	**(260.6)**	**(224.7)**	**(210.3)**	**(189.7)**	**(134.2)**

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

**** Financial and holding results (Cont.)***

Financial and holding results for the year ended December 31, 2011 increased by $ 35.9 million compared to the previous year. Items recording the most significant variations between both years are as follows:

i. higher losses for $ 77.7 million resulting from exchange rate differences generated by liabilities nominated in US dollars;

ii. higher interest and indexing losses generated by loan balances for $ 42.2 million considering that the Company's loans remain unpaid since December 2008, as explained in Note 10;

iii. the US dollar asset positions produced a higher exchange rate profit of $ 57.7 million;

iv. lower losses for $ 20.5 million related to the valuation of disputed trade receivables;

v. an income of $ 3.3 million since during the year TGN did not conduct any exchange rate risk hedging transactions; and

vi. an income of $ 2.3 million due to the increase in materials and spare parts´ replacement cost.

**** Other income and expenses, net***

(In million of pesos)

Accounts	Year ended 12.31.				
	2011	**2010**	**2009**	**2008**	**2007**
Income from commercial indemnifications (Note 14)	108.4	301.9	9.6	-	-
Result of disposal of fixed assets	(1.3)	(0.6)	(0.1)	(1.3)	(2.0)
Net income from sundry sales and others	3.2	4.7	5.8	2.8	3.8
Recovery of damages	0.1	0.3	0.3	0.2	1.3
Donations	-	-	-	-	(0.1)
Total	**110.4**	**306.3**	**15.6**	**1.7**	**3.0**

Note 14 describes the agreements reached with export customers Sociedad Eléctrica Santiago S.A., Colbun S.A. and Gasoducto Norandino S.A.. Those agreements, among others, have generated incomes amounting to $ 108.4 million and $ 301.9 million at December 31, 2011 and 2010, respectively, on account of income from commercial indemnifications.

TRANSPORTADORA DE GAS DEL NORTE S.A.

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

** Summary of the Statement of cash flows*

(In million of pesos)

	Year ended 12.31.				
	2011	**2010**	**2009**	**2008**	**2007**
Net (loss) income for the year	(154.1)	73.0	(51.5)	(33.5)	59.7
Income tax	(53.8)	68.0	(2.0)	7.4	13.7
Financial and holding results generated by liabilities	179.4	(137.2)	(109.0)	(75.7)	(100.0)
Adjustments to reach net cash flow generated by operating activities	293.1	513.9	516.7	418.1	360.7
Net changes in operating assets and liabilities	(74.1)	(272.4)	(117.2)	(73.0)	(31.9)
Net cash flows generated by operating activities	**190.5**	**245.3**	**237.0**	**243.3**	**302.2**
Purchase of fixed assets	(61.1)	(78.0)	(77.8)	(45.5)	(59.7)
Collection of cash dividends (from foreign investments)	1.6	2.1	-	1.4	5.3
Variation of short-term investments (non-cash equivalents)	(240.8)	(186.9)	(19.4)	-	-
Variation of short-term investments granted as guarantee	-	11.5	(11.5)	-	-
Net cash flows used in investing activities	**(300.3)**	**(251.3)**	**(108.7)**	**(44.1)**	**(54.4)**
Payment and repurchase of loans	-	-	-	(54.6)	(118.3)
Loan´s interest and expenses paid	-	-	-	(61.6)	(85.4)
Increase in attachments and guarantee deposit	-	(0.2)	(32.1)	-	-
(Decrease) increase in customer advances	-	-	(0.3)	0.5	(0.1)
Payment of cash dividends	-	-	-	-	(25.7)
Net cash flows used in financing activities	**-**	**(0.2)**	**(32.4)**	**(115.7)**	**(229.5)**
Financial and holding results generated by cash and cash equivalents	**35.9**	**16.0**	**23.5**	**5.3**	**6.7**
Net (decrease) increase in cash and cash equivalents	**(73.9)**	**9.8**	**119.4**	**88.8**	**25.0**
Cash and cash equivalents as of beginning of the year	**282.1**	**272.3**	**152.9**	**64.1**	**39.1**
Cash and cash equivalents as of end of the year	**208.2**	**282.1**	**272.3**	**152.9**	**64.1**

** Cash and cash equivalents*

(In million of pesos)

	Year ended 12.31.				
	2011	***2010***	***2009***	***2008***	***2007***
Cash and banks	*6.0*	*64.0*	*22.9*	*135.5*	*62.9*
Mutual funds in US$	*28.8*	-	-	-	-
US Treasury bills	-	*15.7*	-	*17.4*	-
Time deposits in US$	*121.9*	*125.1*	*124.1*	-	-
Time deposits in $	*30.0*	*31.2*	*48.3*	-	-
Mutual funds in $	*18.3*	*18.7*	*52.1*	-	*1.2*
Stock exchange securities in $	*3.2*	*27.4*	*24.9*	-	-
Cash and cash equivalents as of end of the year	***208.2***	***282.1***	***272.3***	***152.9***	***64.1***

II) BUSINESS PROSPECTS

The Company’s business, operating, financial and regulatory prospects are described in the financial statements and the additional information required by Section 68 of the Buenos Aires Stock Exchange regulations as of December 31, 2011; this information should be jointly read, analyzed and interpreted to have a full vision of the significant corporate matters for the year and of the Company’s future.

TRANSPORTADORA DE GAS DEL NORTE S.A.

III) COMPARATIVE BALANCE SHEET STRUCTURE AT DECEMBER 31, 2011, 2010, 2009, 2008 and 2007

(In million of pesos)

	Year ended 12.31.				
	2011	**2010**	**2009**	**2008**	**2007**
Current Assets	975	723	462	245	179
Non-current Assets	2,383	2,463	2,416	2,394	2,435
Total	**3,358**	**3,186**	**2,878**	**2,639**	**2,614**
Current Liabilities	2,135	1,819	1,594	1,309	208
Non-current Liabilities	77	67	57	52	1,094
Subtotal	2,212	1,886	1,651	1,361	1,302
Shareholders’ Equity	1,146	1,300	1,227	1,278	1,312
Total	**3,358**	**3,186**	**2,878**	**2,639**	**2,614**

IV) COMPARATIVE STRUCTURE OF RESULTS FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, 2009, 2008 and 2007

(In million of pesos)

	Year ended 12.31.				
	2011	**2010**	**2009**	**2008**	**2007**
Operating (loss) income	(57.3)	58.1	138.9	160.8	203.7
Financial and holding results	(260.6)	(224.7)	(210.3)	(189.7)	(134.2)
Results from foreign investments	(0.4)	1.3	2.3	1.1	0.9
Other income and expenses, net	110.4	306.3	15.6	1.7	3.0
(Loss)income before income tax	**(207.9)**	**141.0**	**(53.5)**	**(26.1)**	**73.4**
Income Tax charge	53.8	(68.0)	2.0	(7.4)	(13.7)
Net (Loss) income for the year	**(154.1)**	**73.0**	**(51.5)**	**(33.5)**	**59.7**

V) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE YEAR ENDED DECEMBER 31, 2011, 2010, 2009, 2008 and 2007

Volume dispatched in million of cubic meters:

According to the type of carriage agreement

	Year ended 12.31.				
	2011	**2010**	**2009**	**2008**	**2007**
Firm carriage	13,581	13,653	13,500	14,267	14,955
Interruptible carriage and Exchange and displacement	5,766	4,541	4,377	3,833	3,404
Total	**19,347**	**18,194**	**17,877**	**18,100**	**18,359**

According to the type of source

	Year ended 12.31				
	2011	**2010**	**2009**	**2008**	**2007**
Norte Gas pipeline	8,044	7,589	7,480	7,039	7,460
Centro-Oeste Gas pipeline	11,303	10,605	10,397	11,061	10,899
Total	**19,347**	**18,194**	**17,877**	**18,100**	**18,359**

TRANSPORTADORA DE GAS DEL NORTE S.A.

VI) COMPARATIVE INDICATORS AT DECEMBER 31, 2011, 2010, 2009, 2008 and 2007

	Year ended 12.31.				
	2011	**2010**	**2009**	**2008**	**2007**
Current liquidity (1)	0.46	0.40	0.29	0.19	0.86
Solvency (2)	0.52	0.69	0.74	0.94	1.01
Freezing capital (3)	0.71	0.77	0.84	0.91	0.93
Result on investment (4)	(0.13)	0.06	(0.04)	(0.03)	0.05

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

VII) PROGRESS IN THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) IMPLEMENTATION PLAN (not covered by the Independent Auditors´ Report)

On December 29, 2009, the CNV has established the application of Technical Resolution 26 of the “Federación Argentina de Consejos Profesionales de Ciencias Económicas” that adopts the IFRS issued by the International Accounting Standards Board, for the entities included in the public offering regime of Law 17,811, either by its capital or its negotiable obligations, or that had requested authorization to be included in such regime.

Consequently, on March 4, 2010 TGN’s Board of Directors approved the “IFRS Implementation Plan” required by Technical Resolution 26.

Through General Resolution 600/12, the CNV decided that the licensee companies delivering public services of gas transportation and distribution (including TGN) should only present their financial statements prepared on the basis of the IFRS for those fiscal years starting as from January 1, 2013. Additionally and as a consequence of that, the obligation of presenting the reconciliation of the shareholders’ equity and results with those arising from the application of the IFRS as an informative note to the financial statements for the fiscal years beginning as from January 1, 2011 was also revoked. This, with the purpose of continuing analyzing the applicability and implications of the IFRIC 12 – Service Concession Arrangements – as related with such licensees.

The Company is giving priority to the analysis of those IFRS with it considers will be applicable to the preparation of its financial statements in the first fiscal year of adoption of those standards.

As a result of such analysis the most significant impact in the shareholders’ equity that the adoption of the above-mentioned rules would generate arises from the application of “IAS 12 – Income Tax”. The application of this standard will require the recording of the deferred tax liability generated by recognizing the inflation adjustment of fixed assets as a temporary difference. Such deferred tax liability is mentioned in Note 7 to these financial statements.

Through its General Resolutions 576/10 and 592/11, the CNV allows the issuers exercising the option of reporting such deferred tax liability by note to the financial statements, to record it in view of IFRS implementation by applying it to retained earnings. General Resolution 592/11 above-mentioned establishes that it will be possible to make such record at any annual or intermediate closing period until the fiscal year closing immediately preceding the first period in which the IFRS be applied. Therefore the Company exercising that option will record it as of December 31, 2012. It is estimated that the abovementioned deferred tax liability will amount approximately $ 282 million as of December 31, 2012.

According to General Resolution 592/11, the Shareholders’ Meeting considering the financial statements for the fiscal year ended December 31, 2012 will be able to allocate the amount of such deferred tax liability to any account of the Shareholders’ equity (excluding the Common stock account and the Legal reserve). There is no pre-determined order for this allocation.

VII) PROGRESS IN THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") IMPLEMENTATION PLAN (not covered by the Independent Auditors´ Report) (Cont.)

Since the date of issuance of these financial statements and until the date of adoption of the IFRS, new standards and/or interpretations may be issued as well as new events can occur in the Company. Consequently, TGN will continue analyzing any potential additional impacts to be generated by the adoption of IFRS.

