Transportadora de Gas Internacional S.A. E.S.P. (formerly Transportadora de Gas del Interior S.A. E.S.P.) and its Subsidiary

Consolidated Financial Statements as of December 31, 2009 and 2008 and for the Periods then Ended and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
TRANSPORTADORA DE GAS INTERNACIONAL S.A. E.S.P. – TGI S.A. E.S.P.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of TRANSPORTADORA DE GAS INTERNACIONAL S.A.E.S.P. AND ITS SUBSIDIARY (the Companies"), which comprise the balance sheets as of December 31, 2009 and 2008, and the income statements, statements of changes in shareholders' equity, changes in financial position and cash flows for the years then ended , (all expresed in millions of Colombian pesos) and the summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Colombia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Colombia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Companies as of December 31, 2009 and 2008, and the results of their operations, the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in Colombia.

Our audits also comprehended the translation of the Colombian peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. The translation of the financial statement amounts into U.S. dollars and the translation of the financial statements into English have been made solely for the convenience of the readers in the United States of America.

Deloitte & Touche Ltda.

Deloitte & Touche Ltda.
February 15, 2010
Bogotá, Colombia

TRANSPORTADORA DE GAS INTERNACIONAL S.A. E.S.P. (FORMERLY TRANSPORTADORA DE GAS DEL INTERIOR S.A. E.S.P.) AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2009
(In millions of Colombian pesos (Col$) and thousands of U.S. dollars (U.S.$) - see Note 1)

		As of December 31,					
ASSETS	**Note**	**2008**		**2009**			
CURRENT ASSETS:							
Cash and cash equivalents	3	Col$	260,737	Col$	214,469	U.S.$	104,914
Restricted cash			9,029		11,417		5,585
Accounts receivable	4		53,522		126,440		61,852
Inventories			36,175		24,997		12,228
Prepaid expenses	7		30,058		91,500		44,761
Total current assets			389,521		468,823		229,340
PERMANENT INVESTMENTS	5		3,030		2,781		1,360
LONG-TERM ACCOUNTS RECEIVABLE	4		8,931		8,954		4,380
PROPERTY, PLANT AND EQUIPMENT, NET	6		963,065		1,258,409		615,591
OTHER ASSETS, NET	7		2,177,225		1,938,162		948,113
Total assets		Col$	3,541,772	Col$	3,677,129	U.S.$	1,798,784
MEMORANDUM ACCOUNTS	17	Col$	1,684,995	Col$	1,945,077	U.S.$	951,496
LIABILITIES AND SHAREHOLDERS' EQUITY							
CURRENT LIABILITIES:							
Financial debt	8	Col$	49,876	Col$	45,466	U.S.$	22,241
Accounts payable	10		10,727		28,364		13,875
Labor obligations			292		793		388
Deffered Income			-		231		113
Collections on behalf of third parties	13		7,447		15,962		7,808
Provisions	14		14,442		6,624		3,241
Total current liabilities			82,784		97,440		47,666
LONG-TERM LIABILITIES:							
Financial debt	8		2,512,821		2,376,190		1,162,389
Provisions	14		12,334		10,129		4,955
Other liabilities	15		49,840		61,714		30,189
			2,574,995		2,448,033		1,197,533
Total liabilities			2,657,779		2,545,473		1,245,199
SHAREHOLDERS' EQUITY:	16						
Capital stock			750,000		750,000		366,886
Additional paid-in capital			24,703		24,703		12,084
Reserves			289,990		289,990		141,858
Net income (loss)			(180,700)		247,663		121,152
Accumulated results			-		(180,700)		(88,395)
Total shareholders' equity			883,993		1,131,656		553,585
Total liabilities and shareholders' equity		Col$	3,541,772	Col$	3,677,129	U.S.$	1,798,784
MEMORANDUM ACCOUNTS	17	Col$	1,684,995	Col$	1,945,077	U.S.$	951,496

The accompanying notes are an integral part of these consolidated financial statements.