Autonomous City of Buenos Aires, March 6, 2012

The Board of Directors
Eduardo Ojea Quintana

TRANSPORTADORA DE GAS DEL NORTE S.A.

Balance Sheets as of December 31, 2011 and 2010
(in thousands of Argentine Pesos)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and banks	6,033	63,991
Short-term investments (Note 19.c))	651,201	426,462
Accounts receivables (Note 4.a))	57,192	54,407
Other receivables (Note 4.b))	242,099	160,252
Materials and spare parts (Note 4.c))	18,072	17,665
Total current assets	974,597	722,777
Non-current assets		
Accounts receivables (Note 4.a)).........	152,101	132,495
Other receivables (Note 4.b))	228,722	255,249
Materials and spare parts (Note 4.c))	35,043	34,529
Fixed assets (Note 19.a))	1,937,935	2,011,501
Foreign investments (Note 19.b))	1,226	3,100
Other assets – gas stock	28,027	26,659
Total non–current assets	2,383,054	2,463,533
Total Assets	**3,357,651**	**3,186,310**
LIABILITIES		
Current liabilities		
Accounts payable (Note 4.d))	83,817	78,061
Loans (Note 10)	1,942,330	1,636,987
Salaries and social security payable	12,535	21,594
Taxes payable (Note 4.e))	39,687	26,944
Others (Note 4.f))	23,605	22,639
Subtotal	2,101,974	1,786,225
Contingencies (Note 13 and 19.d))	33,103	33,209
Total current liabilities	2,135,077	1,819,434
Non–current liabilities		
Others (Note 4.f))	34,727	28,165
Subtotal	34,727	28,165
Contingencies (Note 13 and 19.d))	42,179	38,965
Total non–current liabilities	76,906	67,130
Total Liabilities	**2,211,983**	**1,886,564**
SHAREHOLDERS´ EQUITY	**1,145,668**	**1,299,746**
Total liabilities and shareholders´ equity	**3,357,651**	**3,186,310**

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, 2011 and 2010
(in thousands of Argentine Pesos)

	December 31, 2011	December 31, 2010
Net revenues (Note 4.g))	406,924	495,240
Cost of services (Note 19.f))	(354,459)	(347,885)
Gross Profit	**52,465**	**147,355**
Selling expenses (Note 19.f))	(23,358)	(22,032)
Administrative expenses (Note 19.f))	(86,448)	(67,265)
Operating (loss) income	**(57,341)**	**58,058**
Results from foreign investments	(360)	1,327
Financial and holding results:		
Generated by assets:		
Interest and indexing	8,755	9,687
Exchange rate differences	79,302	21,592
Other financial and holding results (Note 4.h))	(14,575)	(41,579)
Subtotal	73,482	(10,300)
Generated by liabilities:		
Interest and indexing	(179,384)	(137,195)
Exchange rate differences	(147,780)	(70,144)
Other financial and holding results (Note 4.h))	(6,920)	(7,084)
Subtotal	(334,084)	(214,423)
Other income and expenses, net (Note 4.i) and Note 14)	110,443	306,359
Net (loss) income before income tax	**(207,860)**	**141,021**
Income tax (Note 7)	53,782	(67,957)
Net (loss) income for the year	**(154,078)**	**73,064**
Net result per common stock in pesos (Note 6)	**(0.3507)**	**0.1663**

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, 2011 and 2010
(in thousands of Argentine Pesos)

Item	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, 2009	**439,374**	**506,053**	**945,427**	**57,216**	**275,585**	**(51,546)**	**1,226,682**
Resolution adopted by the Ordinary Shareholders´ Meeting held on April 22, 2010:							
Allocation to the voluntary reserve for future dividends	-	-	-	-	(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**
Resolution adopted by the Ordinary Shareholders´ Meeting held on April 14, 2011:							
Increase of the Legal reserve	-	-	-	3,653	-	(3,653)	-
Allocation to the voluntary reserve for future dividends	-	-	-	-	69,411	(69,411)	-
Net loss for the year	-	-	-	-	-	(154,078)	(154,078)
Balances as of December 31, 2011	**439,374**	**506,053**	**945,427**	**60,869**	**293,450**	**(154,078)**	**1,145,668**

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, 2011 and 2010
(in thousands of Argentine Pesos)

	December 31, 2011	December 31, 2010
Cash and cash equivalents as of beginning of the year	282,106	272,336
Cash and cash equivalents as of end of the year (Note 4.j))	208,174	282,106
Net (decrease) increase in cash and cash equivalents	**(73,932)**	**9,770**
Cash flows from operating activities		
Net (loss) income of the year	(154,078)	73,064
Income tax	(53,782)	67,957
Interest and indexing generated by liabilities	179,384	137,195
Adjustments to reach net cash flow generated by operating activities:		
Depreciation of fixed assets	133,103	131,463
Net book value of disposed fixed assets	1,613	1,430
Increase in allowances and provisions for contingencies	74,308	68,571
Exchange rate differences and other financial results, net	83,707	39,425
Results from foreign investments	360	(1,327)
Net changes in operating assets and liabilities:		
Increase in accounts receivable	(88,571)	(96,136)
Increase in other receivables	(3,629)	(209,011)
Decrease (increase) in materials and spare parts and other assets	2,453	(287)
Increase in accounts payable	5,756	14,795
(Decrease) increase in salaries and social security payable	(9,059)	15,103
Increase (decrease) in taxes payable	12,743	(675)
Increase in other payables	7,528	6,086
Decrease in provisions for contingencies	(1,352)	(2,375)
Net cash flows generated by operating activities	**190,484**	**245,278**
Cash flows from investing activities		
Purchase of fixed assets	(61,150)	(78,041)
Changes in short-term investments (non-cash equivalents)	(240,793)	(186,885)
Changes in short-term investments granted as guarantee	-	11,476
Collection of cash dividends (from foreign investments)	1,634	2,098
Net cash flows used in investing activities	**(300,309)**	**(251,352)**
Cash flows from financing activities		
Increase in attachments and guarantee deposits	-	(232)
Net cash flows used in financing activities	**-**	**(232)**
Financial and holding results generated by cash and cash equivalents		
Interest, exchange rate differences and other financial results	35,893	16,076
Total financial and holding results generated by cash and cash equivalents	**35,893**	**16,076**
Net (decrease) increase in cash and cash equivalents	**(73,932)**	**9,770**

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, 2011 presented in comparative form
(in thousands of Argentine Pesos, except where specifically mentioned)

1. Situation of the Company and regulatory framework

(a) Incorporation of the Company

Transportadora de Gas del Norte S.A. (“the Company” or “TGN”) was incorporated on November 24, 1992 as a result of the enactment of Laws Nos. 23,696 and 24,076 (“Natural Gas Act”) 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 its two 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 State 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 PEN 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 National State 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 Under-secretariat 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 also 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 that sense, material controversies have arisen in relation to the export customers that led to the execution of compromise and settlement agreements that modified and/or generated the termination of such contracts, as mentioned in Note 14.

(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 fell 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 2012.

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 characteristics of the economic environment and the legal and regulatory framework 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 flows sufficient to recover non-current assets, the re-payment of the financial debts, the future development of the Company's business and the normal continuity of its operations.

The impact generated by all the measures adopted so far by the National State on the balance sheet and financial position of the Company as of December 31, 2011 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 economy might require that the National State 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 Natural Gas Act and its regulations, together with the License, the Transfer Agreement, the Bidding Terms and Conditions for the privatization of Gas del Estado S.E. ("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 35 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 PEN.

c.ii) Rates

Gas carriage service's rates were established by the License and are regulated by the ENARGAS.

The Natural Gas Act 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.

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

(c) Regulatory framework (Continued)

c.ii) Rates (Continued)

As mentioned in Note 1.b), the LEP established the pesification of natural gas carriage rates of 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 PEN 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 of 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.

TGN considers that the main obstacle to reach a complete renegotiation agreement is the National State’s insistence on adding an indemnity clause 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 October 2008, the Company entered into a temporary agreement (“the Temporary Agreement”) that does not involve an indemnity clause for the benefit of the National State, and envisage a transition rates regime as from September 1, 2008 on which a 20% increase would be applied to the remuneration of the ruled domestic activity of TGN in force at August 31, 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 on December 31, 2008 the LEP would no longer be effective, which did not occur since that law will actually be in force until December 31, 2013. 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 PEN, if it deems it convenient, would rule on the enforcement of the Temporary Agreement and, in turn, UNIREN would make the necessary recommendations to the PEN 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 MEP and MPFIPyS.

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

(c) Regulatory framework (Continued)

c.iii) License (Continued)

Although the Temporary Agreement was ratified by the PEN through Decree N° 458 of April 5, 2010, the rate increase cannot be invoiced by TGN because the ENARGAS did not approved the new rate schedules. However, TGN performed the foreseen works at its expense. At December 31, 2011, no economic effects were noted in relation to the Temporary Agreement. Given the lack of a reply by the administration to the reiterated requests for approval of the new rates, in October 2010 TGN filed action for protection due to delay against the ENARGAS and against the Under-secretariat for Management Coordination and Control of the MPFIPyS to obtain an express ruling requiring compliance with the Temporary Agreement and with Decree N° 458/10. In July 2011 the judge in charge dismissed TGN´s action as the term elapsed does not exceed the reasonable usual limits. This decision was appealed by TGN.

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. Refer to Note 13.k) and l).

Notwithstanding the renegotiation process before the UNIREN, TGN requested ENARGAS to perform a comprehensive rate review on the basis of section No. 46 of the Natural Gas Act and considering that the domestic carriage rates had been frozen since July 1999. Given the negative reply on the part of the administration, in September 2010 TGN filed an action for protection against the ENARGAS to obtain a court ruling ordering that said review is carried out. In May 2011 the trial court decided in favor of TGN. This decision was appealed by the ENARGAS and revoked at second instance. TGN has filed this case before the National Court of Justice by the extraordinary way.

c.iv) Technical Operator and Audit Services agreement

Within its regulatory framework, TGN receives technical and auditing assistance from its shareholders or 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 agreement for technical operator and audit services in force since 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 fiscal year. As of December 31, 2011 the Company accrued this compensation according to point (i) previously mentioned.

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 operator and audit services.

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

Effective February 2004, the National State adopted a series of measures, which still apply, to ensure a natural gas supply sufficient to satisfy domestic demand, considerably limiting gas exportation.

Dispatched export volume has systematically decreased from 2006 until the end of the year. In that context, YPF S.A. (“YPF”) ceased to pay and initiated

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)

administrative and judicial actions to obtain the rescission without negligence of the gas carriage contract, and Metrogas Chile S.A. ("Metrogas") attempted to unilaterally rescind the agreement and claimed compensation.

YPF and Metrogas recorded unpaid balances of $ 319.6 million and $ 189.0 million, respectively, as of December, 31, 2011, so the Company has set up an allowance of $ 254.3 million to cover the uncollectible past due balance for the carriage service. Disputes with these customers are described in Note 13.

Other loaders entered into compromise and settlement replacing and/or rescinding the contracts previously in force (Sociedad Eléctrica Santiago S.A., Gasoducto Norandino Argentina S.A. and Colbun S.A., as described in Note 14).

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.

c.vi) Loan 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 the Company to postpone the principal and interest payments that fell due since that date.

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 Natural Gas Act and Section 10 of the LEP, on December 29, 2008, through Resolution I/587 the ENARGAS established the intervention in TGN for 120 days and designated an intervener with powers of "co-administration, surveillance and control of all the usual acts of administration and disposition that may affect the normal provision of the public utility gas carriage service" by TGN under the License. By this resolution, the ENARGAS also established that a comprehensive audit should be conducted at TGN.

TGN challenged the legality of Resolution I/587 as regards the corporate joint management and in March 2009, Room I of the Federal Court of Appeals in administrative litigation matters resolved as follows: (i) to stay the effects of ENARGAS Resolution I/587 which had established an intervention in TGN and appointed an intervener with powers of company co-administration; (ii) to maintain the control and superintending powers vested in the officer appointed by the ENARGAS with respect to all the acts that may reasonably affect the normal provision of the public utility service by TGN; and (iii) to order the ENARGAS to return to TGN the meeting minutes books that had been withdrawn by the intervener from TGN's principal place of business.

Resolution I/587 was successively extended until June, 2012, 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.

2. Preparation and presentation of financial statements

(a) Purpose of these financial statements

These financial statements have been translated from the financial statements for the year ended December 31, 2011 including the summary of information required by General Resolution Nº 368/01, prepared in Spanish and originally issued in Argentina.

2. Preparation and presentation of financial statements (Continued)

(a) Purpose of these financial statements (Continued)

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.

(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 Resolutions issued by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (“FACPCE”), as approved by the Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (“CPCECABA”), and with Comisión Nacional de Valores (“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.

An audit was performed on the financial statements corresponding to the year ended December 31, 2011 and 2010. The Company’s Board of Directors estimates that these financial statements include all the necessary adjustments to reasonably disclose the results for each year.

(c) Consideration of inflation effects

The financial statements have been prepared in constant currency recognizing the overall effects of inflation up to 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, according to CNV´s regulations. 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, 2011 this deviation has not had a significant impact on the financial statements of TGN.

The rate used for restatement of items for the pertinent years 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, for disputed amounts, 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.

2. Preparation of financial statements (Continued)

(d) Use of estimates (Continued)

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

(e) Comparative information

The figures at December 31, 2010 that are disclosed in these financial statements for comparative purposes arise from financial statements at that date.

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

(f) New accounting pronouncements

On December 29, 2009, the CNV has established the application of Technical Pronouncement Nº 26 of the FACPCE which adopted the international financial reporting standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), for all the entities encompassed by the public offering regime of Law N° 17,811, either because of their capital or negotiable obligations, or because those entities have requested authorization to be encompassed by this regime.

Consequently, on March 4, 2010 TGN´s Board of Directors approved the IFRS Implementation Plan, as called for by Technical Resolution N° 26.

Through General Resolution 600/12, the CNV decided that the licensee companies delivering public utility gas carriage and distribution service (including TGN) should only present their financial statements prepared on the basis of the IFRS for those fiscal years starting as from January 1, 2013. Additionally and as a consequence of that, the obligation of presenting the reconciliation of the shareholders' equity and results with those arising from the application of the IFRS as an informative note to the financial statements for the fiscal years beginning as from January 1, 2011 was also revoked. This, with the purpose of continuing analyzing the applicability and implications of the IFRIC 12 – Service Concession Arrangements – as related with such licensees.

The Company is giving priority to the analysis of those IFRS that it considers will be applicable to the preparation of its financial statements in the first year of adoption of those standards.

As a result of such analysis the most significant impact, in the shareholders´ equity, that the adoption of the above-mentioned rules would generate arises from the application of "IAS 12 - Income Tax". The application of this standard will require the recording of the deferred tax liability generated by recognizing the inflation adjustment of fixed assets as a temporary difference. Such liability is mentioned in Note 7 to these financial statements.

Through its General Resolutions 576/10 and 592/11, the CNV allows the issuers exercising the option of reporting such deferred tax liability by note to the financial statements, to record it in view of IFRS implementation by applying it to retained earnings. General Resolution 592/11 above-mentioned, establishes that it will be possible to make such record at any annual or intermediate closing period until the fiscal year closing immediately preceding the first period in which the IFRS be applied. Therefore, the Company exercising that option will record it as of December 31, 2012. It is estimated that the above-mentioned deferred tax liability will amount approximately $ 282 million as of December 31, 2012.

2. Preparation of financial statements (Continued)

(f) New accounting pronouncements (Continued)

According to General Resolution 592/11, the Shareholders' Meeting considering the financial statements for the year ended December 31, 2012 will be able to allocate the amount of such deferred tax liability to any account of the Shareholders' equity (excluding the Common stock account and the Legal reserve). There is no pre-determined order for this allocation.

Since the date of issuance of these financial statements and until the date of adoption of the IFRS, new standards and/or interpretations may be issued as well as new events can occur in the Company. Consequently, TGN will continue analyzing any potential additional impacts to be generated by the adoption of IFRS.

3. Summary of significant accounting policies

Below there 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 the previous year.

(a) Cash and banks

Cash and banks are stated at nominal value.

(b) Assets and liabilities nominated in foreign currency

Assets and liabilities nominated in foreign currency have been valued at year-end exchange rates.

(c) Short-term investments

Short-term investments in mutual funds have been valued at the prices of units at the end of each year. Government bonds have been valued at estimated net realizable value. Time deposits, stock exchange securities and other investments in US$ have been valued at nominal invested capital plus accrued interests.

(d) Accounts receivables and accounts payable

Non-current trade receivables, related to disputed customer balances mentioned in Note 1.c.v) have been valued on the basis of the best estimate of the amount to be collected, using a discount rate to reflect the time value of money and the specific risks associated with the transaction estimated at the time of its addition to assets and considering the estimated collection term.

The rest of the accounts receivables and the accounts payable have been stated at nominal value. The values thus obtained do not differ significantly from those that would have been obtained if they had 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 and 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 of 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.

3. Summary of significant accounting policies (Continued)

(e) Other receivables and liabilities (Continued)

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 had been valued based on the best estimate of the amount receivable and/or payable, respectively, discounted at a rate reflecting the time value of money and the specific risks of the transaction estimated at the date of their addition to assets and/or liabilities.

(f) Foreign investments

The investments in foreign related companies Comgas Andina S.A. (“COMGAS”) and Companhía Operadora do Rio Grande do Sul (“COPERG”) have been valued according to the equity method of accounting, on the basis of the last issued financial statements of those companies at the date of issuance of these financial statements (Note 19.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 its investment in COPERG fully covered with an allowance because the business of that company 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

Materials and spare parts are stated at replacement cost. Where necessary, an allowance is made for obsolete and slow-moving 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

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 until they were placed into service.

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

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

Accounting and tax depreciation charges are calculated according to the straight line method at annual depreciation 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, 2011 pipeline recoating campaigns were carried out over a length of 345.0 km. In accordance with ENARGAS Resolutions Nos. 1,660/00 and 1,903/00, $ 126.5 million were capitalized and were included in the “Recoating” line (Note 19.a)), becoming part of the Company's essential fixed assets and, consequently, of its tariff base.

3. Summary of significant accounting policies (Continued)

(h) Fixed assets (Continued)

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 its 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 fixed assets.

(i) Other assets - gas stock

Gas stored in pipelines, which is considered necessary to maintain its operating capacity, is stated at replacement value plus the average carriage price, which does not exceed its recoverable value.

(j) Loans

Under professional accounting standards in force, 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, 2011 and 2010, loans have been stated at nominal value of principal, interest and penalties accrued and unpaid, 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, as indicated in Note 7.

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 issuance of these financial statements.

(l) Minimum presumed income tax

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

The Company has recognized the minimum presumed income tax paid in previous years and the amount accrued during the current year 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 abovementioned credit has been recorded at its nominal value.

(m) Allowances and provisions

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

3. Summary of significant accounting policies (Continued)

(m) Allowances and provisions (Continued)

- Allowance for disputed amounts (charged to Net revenues): set up on the basis of an individual analysis of the recoverability of the receivables portfolio, as indicated in section p) of this Note.

- 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 and Cost of services): set up to cover possible payments claimed to 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, the Legal reserve and the Retained earnings 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 investments in foreign related companies, calculated by the equity method of accounting and (iii) the use of materials and spare parts 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 National State provided for a reduction in certain social security benefits paid by companies. However, Resolution 234/95 of the ENARGAS stated that gas carriage companies should pass this benefit through their customers via a reduction in their monthly billings.

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.

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 1.c.v)). These allowances are recorded adjusting the net revenues line.

Total turnover tax charge is included in selling expenses. Following ENARGAS´ resolutions, the effect of turnover tax rates is passed through the customers via an increase in the monthly billings for regulated services.

Revenues from Management fees relating to gas trust programs have been recognized on the basis of the expenses incurred by the Company.

3. Summary of significant accounting policies (Continued)

(q) Balances 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 current market conditions.

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

(r) Derivative instruments

During the year ended December 31, 2010 TGN conducted exchange rate risk hedging transactions to cover its funds balances in pesos. The cost of these operations at that date amounted to $ 3.3 million.

As of December 31, 2011, there are no contracts in force to protect against exposure to those potential fluctuations in the peso/US dollar exchange rate.

(in thousands of Argentine Pesos, except where specifically mentioned)

4. Breakdown of the main accounts of the Balance sheets, Statements of operations and Statements of cash flows

Accounts	December 31, 2011	December 31, 2010
a) Accounts receivable		
Current		
Gas carriage service		
Billed		
Distributors	22,486	19,922
Industrial	14,787	17,130
Generators	2,638	631
Unbilled	29,368	27,716
Subtotal	69,279	65,399
Other services		
Billed	14,242	9,516
Unbilled	2,822	2,477
Subtotal	17,064	11,993
Allowance for doubtful accounts (Note 19.d))	(17,491)	(11,363)
Allowance for disputed amounts (Note 19.d))	(11,660)	(11,622)
Total	**57,192**	**54,407**
Non Current		
Gas carriage service		
Billed		
Distributors	137,729	73,235
Industrial	262,928	244,386
Unbilled	5,776	9,192
Subtotal	406,433	326,813
Allowance for disputed amounts (Note 19.d))	(254,332)	(194,318)
Total	**152,101**	**132,495**
b) Other receivables		
Current		
Gas carriage service		
Commercial indemnifications receivable (Note 14)	140,427	70,305
Attachments and guarantee court deposits	34,613	32,350
VAT, net	903	-
Tax credits – withholdings and perceptions	4,426	2,622
Key management personnel (Note 5)	1,871	1,378
Prepaid expenses	7,887	4,655
Fees and expenses – loans restructuring	29,080	24,452
Guarantee deposits	845	-
Sundry	161	6,820
Subtotal	220,213	142,582
Others		
Management fees – Gas Trust Program	4,866	3,592
Receivables with controlling shareholder (Note 5)	8	8
Foreign related parties (Note 5)	1,148	318
Other related parties (Note 5)	276	385
Receivables from transactions on behalf of third parties	1,608	1,451
Advances and loans to employees	983	654
Receivables from sundry sales	16,554	13,118
Subtotal	25,443	19,526
Allowance for doubtful accounts (Note 19.d))	(3,557)	(1,856)
Total	**242,099**	**160,252**

(in thousands of Argentine Pesos, except where specifically mentioned)

4. Breakdown of the main accounts of the Balance sheets, Statements of operations and Statements of cash flows (Continued)