TRANSPORTADORA DE GAS INTERNACIONAL S.A. E.S.P. (FORMERLY TRANSPORTADORA DE GAS DEL INTERIOR S.A. E.S.P.) AND ITS SUBSIDIARY

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In millions of Colombian pesos (Col$) and thousands of U.S. dollars (U.S.$) - see Note 1)

	Note		For the years ended				
			2008		2009		
Operating revenues:							
Sales:							
Capacity charges		Col$	344,559	Col$	385,880	U.S.$	188,765
Variable charges			72,075		100,490		49,158
Non-recurring charges			41,253		40,321		19,724
Other revenues			13,532		18,555		9,077
			471,419		545,246		266,724
Operating costs:							
Operation and maintenance	18		(65,809)		(89,924)		(43,989)
Depreciation and amortization			(83,476)		(85,311)		(41,732)
			(149,285)		(175,235)		(85,721)
Gross Margin			322,134		370,011		181,003
Operating and administrative expenses:	19						
Personnel and general services			(20,572)		(29,079)		(14,225)
Provisions, depreciation and amortization			(6,658)		(9,859)		(4,823)
			(27,230)		(38,938)		(19,048)
Operating income			294,904		331,073		161,955
Non-operating income	20		22,415		254,140		124,321
Non-operating expenses	21		(461,442)		(315,976)		(154,570)
Income before income tax			(144,123)		269,237		131,706
Income tax	12		(36,577)		(21,574)		(10,554)
Net income (loss)		Col$	(180,700)	Col$	247,663	U.S.$	121,152

The accompanying notes are an integral part of these consolidated financial statements.

TRANSPORTADORA DE GAS INTERNACIONAL S.A E.S.P. (FORMERLY TRANSPORTADORA DE GAS DEL INTERIOR S.A. E.S.P.) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In millions of Colombian pesos (Col$) and thousands of U.S. dollars (U.S.$) - see Note 1)

	Capital stock		Additional paid-in capital		Reserves: Legal		Reserves: Article 130 of Tax Statute		Reserves: Ocassional		Reserves: Total		Accumulated results		Net income (loss)		Total shareholders' equity	
BALANCES AS OF DECEMBER 31, 2007	Col$	750,000	Col$	24,703	Col$	-	Col$	-	Col$	-	Col$	-	Col$	-	Col$	289,990	Col$	1,064,693
Transfers						28,999		15,298		245,693		289,990		-		(289,990)		-
Net loss		-		-		-		-		-		-		-		(180,700)		(180,700)
BALANCES AS OF DECEMBER 31, 2008		750,000		24,703		28,999		15,298		245,693		289,990		-		(180,700)		883,993
Transfers		-		-		-		-		-		-		(180,700)		180,700		-
Net Income		-		-		-		-		-		-		-		247,663		247,663
BALANCES AS OF DECEMBER 31, 2009	Col$	750,000	Col$	24,703	Col$	28,999	Col$	15,298	Col$	245,693	Col$	289,990	Col$	(180,700)	Col$	247,663	Col$	1,131,656
BALANCES AS OF DECEMBER 31, 2009	U.S.$	366,886	U.S.$	12,084	U.S.$	14,186	U.S.$	7,483	U.S.$	120,189	U.S.$	141,858	U.S.$	(88,395)	U.S.$	121,152	U.S.$	553,585

The accompanying notes are an integral part of these consolidated financial statements.

TRANSPORTADORA DE GAS INTERNACIONAL S.A. E.S.P. (FORMERLY TRANSPORTADORA DE GAS DEL INTERIOR S.A. E.S.I AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In millions of Colombian pesos (Col$) and thousands of U.S. dollars (U.S.$) - see Note 1)