Accounts	December 31, 2011	December 31, 2010
b) Other receivables (Continued)		
Non Current		
Gas carriage service		
Commercial indemnifications receivable (Note 14).....	1,487	114,433
Deferred tax asset, net (Note 7)	109,770	55,988
Minimum presumed income tax (Note 7)	102,147	79,041
Turnover tax withholdings	113	113
Deposit in escrow and disputed tax payments	8,383	7,994
Guarantee deposits	-	699
Allowance for deposit in escrow and disputed tax payments (Note 19.d))	(8,383)	(7,994)
Subtotal	213,517	250,274
Others		
Management fees – Gas Trust Program	14,584	4,744
Loans to employees and sundry	621	231
Subtotal	15,205	4,975
Total	**228,722**	**255,249**
c) Materials and spare parts		
Current		
Consumable materials and spare parts	18,072	17,665
Total	**18,072**	**17,665**
Non-current		
Consumable materials and spare parts	120,428	118,336
Allowance for slow-moving and obsolescence (Note 19.d))	(85,385)	(83,807)
Total	**35,043**	**34,529**
d) Accounts payable		
Gas carriage service		
Suppliers	1,937	9,589
Administration trust ("Importation of natural gas") (Note 17)	2,464	1,650
Other related parties (Note 5)	61,586	42,472
Unbilled services and purchases	17,830	24,350
Total	**83,817**	**78,061**
e) Taxes payable		
Minimum presumed income tax	6,081	-
Income tax	-	7,314
VAT, net	-	657
VAT withholdings and perceptions	2,586	881
Income tax withholdings	2,191	1,449
Provision for income tax withholdings to foreign parties (Note 19.e))	28,405	16,485
Turnover tax withholdings and perceptions	424	158
Total	**39,687**	**26,944**
f) Others		
Current		
Section 9.6.2 – Basic rules of the License (Note 3.p))	18,433	18,433
Easements	2,492	2,462
Key management personnel fees (Note 5)	1,871	1,378
Advanced payments	528	195
Customer's warrants and others	281	171
Total	23,605	22,639
Non-current		
Easements	34,727	28,165
Total	**34,727**	**28,165**

(in thousands of Argentine Pesos, except where specifically mentioned)

4. Breakdown of the main accounts of the Balance sheets, Statements of operations and Statements of cash flows (Continued)

Accounts	December 31, 2011	December 31, 2010
g) Net revenues		
Gas carriage service		
Gas carriage service	415,172	560,121
Allowance for disputed amounts and others (Note 3.p))	(42,614)	(104,902)
Subtotal...	372,558	455,219
Other services		
Pipeline O&M services.............................	28,665	28,835
Management fees – Gas Trust Program (Notes 3.p))....	5,701	11,186
Subtotal	34,366	40,021
Total	**406,924**	**495,240**
h) Other financial and holding results:		
Generated by assets:		
Bank commissions and expenses	(1,050)	(882)
Holding results	9,062	5,649
Result of exchange rate risk hedging transactions (Note 3.r))	-	(3,280)
Result on discounting at present value	(22,587)	(43,066)
Total	**(14,575)**	**(41,579)**
Generated by liabilities:		
Bank commissions, taxes and expenses on banking and financial operations	(7,253)	(7,188)
Result on discounting at present value	-	(75)
Discounts	333	179
Total	**(6,920)**	**(7,084)**
i) Other income and expenses, net		
Income from commercial indemnifications (Note 14) ...	108,444	301,911
Net result from disposal of fixed assets	(1,313)	(553)
Net income from sundry sales and others	3,193	4,648
Recovery of damages	119	353
Total	**110,443**	**306,359**
j) Statements of Cash Flows - Cash and cash equivalents:		
Cash and banks	6,033	63,991
Mutual funds in $	18,261	18,677
Mutual funds in US$	28,734	-
Time deposits in $	30,019	31,229
Time deposits in US$	121,927	125,064
US Treasury Bills	-	15,741
Stock exchange securities in $	3,200	27,404
Cash and cash equivalents as of end of the year	**208,174**	**282,106**

(in thousands of Argentine Pesos, except where specifically mentioned)

5. Balances and transactions with controlling shareholder, foreign related parties, other related parties and key management personnel

	December 31, 2011	December 31, 2010
Balances with controlling shareholder, foreign related parties, other related parties and key management personnel		
Accounts receivable:		
Current:		
Other related parties	21,400	15,826
Other receivables:		
Current:		
Controlling shareholder (Note 4.b))	8	8
Foreign related parties (Note 4.b))	1,148	318
Other related parties (Note 4.b))	276	385
Key management personnel (Note 4.b))	1,871	1,378
Accounts payable:		
Other related parties (Note 4.d))	61,586	42,472
Others:		
Current:		
Key management personnel (Note 4.f))	1,871	1,378
Transactions with controlling shareholder, foreign related parties, other related parties and key management personnel		
Controlling shareholder:		
Other income and expenses, net	25	25
Foreign related parties:		
Net revenues	58	60
Expenses paid on behalf of third parties	-	14
Collection of cash dividends	1,634	2,098
Other related parties:		
Net revenues	71,103	69,178
Cost of services	(13,335)	(29,310)
Administrative expenses	(896)	-
Other income and expenses, net	779	274
Purchase of materials and spare parts	-	350
Purchase of fixed assets	2,441	6,600
Key management personnel:		
Technical-administrative services (Note 19.f))	(957)	(708)
Statutory auditor´s committee's fees (Note 19.f))	(879)	(636)

6. Income per share

Income per ordinary share has been calculated as the quotient obtained by dividing the results for the years ended December 31, 2011 and 2010, by the weighed average of outstanding ordinary shares, which made a total of 439,373,939 shares at those dates.

At December 31, 2011 and 2010 there are no debt securities convertible into shares, so no diluted earnings per share have been disclosed.

(in thousands of Argentine Pesos, except where specifically mentioned)

7. Income tax and minimum presumed income tax

A breakdown of the Company's deferred tax assets and liabilities as of December 31, 2011 and December 31, 2010 is presented below:

	December 31, 2011	December 31, 2010
Breakdown of deferred tax assets and liabilities:		
Accounts receivable (doubtful accounts and discount at present value) ..	(28,164)	(1,719)
Other receivables (doubtful accounts and discount at present value)	19,300	21,365
Fixed assets (valuation)	(22,323)	(21,432)
Materials and spare parts (valuation)	29,885	29,332
Other assets (valuation)	(8,157)	(7,821)
Accounts payable	22,736	15,047
Contingencies (claims)	21,771	20,547
Tax loss carry-forward	74,080	-
Fees for technical-administrative services and statutory auditor´s committee	642	669
Net deferred tax asset	**109,770**	**55,988**

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 CPCECABA), 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 $ 299,8 million, and its reversal would have taken place in a total approximate term of 16 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)	
2012	50,7	17,7
2013	50,0	17,5
2014	49,9	17,5
2015	49,6	17,4
2016	49,0	17,1
2017	48,6	17,0
2018	43,2	15,1
2019	42,8	15,0
2020	41,1	14,4
2021	40,2	14,1
2022	39,5	13,8
2023	33,3	11,6
2024	29,1	10,2
2025	27,4	9,6
2026	23,1	8,1
2027	239,0	83,7
Total	**856,5**	**299,8**

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

(in thousands of Argentine Pesos, except where specifically mentioned)

7. Income tax and minimum presumed income tax (Continued)

	December 31, 2011	December 31, 2010
Net result before income tax	(207,860)	141,021
Statutory income tax rate	35%	35%
Subtotal income tax charge at statutory tax rate	**72,751**	**(49,357)**
Permanent differences at statutory income tax rate:		
Inflation adjustment	(18,147)	(18,461)
Non-deductible expenses	(84)	(85)
Results from foreign investments	(126)	465
Others	(612)	(519)
Income tax charge	**53,782**	**(67,957)**
Current income tax charge	-	(47,745)
Deferred income tax charge	53,782	(20,212)
Income tax charge	**53,782**	**(67,957)**

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

	12.31.2011	12.31.2010
Recorded income tax	**53,782**	**(67,957)**
Temporary differences:		
Variation in valuation of accounts receivable and other receivables	28,510	19,283
Variation in valuation of fixed assets	891	(739)
Variation of the provision for contingencies	(1,224)	(905)
Variation in valuation of loans and expenses relating to its restructuring	(4,172)	2,699
Variation of the allowance for obsolete and slow-moving materials and spare parts and other assets	(217)	(268)
Net variation of tax loss carry forwards	(74,080)	10,073
Variation of accounts payable and other liabilities	(3,490)	(9,931)
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, 2011:

Year	Amount	Expires in
2004	14,683	2014
2005	16,294	2015
2006	12,362	2016
2007	13,426	2017
2008	6,797	2018
2009	17,085	2019
2011 (estimated)	21,500	2021
Balance at December 31, 2011 (Note 4.b))	**102,147**	

The projections of future taxable income have been taken into consideration for the calculation of the deferred tax. Such 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 such projections, the book value of the assets for deferred tax and for minimum presumed income tax does not exceed its recoverable value.

(in thousands of Argentine Pesos, except where specifically mentioned)

8. Business Segment information

The following tables show additional information about the income statements at December 31, 2011 and 2010 and the main balance sheet captions of the Company at those dates, segregated by business segment:

Result for the year ended December 31, 2011	**Gas carriage service**		**Other services**	**Total**
	Domestic	**Exports**		
Net revenues	297,840	74,718	34,366	406,924
Cost of services, administrative and selling expenses (before depreciation)	(303,393)	(10,354)	(17,415)	(331,162)
Depreciation	(123,253)	(9,717)	(133)	(133,103)
Other income and expenses, net	1,851	108,590	2	110,443
Result from foreign investments	-	-	(360)	(360)
Financial and holding results	(220,591)	(39,773)	(238)	(260,602)
Income tax	107,157	(47,548)	(5,827)	53,782
Net result for the year	**(240,389)**	**75,916**	**10,395**	**(154,078)**

Balances as **of December 31, 2011**	**Gas carriage service**		**Other services**	**Total**
	Domestic	**Exports**		
Fixed assets	1,794,528	141,469	1,938	1,937,935
Accounts receivable	35,083	157,147	17,063	209,293
Loans	1,798,598	141,790	1,942	1,942,330
Other assets (net of liabilities)	871,153	68,676	941	940,770
Shareholders’ equity	902,166	225,502	18,000	1,145,668
Purchase of fixed assets	56,625	4,464	61	61,150

Result for the year ended December 31, 2010	**Gas carriage service**		**Other services**	**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 and expenses, net	3,768	302,589	2	306,359
Result from foreign investments	-	-	1,327	1,327
Financial and holding results	(190,340)	(34,248)	(135)	(224,723)
Income tax	84,256	(144,461)	(7,752)	(67,957)
Net result for the year	**(174,343)**	**231,715**	**15,692**	**73,064**

Balances as of December 31, 2010	**Gas carriage service**		**Other services**	**Total**
	Domestic	**Exports**		
Fixed assets	1,703,878	306,416	1,207	2,011,501
Accounts receivable	34,360	140,549	11,993	186,902
Loans	1,386,528	249,477	982	1,636,987
Other assets (net of liabilities)	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

Net revenues 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.

(in thousands of Argentine Pesos, except where specifically mentioned)

9. Restricted assets

(i) A substantial portion of the assets transferred by GdE (mainly pipelines, compressor Plants and high-pressure control and measurement Stations), just to mention those that represent the most significant balances (Note 19.a)), 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$ 8.1 million according to what it is mentioned in Note 13.i).

10. Loans

The negotiable obligations issued by the Company in 2006, in force up to December 22, 2008, have the following characteristics:

	Class A negotiable obligations	Class B negotiable obligations
Amount	NV US$ 250.0 million	NV 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.	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.

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 loan 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 the principal and interest payments on the Series A and B negotiable obligations after their due date. At December 31, 2011 the past due principal installments amounted to US$ 117.8 million.

(in thousands of Argentine Pesos, except where specifically mentioned)

10. Loans (Continued)

Postponement of December 2008 loan payments (Continued)

Total loan as of December 31, 2011 amounts to US$ 451.3 million, which is formed by US$ 344.9 million of principal, US$ 89.3 million of past-due contractual interest and US$ 17.1 million of punitive interest.

Breakdown of loan balances as of December 31, 2011 and 2010

	12.31.2011	12.31.2010
Class A negotiable obligations		
Principal	608,069	561,729
Interest	134,535	82,153
Punitive	32,887	13,558
Class B negotiable obligations		
Principal	876,424	809,633
Interest	249,781	153,830
Punitive	40,634	16,084
Total Loans	**1,942,330**	**1,636,987**

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 a Restructuring Agreement Proposal ("APE") 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, Non Convertible

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 non 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 July 17, 2008, date that CNV issued Resolution No. 15,928, approving its creation.

Proposal of restructuring of the financial debt

A swap offer ("Swap Offer") and request of consideration for an APE made on September 8, 2009 was approved by the Bondholders' Meeting held on October 14, 2009 under section 45 *bis* of Law 24,522, called for by the Commercial Court of original jurisdiction No. 2, Office No. 4, in and for the City of Buenos Aires in the case "Transportadora Gas del Norte S.A. on Restructuring Agreement Proposal - APE" by a majority of favorable votes representing 87.95 % computed on the total of bondholders that participated and casted their votes.

Taking into consideration the consents issued by the creditors that did not take part of such meeting (including late consents), 87.97 % approved the Swap Offer that is computed on the total debt to be restructured.

10. Loans (Continued)

Proposal of restructuring of the financial debt (Continued)

The Swap Offer is to restructure: (i) the remaining principal for US$ 141,279,932 on the Class A negotiable obligations issued by the Company; (ii) the remaining principal for US$ 203,630,111 on the Class B negotiable obligations 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").

The Swap Offer establishes, subject to compliance with certain conditions, that each holder of Outstanding Debt will receive at its choice:

- Cash Option

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

- Swap Option at Par

Principal for US$ 1,000 on new Negotiable Obligations 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 Negotiable Obligations at par for up to US$ 247.3 million. The Negotiable Obligations 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.

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 ("LCQ"), all pecuniary actions filed against TGN having been stayed, with the exceptions of the actions established by section 21 of that law (See Note 13.i).

Private creditors, which as a whole represented approximately 2.4% of the total liabilities subject to restructuring, had contested the APE subject to confirmation by the court. Refer to Note 13.i).

In March 2011, TGN was notified of a complaint filed by the Administración Nacional de la Seguridad Social ("ANSeS") as holder of the defaulted debt, seeking that the aforementioned bondholders' meeting held on October 14, 2009 and a supplementary meeting held on October 16, 2009 be declared null and void. The Company answered this complaint and requested to be declared null (Note 13.i)).

Lastly, the APE envisages certain grounds for automatic rescission of the reorganization proposal (APE, Section 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 (APE, Section 10.1 (b)). Under the terms of the APE, failing the confirmation, effective April 14, 2011 accepting creditors that represent 25% of debt within APE may request the termination of the APE. At the date of issuance of these financial statements, the judicial approval of the APE is pending resolution and the Company has only been served notice of the termination of the APE from an accepting creditor holding claims for US$ 100,000.

(in thousands of Argentine Pesos, except where specifically mentioned)

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 under certain considerations 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 APE 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 IAS 1, 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 collection actions, as described in Note 13,i), in view of which or of others that could hereafter be submitted or initiated the Company would have to file for protection under the LCQ.

The Basic Rules of the License (“RBL”) of TGN provide that the “declaration of bankruptcy” is 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 envisaged for the termination of the License.

Nevertheless, in accordance with the RBL, TGN considers that this would cause no adverse immediate effect on its License, because the mere petition for declaration of bankruptcy or insolvency is not 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 section 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 irrevocable contributions:	12.28.92 03.25.94	267,255 84,232	03.07.94 06.09.94	1894 5589	114 115	A A
Issuance of new shares for capitalized loans	09.29.06	87,875	08.18.06	13005	32	-
Total		**439,374**				

12. Shareholders´ equity (Continued)

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

Gasinvest S.A. ("Gasinvest" or "the controlling shareholder"), 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%. The 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.

Any transfer or cession or any action leading to a reduction below 51% of the participation of Gasinvest's original shareholders in the capital of such company, including any subscription defect by these shareholders regarding the capital increase of Gasinvest, can only be made with the ENARGAS' previous approval.

The above-mentioned restrictions do not apply to transfers made between parties belonging to the same economic group, as established in the Bidding Terms and Conditions.

(c) Restriction on the distribution of profits

Under the Argentine Commercial Law N° 19,550, 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 the 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 Shareholders' Meetings that approved the respective annual financial statements set up the sums included in this item. Restrictions are presented in Note 12.c)

13. Contingencies

The Company is a party to several legal 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 estimations described in Note 2.d), 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 there 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

In December 2010, the National Supreme Court of Justice dismissed the motion for admission of a denied appeal filed by TGN, thus confirming an ex-officio assessment made by the Tax Authorities of the province of Salta. The assessment was

13. Contingencies (Continued)

(a) Turnover Tax – Province of Salta (Continued)

related to the tax on economic activities based on the market value of the withheld gas. A case for an analogous assessment is still pending. The Tax Authorities demand payment of $ 2.1 million as tax, $ 1.6 million as interest, and $ 1.0 million as fines for the tax 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.

(b) Fines imposed by the ENARGAS

At the date of issuance of these financial statements, the Company was notified of twenty three fines applied by the ENARGAS for a total amount of $ 9.8 million, of which thirteen have been appealed in the administrative orbit for $ 4.8 million and ten for $ 5.0 million, which were confirmed by the National Court of Appeals on Federal Administrative Matters and have been appealed by TGN to the National Supreme Court of Justice, either by ordinary and extraordinary appeals.

(c) Rescission of firm gas carriage contract with AES Paraná S.C.A. (“AES Paraná”)

In July 1999, AES Paraná (a company that has been taken over by AES Alicurá in 2008, which then changed its denomination to AES Argentina Generación S.A.) (“AES”) and the Company had entered into a firm gas carriage contract, 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 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 answered the complaint in May 2003, objecting to its prosecution and claiming damages for non-compliance with the contract.

In June 2006, both parties reached a transitory agreement by which they will: (i) suspend the prosecution of their respective claims and (ii) rescind the firm carriage contract if AES obtains the providing of the carriage service of at least 1.5 MMm3/d (minimum volume) before December 1, 2008.

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.

13. Contingencies (Continued)

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

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, 2011, the amount of the allowance recorded to settle possible claims being made by AES is considered sufficient.

(d) Tax assessments related to payments to negotiable obligation holders

Since December 2004, TGN is engaged in litigation with the Administración Federal de Ingresos Públicos ("AFIP"). The case is pending before the National Tax Court. This controversy arises from a value added tax assessment made on the interest paid to the International Finance Corporation as a result of the negotiable obligations issued by TGN in the framework of negotiable obligations issued in accordance with Law No. 23,576. According to TGN, the claim might amount to $ 21.5 million approximately.

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

In late December 2005 TGN was notified of two resolutions whereby AFIP 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 ought to be higher than those adopted by the Company.

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

(f) Redirecting of the carrying capacity

As from April 2004, the ENARGAS started to adopt several regulatory resolutions establishing the reassignment to the distributor GasNea S.A., the sub-distributor Redengas S.A. and the distributor Gas Cuyana S.A. of certain firm carrying capacity volume that originally corresponded to the firm carriage contract entered into between TGN and YPF in 1998 to supply a power plant in Uruguaiana.

All these regulatory orders ceased as the term established by the ENARGAS on April 30, 2011 was terminated.

13. Contingencies (Continued)

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

Due to the redirection of the carriage capacity established by the ENARGAS, YPF started to irregularly pay the carriage invoices alleging partial capacity unavailability. In February 2007 YPF requested a comprehensive review of the carriage contract claiming that the measures adopted by the National State regarding gas exports had unpredictably altered the economic-financial equation of such contract. TGN rejected the claim and demanded the compliance of the contract.

On April 20, 2009 TGN filed legal action against YPF: (i) demanding compliance with the carriage contract signed with YPF; (ii) claiming payment of past-due invoices. The claim amounts to US$ 74.8 million (including subsequent extensions), based on the invoices issued by TGN for services rendered between January 2007 and October 2010, both of them plus interest accrued at each respective date, plus interest to be accrued until the sums are repaid by YPF.

YPF filed motion for challenge to the jurisdiction of the court (that was dismissed by firm resolutions of the trial and appealing court) and, in the alternative, answered the complaint alleging basically that TGN had not complied 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 carriage contract, effective September 15, 2008. 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.

h) Intervention in TGN established by the ENARGAS

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

i) Petitions for bankruptcy and action for executory collection – Court confirmation of the APE.

As a result of the postponement of the payments of its financial debt (Note 10), at the date of issuance of these financial statements 22 notified executory proceedings are pending against TGN before the National Commercial Courts. In all of those lawsuits, firm writs of execution and judicial sale were issued. Moreover, the Company faced petitions for bankruptcy that were rejected on grounds that, as far as TGN is concerned, the legal requirements for filing those petitions are not met.

Under the mentioned petitions for bankruptcy and collection actions there are funds subject to court attachments for approximately US$ 8.1 million (including principal, interest and estimated legal expenses).

It is worth mentioning 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 LCQ for the stay of all pecuniary actions filed against TGN, with the exceptions of the actions established by section 21 of the law mentioned before. The APE submitted to the court for approval was challenged by private creditors, which as a whole represented approximately 2.4% of the total liabilities subject to restructuring.

13. Contingencies (Continued)

i) Petitions for bankruptcy and collection actions – Court confirmation of the APE. (Continued)

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 the formalities for the confirmation of the APE and the protection by the said Section 72 of the LCQ previously decreed and the authorization process of public tender of the new par bond before the CNV was suspended. The protection provided by section 72 was restored in January 2010 by the Court of Appeals in Commercial Matters during the legal recess and on July 15, 2010 Panel C left the other suspensions without effect.

The National Supreme Court of Justice rejected a complaint against that decision, filed by the Attorney General.

A petition filed by the Attorney General in September 2010 to declare the nullity of all actions performed under the APE was dismissed in April 2011 by the intervening trial court. The Attorney General alleged the illegality of the bondholders' meeting held on October 14, 2009, the unconstitutionality of the APE, and the supposed deceitful and fraudulent nature of TGN's exchange offer. The appeal interposed by the Attorney General and the one interposed by TGN questioning her participation in first instance ought to be resolved by the chamber. Until such appeals are not firm, the judge in charge of the APE decided to postpone the treatment of the challenges made to the APE, previously celebrating a conciliation hearing with the participation of TGN, disagreeing and challenging creditors, among others.

In March 2011, TGN was notified of a complaint filed by ANSeS as holder of the defaulted debt, seeking that the aforementioned bondholders' meeting held on October 14, 2009 and a supplementary meeting held on October 16, 2009 be declared null and void. TGN answer the complaint and requested to be declared null.

j) Dispute with Metrogas Chile ("Metrogas")

On April 21, 2009, TGN was notified of a declarative action filed by Metrogas, 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. No sentence has been pronounced to date.

In September 2009 Metrogas 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 Metrogas, had apparently been confirmed and injected into the intake by its producers / suppliers.

TGN rejected, on inadmissibility grounds, the unilateral declaration of contract rescission, as well as the claim for damages made by Metrogas, as TGN has complied with its obligations under the binding gas carriage contract between the parties. As it is publicly widely known, for some years the local gas production has not been enough to satisfy the domestic demand and exportation. This shortage led the national authorities to put in force a series of regulations that set restrictions to the exportation of natural gas with the purpose of first ensuring the supply of the domestic market.

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

13. Contingencies (Continued)

j) Dispute with Metrogas Chile ("Metrogas") (Continued)

Having finished an off-court mediation hearing process, in September 2011 the Company filed a lawsuit regarding contract fulfillment, claiming a US$ 37.2 million payment (plus interests) for transportation services billed and unpaid, between September 2009 and August 2011.

k) Previous administrative claim against the National State

In March 2011 TGN filed an administrative claim before the MPFIPyS for the damage suffered by the company as a consequence of the pesification of its rates, established in the LEP, and the subsequent freezing of rates persisting since such law was approved.

The amount of the claim includes the damage suffered between 2002 and 2010 and amounts to $ 1,165.4 million, plus interests accrued for $ 344.7 million.

The filing of this claim is due to the necessity of protecting TGN's rights, which otherwise could be affected by the course of the statute of limitation on the legal action for damages. Nevertheless, TGN intends to continue participating in the process of renegotiation of its License according to the procedure ruled by Decree 311/03 and its supplementary rules.

In July 2011 TGN filed a declarative judgement against the National State for the purpose of declaring the suspension of the statute of limitations on the legal action for damages during the course of renegotiation of the License before the UNIREN in order to promote the legal action for the damages abovementioned. In answering the complaint, the MPFIPyS requested its rejection, but it sustained, however, that the filing of the abovementioned administrative claim interrupts or suspends the statute of limitation on the legal action for damages. In October 2011 the action was rejected. The court considered that the previous administrative claim filed by TGN in March 2011, while unresolved, interrupts or suspends the statute of limitation on the legal action for damages, and came to the conclusion that there is no injury nor current damage to TGN that allows to take the legal proceedings intended.

l) Actions for protection against the National State

The Company initiated actions for protection against the National State before the National Court on Federal Administrative Matters with the purpose of: (i) achieving that the 20% rate increase established in the Transitory Agreement celebrated with the National State in October 2008 comes into force, considering the delay incurred by the administration, and (ii) obtaining the application of the extraordinary mechanism of rates review envisaged by Section 46 of the Natural Gas Act considering that the process of renegotiation of its License before the UNIREN does note show any progress. In the first case TGN received a favorable second instance sentence that could be appealed by the administration. In the latter, the first instance sentence in favor of TGN was appealed by the ENARGAS and revoked in second instance, having the Company filed an extraordinary appeal.

14. Compromise and settlement with export customers

a) Compromise and settlement with Sociedad Eléctrica Santiago S.A. ("ESSA")

In December 2010 the Company and ESSA entered into a compromise and settlement through which the firm natural gas carriage contract entered into in August 1995, for a term that would expire in July 2022, was extinguished. Both parties renounced to make claims of any kind to each other, related directly or indirectly to the contract, and ESSA committed to pay certain economic compensations to TGN.

14. Compromise and settlement with export customers (Continued)

a) Compromise and settlement with Sociedad Eléctrica Santiago S.A. ("ESSA") (Continued)

Up to the date of issuance of these financial statements, ESSA has made payments to TGN for up to US$ 30.1 million.

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 applicable rate at the date of the agreement), in exchange for receiving an economic compensation, which will eventually produce a negative net effect on its expected cash flows.

The accounting effect of the compromise and settlement is recorded under "Other income and expenses, net".

b) Compromise and Settlement with Colbun S.A. ("Colbun")

In July 2010, TGN and Colbun entered into a compromise and settlement which brought to a conclusion the disputes between both companies over the natural gas firm carriage 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 Colbun (hereinafter the "Reverted Contract" and, together with the contract, the "Contracts").

In view of the compromise and settlement, the contracts were cancelled and both parties waived the right to reciprocally file claims of any kind, related directly or indirectly to those Contracts. Additionally, Colbun committed to pay certain economic compensations, partly fixed and partly variable.

Up to the date of issuance of these financial statements, TGN collected US$ 4.0 million on account of the variable compensation and interests on the fixed compensation, and US$ 41.7 million on account of fixed compensation.

In addition, the Trustee, TGN and Colbun resolved to: (i) dissolve the Trust; (ii) waive the right to reciprocally file claims; and (iii) the acquisition by TGN of the pipelines whose trust ownership corresponds to the Trust for US$ 2.6 million.

The compromise and settlement also implies that TGN shall cease to collect the revenues agreed under the contract from October 2009 inclusive until December 2022 (US$ 0.699 million per month, at the applicable rate at the date of the agreement), and for the Reverted Contract from July 2010 until December 2027 (US$ 0.113 million per month, at the applicable rate at the date of the agreement) in exchange for receiving and economic compensation, which will eventually produce a negative net effect on its expected cash flows.

The accounting effect of the compromise and settlement is recorded under "Other income and expenses, net".

c) 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 previous 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, and includes the payment to TGN of certain economic compensations. Up to the date of issuance of these financial statements, TGN collected US$ 4.5 million on account of such compensation.

14. Compromise and settlement with export customers (Continued)

c) Temporary compromise and settlement with Gasoducto Norandino Argentina S.A. ("NAA") (Continued)

The accounting effect of the compromise and settlement is recorded under "Other income and expenses, net".

15. Financial trusts for expansion on the exportation market

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 (the "Program") 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 Trust Agreement 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.

Under this Program, the Company´s Board of Directors authorized the creation of the "*TGN Series 01*" trust currently in force, through which securities were issued for a nominal value of US$ 7.5 million that were subscribed and integrated on March 26, 2004, and were applied to the expansion of carrying capacity of 303,000 m3/d contracted by Metrogas Chile S.A..

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

Under the Trust Agreement, neither the Company nor the Trustee is liable with their own respective assets to pay, if principal and/or interest and/or taxes and expenses on the securities issued by the trust 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 trust is not consolidated in the Company's financial statement.

16. Financial trusts for expansion on the local market organized by the National Secretariat of Energy

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

On April 2006 the National Congress enacted the law 26,095 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

In 2004 the National State 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 National Secretariat of Energy and administered by Nación Fideicomisos S.A. ("NAFISA"), as trustee, entrusted TGN with the management of the northern gas pipeline expansion works. TGN contributed with US$ 8.4 million for a partial payment of the works.

16. Financial trusts for expansion on the local market organized by the National Secretariat of Energy (Continued)

a) Trust for the 2005 northern gas pipeline expansion work (Continued)

Expanded assets will form part of the 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”

In 2006 a second expansion project of 15.2 MMm3/d in the Central-Western and Northern gas pipeline was started at the request of the National Secretariat of Energy. The trust structure previously mentioned in section a) was adopted.

The work was divided into stages, the first of which started in October 2007. At the date of issuance of these financial statements, works representing an increase of 2.275 MMm3/d in the Northern gas pipeline capacity and 1.4 MMm3/d in the Central-Western gas pipeline have been finished.

The total fee to be collected by TGN as the project manager was $ 75.8 million (before value added tax (“VAT”)) and was supposed to be monthly collected in 44 installments between February 2006 and September 2009. The first $ 31 million (including VAT) were supposed to be collected in trust bonds.

As of late December 2011 the management fee billed amounted to $ 91.7 million, including VAT, totalizing the 44 installments envisaged by the contract. Up to then, the Company received from NAFISA $ 57.5 million in cash that, jointly with the $ 17.9 million received in trust bonds, has been applied partially to past due invoices.

The management contract expired in September 2009. However, as the project continues and until a new agreement is reached, TGN is empowered to receive a monthly sum equivalent to 1% of the contract value as an advance of what will be finally settled. For that reason, TGN additionally billed $ 22.9 million (including taxes) for the October 2009 to September 2011 period.

However, on October 15, 2009 a note was received from the National Secretariat of Energy indicating that both the ENARGAS and NAFISA “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 NAFISA 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.

In connection with the delay in the payment of management services, on May 9, 2011 TGN claimed the total amount of $ 108.4 million including past due principal, contractual interest and punitive interest. A similar claim against the National Secretariat of Energy was rejected by that office. The Company and NAFISA hold an off-court mediation process in relation to this claim.

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

17. “Importation of Natural Gas” administration trust

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

When ENARGAS Resolutions I/1,982, I/1,988 and I/1,991 came into force between November and December 2011, the universe of users reached by the charge was extended, quotas were increased and the licensees were instructed to include an allowance in the invoices that partially or fully compensate the charge to certain users. TGN is required to transfer the monthly collected amounts to the Administration Trust.

At present, TGN must apply the charge exclusively to those customers that are connected to its system through a “Physical By-Pass”, that is, without the intervention of a distributor, sub-distributor or other third-parties envisaged in Art 16 Section b) of Law 24,076.

Resolution I/1.988 establishes that in the case of partial collections, the payment received shall be apportionally distributed between all the items included in the respective invoice. As of December 31, 2011 the balance to be transferred to the Administration Trust amounts to $ 2.5 million.

18. Subsequent events

Subsequent to December 31, 2011, there have been no other events, situations or circumstances, that are not publicly known, 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.

19. Other financial statement information

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

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

(in thousands of Argentine Pesos, except where specifically mentioned)

19. Other financial statement information (Continued)

(a) Fixed Assets, net

	12.31.2011														12.31.2010
	Original values					Depreciation						Net book value			
Account	**At the beginning of the year**	**Increases**	**Disposals**	**Transfers**	**At the end of the year**	**At the beginning of the year**	**For the year %**	**For the year Amount**	**Disposals**	**Transfers**	**Accumulated at the end of the year**	**Total**	**Essential items**	**Non-essential items**	**Total**
Land	3,274	-	-	-	3,274	-	-	-	-	-	-	**3,274**	1,976	1,298	**3,274**
Buildings and constructions	77,258	-	-	153	77,411	23,248	2	1,545	-	-	24,793	**52,618**	40,142	12,476	**54,010**
Installations	2,344	-	-	-	2,344	824	4	92	-	-	916	**1,428**	-	1,428	**1,520**
Gas pipelines	2,061,017	-	(690)	16,020	2,076,347	749,604	3,33 and 2,22	57,534	(225)	-	806,913	**1,269,434**	1,269,434	-	**1,311,413**
Recoating (Note 3.h))	109,145	-	-	17,321	126,466	17,559	5,88	8,173	-	-	25,732	**100,734**	100,734	-	**91,586**
High-pressure branch lines	890	-	-	-	890	329	3,33 and 2,22	26	-	-	355	**535**	535	-	**561**
Compressor plants	887,758	-	(721)	42,913	929,950	488,071	4	51,529	(498)	-	539,102	**390,848**	390,848	-	**399,687**
High-pressure control and/or measurement stations	68,932	-	-	2,463	71,395	42,589	5	3,746	-	-	46,335	**25,060**	25,060	-	**26,343**
Other technical installations	45,849	-	(349)	48	45,548	29,901	6,67	2,465	(188)	-	32,178	**13,370**	13,107	263	**15,948**
Machinery, equipment and tools	25,968	208	(58)	-	26,118	23,026	10, 20 and 50	1,053	(58)	-	24,021	**2,097**	-	2,097	**2,942**
IT and telecommunication systems	85,836	-	(900)	4,101	89,037	56,905	10 and 20	4,774	(886)	(18)	60,775	**28,262**	1,224	27,038	**28,931**
Vehicles	17,928	2,724	(808)	-	19,844	14,507	20	1,280	(530)	-	15,257	**4,587**	-	4,587	**3,421**
Furniture and office supplies	10,272	285	(17)	-	10,540	9,342	10	186	(16)	-	9,512	**1,028**	-	1,028	**930**
Assets held at third parties facilities	10,918	-	(32)	276	11,162	6,470	12,5	700	(28)	18	7,160	**4,002**	1,577	2,425	**4,448**
Works in process	65,822	46,729	(467)	(71,830)	40,254	-	-	-	-	-	-	**40,254**	23,037	17,217	**65,822**
Advances to suppliers	665	11,204	-	(11,465)	404	-	-	-	-	-	-	**404**	-	404	**665**
Total as of 12.31.2011	**3,473,876**	**61,150**	**(4,042)**	**-**	**3,530,984**	**1,462,375**		**133,103**	**(2,429)**	**-**	**1,593,049**	**1,937,935**	**1,867,674**	**70,261**	**-**
Total as of 12.31.2010	**3,400,067**	**78,041**	**(4,232)**	**-**	**3,473,876**	**1,333,714**		**131,463**	**(2,802)**	**-**	**1,462,375**	**-**	**1,945,101**	**66,400**	**2,011,501**

(in thousands of Argentine Pesos, except where specifically mentioned)

19. Other financial statement information (Continued)

(b) Investments in other companies (Section 33 – Law 19,550)

Issuer	Shares	Par value	Amount	Cost value	Book value 12.31.2011	Book value 12.31.2010	Information on the issuer: Principal activity	Latest financial statements: Date	Capital stock and capital adjustment	Other Reserves	Retained earnings	Shareholders' equity	% of direct holding
Comgas Andina S.A.	Common	(a) 1	490	246	1,226	3,100	Gas pipeline O&M services	12.31.11	12	2,369	121	2,502	49.0
Companhía Operadora do Rio Grande do Sul	Common	(b) 1	49	0.1	114	552	Gas pipeline O&M services	12.31.11	1	48	184	233	49.0
Impairment of investment(Note 19.(d) and 3.f))					(114)	(552)							
Total					**1,226**	**3,100**							

(a) Chilean Pesos
(b) Brazilian Reais

(in thousands of Argentine Pesos, except where specifically mentioned)

19. Other financial statement information (Continued)

(c) Short-term investments

	December 31, 2011	December 31, 2010
Mutual funds in $	18,261	18,677
Mutual funds in US$ (1)	28,734	-
Time deposits in $	30,019	31,229
Time deposits in US$ (1)	213,621	148,685
US Treasury bills (1)	326,578	102,291
Other investments in US$ (1)	29,776	97,084
Stock exchange securities in $	3,200	27,404
Government bonds in US$ (1)	1,012	1,092
Total	**651,201**	**426,462**

(1) Refer to note 19.e)

(in thousands of Argentine Pesos, except where specifically mentioned)

19. Other financial statement information (Continued)

(d) Allowances and provisions

	12.31.2011				12.31.2010
	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	11,363	6,362 (2)	(234)	17,491	11,363
Allowance for disputed amounts	11,622	38 (1)	-	11,660	11,622
Other receivables					
Allowance for doubtful accounts	1,856	1,892 (2)	(191)	3,557	1,856
Non Current					
Accounts receivables					
Allowance for disputed amounts	194,318	60,014 (1)	-	254,332	194,318
Other receivables					
Allowance for disputed tax payments and judicial escrow accounts	7,994	389 (3)	-	8,383	7,994
Materials and spare parts					
Allowance for slow-moving and obsolescence	83,807	1,578 (4)	-	85,385	83,807
Investments					
Allowance for impairment (Note 19.(b) and 3.(f))	552	(438)	-	114	552
Total allowances deducted from assets	**311,512**	**69,835**	**(425)**	**380,922**	**311,512**
Included in liabilities					
Current					
Contingencies					
Provision for contingencies	33,209	821 (3)	(927)	33,103	33,209
Non Current					
Contingencies					
Provision for contingencies	38,965	3,214 (3)	-	42,179	38,965
Total provisions included in liabilities	**72,174**	**4,035**	**(927)**	**75,282**	**72,174**
Total as of 12.31.2011	**383,686**	**73,870**	**(1,352)**	**456,204**	**-**
Total as of 12.31.2010	**317,387**	**121,620**	**(55,321)**	**-**	**383,686**

(1) 42,614 charged to Net revenues (Note 4.g)) and 17,438 to Financial and holding results generated by assets.
(2) Charged to Selling Expenses – Doubtful accounts (Note 19.f)).
(3) Charged to Administrative expenses – Contingencies (Note 19.f)).
(4) Charged to Cost of Services, slow-moving and obsolete consumption materials and spare parts (Note 19.f)).

19. Other financial statement information (Continued)

(e) Assets and liabilities in foreign currency

	12.31.2011				12.31.2010		
	Foreign currency class and amounts (1)		Exchange rate	Amount in Thousands of $ (1)	Foreign currency class and amounts (1)		Amount in Thousands of $ (1)
Assets							
Current assets							
Cash and banks							
Banks	US$	175	4.264	747	US$	15,949	62,775
				747			62,775
Short-term investments							
Time deposit	US$	50,099	4.264	213,621	US$	37,776	148,685
Mutual funds	US$	6,739	4.264	28,734			-
US Treasury bills	US$	76,590	4.264	326,578	US$	25,989	102,291
Other investments	US$	6,983	4.264	29,776	US$	24,666	97,084
Government bonds	US$	237	4.264	1,012	US$	277	1,092
				599,721			349,152
Accounts receivable							
Gas carriage services	US$	1,183	4.264	5,045	US$	2,163	8,514
Other services	US$	3,663	4.264	15,618	US$	2,571	10,119
				20,663			18,633
Other receivables							
Commercial indemnifications receivable	US$	34,845	4.264	148,580	US$	19,242	75,737
Court attachments and deposits	US$	8,111	4.264	34,586	US$	8,219	32,350
Guarantee deposits	US$	200	4.264	853			-
Prepaid expenses and others	€	100	5.534	553	€	12	63
	US$	4,380	4.264	18,676	US$	3,651	14,370
Foreign investments				-	$ch	6,385	53
	R$	345	2.290	790	R$	114	264
				204,038			122,837
Total current assets				**825,169**			**553,397**
Non-current assets							
Accounts receivables							
Gas carriage services	US$	119,293	4.264	508,664	US$	98,739	388,636
				508,664			388,636
Other receivables							
Commercial indemnifications receivable	US$	400	4.264	1,706	US$	34,400	135,398
Guarantee deposits				-	US$	200	787
				1,706			136,185
Foreign investments							
Comgas Andina (Note 19.b)	$ch	161,293	0.0076	1,226	$ch	373,468	3,100
Companhía Operadora do Rio Grande do Sul (Note 19.b)	R$	50	2.290	114	R$	238	552
				1,340			3,652
Total non-current assets				**511,710**			**528,473**
Total assets				**1,336,879**			**1,081,870**

19. Other financial statement information (Continued)

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

	12.31.2011				12.31.2010		
	Foreign currency class and amounts		Exchange rate	Amount in Thousands of $ (2)	Foreign currency class and amounts		Amount in Thousands of $ (2)
Liabilities							
Current liabilities							
Accounts payable							
Suppliers and unbilled services..........................	US$	315	4.304	1,355	US$	872	3,466
				-	£	1,47	9
Other related parties..................................	US$	14,259	4.304	61,533	US$	10,932	43,464
				62,888			46,939
Loans							
Ordinary non-convertible Class A							
Principal..	US$	141,280	4.304	608,069	US$	141,280	561,729
Interest...	US$	31,258	4.304	134,535	US$	20,662	82,153
Punitive...	US$	7,641	4.304	32,887	US$	3,410	13,558
Ordinary non-convertible Class B							
Principal..	US$	203,630	4.304	876,424	US$	203,630	809,633
Interest...	US$	58,035	4.304	249,781	US$	38,690	153,830
Punitive...	US$	9,441	4.304	40,634	US$	4,045	16,084
				1,942,330			1,636,987
Taxes payable							
Provision for income tax withholdings to foreign parties and others..	US$	6,600	4.304	28,405	US$	4,146	16,485
				28,405			16,485
Total current liabilities				**2,033,623**			**1,700,411**
Total liabilities				**2,033,623**			**1,700,411**

US$: United States dollars; $ch: Chilean Pesos; R$: Brazilian Reais; £: Pound Sterling; €: Euros
(1) Nominal value of assets, not considering the allowances for doubtful accounts nor discount at present value.
(2) Not including contingencies.

(in thousands of Argentine Pesos, except where specifically mentioned)

19. Other financial statement information (Continued)

(f) Cost of services, administrative and selling expenses

	Total at 12.31.2011	Cost of services			Selling expenses			Administrative expenses	Investments in fixed assets	Total at 31.12.2010
		Carriage service	Other services	Total	Carriage service	Others services	Total			
Fees for technical-administrative services ..	957	-	-	-	-	-	-	957	-	708
Statutory auditor´s committee´s fees	879	-	-	-	-	-	-	879	-	636
Fees for professional services	8,508	1,124	789	1,913	74	-	74	5,597	924	8,187
Salaries, wages and other personnel benefits	115,632	67,912	8,571	76,483	1,397	-	1,397	37,126	626	95,701
Social security contributions	19,039	12,467	1,165	13,632	314	-	314	5,093	-	20,154
Fees for technical operator and audit services	12,389	12,389	-	12,389	-	-	-	-	-	26,645
Foreign staff residences	1,164	1,164	-	1,164	-	-	-	-	-	2,794
Consumption of spare parts and materials	21,644	17,289	577	17,866	2	-	2	79	3,697	24,084
Gas imbalance	-	-	-	-	-	-	-	-	-	(1,877)
Third party services and supplies	9,704	8,659	625	9,284	36	-	36	384	-	7,903
Maintenance and repair of fixed assets	57,626	54,120	1,668	55,788	86	-	86	1,752	-	53,455
Travel expenses	10,818	8,140	1,218	9,358	56	-	56	1,218	186	8,651
Freight and transportation	1,910	1,467	38	1,505	-	-	-	11	394	1,965
Communications	1,445	724	121	845	35	-	35	559	6	1,289
Insurance	5,767	5,217	3	5,220	1	-	1	546	-	5,920
Office supplies	2,480	1,041	257	1,298	16	-	16	1,150	16	1,932
Rentals	1,895	936	586	1,522	18	-	18	330	25	1,708
Easements	11,877	11,877	-	11,877	-	-	-	-	-	11,963
Taxes, rates and contributions	37,339	581	24	605	11,261	1,528	12,789	23,945	-	28,018
Fixed assets depreciation	133,103	131,160	80	131,240	266	-	266	1,597	-	131,463
Fixed assets improvements	25,926	22	-	22	-	-	-	(1)	25,905	21,717
Doubtful accounts	8,254	-	-	-	8,254	-	8,254	-	-	8,259
Contingencies	4,424	4	-	4	-	-	-	4,420	-	3,352
Slow-moving and obsolete consumption materials and spare parts	1,578	1,578	-	1,578	-	-	-	-	-	2,482
Others	2,650	622	244	866	14	-	14	806	964	2,764
Total at 12.31.2011	**497,008**	**338,493**	**15,966**	**354,459**	**21,830**	**1,528**	**23,358**	**86,448**	**32,743**	**-**
Total at 12.31.2010	**-**	**331,365**	**16,520**	**347,885**	**20,781**	**1,251**	**22,032**	**67,265**	**32,691**	**469,873**

(in thousands of Argentine Pesos, except where specifically mentioned)

19. Other financial statement information (Continued)

(g) Aging and conditions of short-term investments, receivables and payables

	12.31.2011			
	Short-term investments (a)	**Receivables (b)**	**Loans (c)**	**Other payables (d)**
Past due until				
12.31.2010	-	234,991	1,772,031	-
03.31.2011	-	16,030	40,612	-
06.30.2011	-	12,568	41,870	-
09.30.2011	-	17,550	43,677	-
12.31.2011	-	35,959	44,140	-
Without due date	48,008	298,823	-	88,253
To be due				
03.31.2012	336,148	57,355	-	104,273
06.30.2012	217,859	71,201	-	615
09.30.2012	49,186	1,598	-	615
12.31.2012	-	75,264	-	615
12.31.2013	-	2,002	-	-
12.31.2014	-	95	-	-
12.31.2015	-	103,117	-	-
12.31.2017	-	48,984	-	-
Total at 12.31.2011	**651,201**	**975,537**	**1,942,330**	**194,371**
Balances subject to adjustment	48,008	-	-	-
Balances not subject to adjustment	603,193	975,537	1,942,330	194,371
Total at 12.31.2011	**651,201**	**975,537**	**1,942,330**	**194,371**
Interest bearing balances	603,917	1,547	1,868,809	37,220
Non – interest bearing balances	47,284	973,990	73,521	157,151
Total at 12.31.2011	**651,201**	**975,537**	**1,942,330**	**194,371**

(a) Excludes foreign investments.
(b) Includes accounts receivable and other receivables at their present value, not including allowances.
(c) Classified into current liabilities (Note 10).
(d) Includes all non-financial liabilities, excluding contingencies.

TRANSPORTADORA DE GAS DEL NORTE S.A.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED BY SECTION 68 OF THE BUENOS AIRES STOCK EXCHANGE REGULATIONS FOR YEAR ENDED DECEMBER 31, 2011.

General matters related to the Company's activities

1. **Specific and significant legal systems entailing the lapsing of contingent benefits envisaged by those regulations or their rebirth:**

   The Natural Gas Act and its regulations, the Specifications for the privatization of GdE, the Transfer Contract, the License and the resolutions issued by the ENARGAS make up the regulatory framework in which the Company conducts its operations.

   The License, granted for a term of 35 years with an option to extend it for a ten year-term, may be revoked by the PEN upon ENARGAS's recommendation in case the Company expressly failed to comply with its obligations. If the License is officially and finally revoked, the Company may be forced to cease operating the assets transferred by GdE to the Company and transfer them to the National State or the person the National State so appointed.

   Note 1 to TGN´s financial statements describes the Company's legal and regulatory aspects.

2. **Major changes in the Company’s business activities or other similar circumstances that took place during the years covered by the financial statements which affect their comparability with those submitted in prior years, or which could affect such comparability with those to be submitted in future years:**

   See Notes 1.c.v), 2.f) and 14 to the Company's financial statements as of December 31, 2011.

3. **Classification of short-term investments, receivables and liabilities according to their aging and due dates:**

   See Note 19.g) to the Company's financial statements as of December 31, 2011.

4. **Classification of receivables and liabilities according to their financial consequences:**

   See Note 19.e) and g) Company's financial statements as of December 31, 2011.

5. **Investments in Corporations Section 33 of Law No. 19,550 in capital and total votes:**

   See Note 19.b) Company's financial statements as of December 31, 2011. Balances with related parties are disclosed in Note 5 to those financial statements.

6. **Trade receivables or loans from Directors, Statutory audit and their relatives up to the second degree inclusive:**

   None.

7. **Physical count of inventories:**

   Physical count of materials and spare parts is performed on an annual basis. Slow-moving and obsolete materials and spare parts amount to $ 85.4 million and are totally written-off (Note 3.g)) and 19.d) to the Company’s financial statements as of December 31, 2011).

Current Values:

8. Other Assets and Inventories:

- Other assets (gas stock): gas stock in the gas pipe network has been valued at the replacement cost of the gas cubic meter, plus the average carriage price (Note 3.i) to the Company´ financial statements).

- Inventories (materials and spare parts): they are valued at their replacement cost net of an allowance for slow-moving and obsolescence (Note 3.g) and Note 19.d) to the Company's financial statements).

Fixed Assets:

9. Technically appraised fixed assets:

None.

10. Value of fixed assets left unused for obsolescence reasons:

None.

Equity investments in other companies:

11. Equity investments in other companies exceeding the provisions of Section 31 of Law 19,550:

None.

Recoverable value:

12. The criteria followed to determine the Company's assets "recoverable value" are:

- Materials and spare parts and fixed assets: the recoverable value of such assets was determined based on their economic use - Notes 3.g) and 3.h), respectively - to the Company's financial statements, subject to the resolution of the uncertainties generated by the changes in the economic context and the legal and contractual conditions under which the Company operates.

- Other assets: for the gas stock, the criterion followed to determine its recoverable value is the net realization value (Note 3.i) to the Company's financial statements).

- Deferred tax asset and minimum presumed income tax: the projections of future taxable income have been taken into consideration for the calculation of the recoverable value. Such 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.

ADDITIONAL INFORMATION TO THE NOTES TO THE FINANCIAL STATEMENTS REQUIRED BY SECTION 68 OF THE BUENOS AIRES STOCK EXCHANGE REGULATIONS FOR YEAR ENDED DECEMBER 31, 2011.

Insurance:

13. Insurance covering the Company's tangible assets:

Property insured	Risks covered	Amount insured in thousands	Book value in thousands of $
• Personal and real property allocated to the provision of services, except for machinery and equipment	All physical risks and loss of profits Liability insurance	US$ 75,000 US$ 50,000	307,556
• Compressor plants	Terrorism	US$ 35,000	390,848
• Machinery	Machinery breakdown	US$ 10,000	165,968
• Automobiles: - Management's fleet	Limited liability insurance	$ 3,000	556
	Total loss car accident	Replacement value	
- Officers´ fleet and cars and pick ups	Total or partial loss due to fire, robbery or theft	$ 3,000	3,448
- Trucks and trailers	Limited liability insurance Limited liability insurance	$ 10,000	583
• Personal property located in Head Office, IT equipment and IT items	Fire of contents Theft	US$ 8,650 US$ 10	6,279

Positive and negative contingencies:

14. Allowance and provision balances jointly or individually exceeding 2% of the equity:

The provision for contingencies represents approximately 6.6% of the Company’s shareholders' equity as of December 31, 2011 and was set up to face payments the Company would have to make in the event of claims and/or complaints filed against it (Refer to Note 19.d) to the Company’s financial statements as of December 31, 2011). In estimating amounts, the likelihood of occurrence was taken into account based on the opinion of the legal consultants and the criteria detailed in Note 2.d) to the Company's financial statements as of December 31, 2011.

15. Contingent situations whose probability of occurrence was not remote and whose patrimonial effect has not been considered in these financial statements:

Except for the provisions mentioned in Note 13 to the Company's financial statements as of December 31, 2011, there are no such situations.

Irrevocable advances on account of future subscription of shares:

16. Status of the capitalization process:

There are no irrevocable advances on account of future subscription of shares.

17. Unpaid cumulative dividends of preferred shares:

None.

18. Conditions, circumstances or terms for the cease of the restrictions to the distribution of retained earnings:

Under the terms of the financial agreements currently in force, TGN shall not make dividend payments in the event of default, grounds for default or in an adverse event period (as defined in the contract).

See Note 12.c) to the Company's financial statements as of December 31, 2011.

Autonomous City of Buenos Aires, March 6, 2012

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, 2011 and 2010, 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 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 National 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 Notes 3.h) and 7 to the accompanying financial statements, the Company tested its fixed assets and its tax credits 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 and tax credits, whose net book value at December 31, 2011 amounts to $ 1,938 million and $ 212 million, respectively (at December 31, 2010 $ 2,012 million and $ 135 million, respectively).

4. As mentioned in Notes 1.c), 13.g) and 13.j) to the attached financial statements, at December 31, 2011 the Company has contractual disputes for significant amounts with certain customers related to provide gas carriage services for export for outstanding balances of $ 508.6 million ($ 388.6 million at December 31, 2010) 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 16.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, 2011 a net receivable for $ 14.6 million ($ 4.7 million at December 31, 2010) 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, with the work schedules and conditions agreed under the contract being subject to possible changes. 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, 2011, the Company carries financial debts denominated in US dollars for a total of US$ 451.3 million (US$ 411.7 million at December 31, 2010), and has not paid principal for US$ 117.8 million and interest for US$ 106.4 million on these debts. International Accounting Standard No. 1 (IAS 1), of complementary application to Argentine GAAP, provides that debts "in default" are to be disclosed as current in view of the possibility of creditors accelerating the maturities regardless of original maturity dates, 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, 2011 and 2010 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, 2011 and 2010, 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, on which, as regards those matters that are within our competence, we have no observation to make other than those indicated in points 3., 4., 5. and 6.;

   d) at December 31, 2011, the debt accrued in favor of the Argentine Integrated Social Security System amounted, as shown by the Company´s accounting records, to $ 3,918,071 which was not yet due at that date;

   e) as required by section 4 of General Resolution No. 400 issued by the National Securities and Exchange Commission amending section 18 (e) of Paragraph III.9.1 of the Commission’s Rules, we report that total fees for auditing and related services billed to the Company during the fiscal year ended December 31, 2011 account for:

      e.1) 87% of the total fees for services billed to the Company for all items during that fiscal year;
      e.2) 93% of the total fees for services for auditing and related services billed to the Company, its parent companies, subsidiaries and related companies during that year;
      e.3) 81% of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;

f) 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;

Autonomous City of Buenos Aires, March 6, 2012

PRICE WATERHOUSE & CO. S.R.L.

by (Partner)

Fernando A. Rodriguez