	For the years ended					
	2008		2009			
WORKING CAPITAL PROVIDED:						
Net income (loss)	Col$	(180,700)	Col$ $	247,663	U.S.$	121,152
Depreciation and amortization		88,710		90,755		44,396
Exchange (gain) loss		262,858		(227,166)		(111,125)
Deferred tax		26,897		11,874		5,808
Net gain from sales of property, plant and equipment		-		(9,063)		(4,433)
Equity method		-		454		222
Hedging operations		-		88,469		43,277
Provision permanent investments		-		844		413
Provisions		1,424		-		-
Working capital provided by operations		199,189		203,830		99,710
Decrease in other assets		2,366		-		-
Increase in estimated liabilities		1,424		-		-
Increase in other liabilities		457		-		-
Total working capital provided		203,436		203,830		99,710
WORKING CAPITAL USED:						
Increase in permanent investments		(3,082)		-		-
Increase in long-term accounts receivable		(2,286)		(24)		(12)
Increase in other assets		-		(6,928)		(3,389)
Increase in property, plant and equipment		(22,443)		(131,044)		(64,104)
Decrease in provisions		-		(1,188)		(581)
Decrease in financial obligations		(6,518)		-		-
Total working capital used		(34,329)		(139,184)		(68,086)
INCREASE IN WORKING CAPITAL	Col$	169,107	Col$	64,646	U.S.$	31,624
CHANGES IN COMPONENTS OF WORKING CAPITAL:						
Cash and cash equivalents	Col$	157,196	Col$	(46,268)	U.S.$	(22,632)
Restricted cash		1,032		2,388		1,168
Accounts receivable		11,618		72,918		35,670
Inventories		12,238		(11,178)		(5,468)
Prepaid expenses		1,217		61,442		30,056
Financial obligations		(4,117)		4,410		2,157
Accounts payable		1,590		(17,637)		(8,628)
Deffered Income		-		(231)		(113)
Labor obligations		77		(501)		(245)
Collections on behalf of third parties		(58)		(8,515)		(4,165)
Provisions		(11,686)		7,818		3,824
INCREASE IN WORKING CAPITAL	Col$	169,107	Col$	64,646	U.S.$	31,624

The accompanying notes are an integral part of these consolidated financial statements.

TRANSPORTADORA DE GAS INTERNACIONAL S.A. E.S.P. (FORMERLY TRANSPORTADORA DE GAS DEL INTERIOR S.A. E.S.P.) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In millions of Colombian pesos (Col$) and thousands of U.S. dollars (U.S.$) - see Note 1)

	For the years ended					
	2008		2009			
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	Col$	(180,700)	Col$	247,663	U.S.$	121,152
Reconciliation between net income and net cash provided by operating activities:						
Depreciation and amortization		92,948		90,755		44,396
Equity method		-		454		222
Exchange (gain) loss		256,074		(227,742)		(111,407)
Hedging operations		-		88,469		43,277
Provision inventories		-		2,322		1,136
Provision permanent investments		-		844		413
Deferred tax		26,897		11,874		5,808
Net gain from sales of property, plant and equipment		-		(9,063)		(4,434)
Provisions		1,424		-		-
		196,643		205,576		100,563
Changes in assets and liabilities of operation, net:						
Accounts receivable		(5,901)		(73,544)		(35,976)
Inventories		(12,238)		8,855		4,332
Prepaid expenses		(5,455)		9,257		4,528
Accounts payable		(2,810)		18,816		9,204
Labor obligations		(77)		501		245
Provisions		13,110		(9,007)		(4,406)
Collections in favor of third parties		58		8,515		4,165
Other liabilities		457		231		113
Net cash provided by operating activities		183,787		169,200		82,768
CASH FLOWS FROM INVESTING ACTIVITIES:						
Restricted cash		(1,032)		(2,388)		(1,168)
Increase in permanent investments		(3,082)		-		-
Increase in property, plant and equipment		(22,443)		(131,044)		(64,104)
(Increase) decrease in other assets		2,366		(77,626)		(37,973)
Net cash used by investing activities		(24,191)		(211,058)		(103,245)
CASH FLOWS FROM FINANCING ACTIVITIES:						
(Decrease) in financial obligations		(2,400)		(4,410)		(2,157)
Net cash used in financing activities		(2,400)		(4,410)		(2,157)
NET INCREASE (DECREASE) IN CASH		157,196		(46,268)		(22,634)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		103,541		260,737		127,548
CASH AND CASH EQUIVALENTS AT END OF PERIOD	Col$	260,737	Col$	214,469	U.S.$	104,914

The accompanying notes are an integral part of these consolidated financial statements.

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Operations - Transportadora de Gas Internacional S.A. E.S.P. (formerly Transportadora de Gas del Interior S.A. E.S.P.) - TGI S.A. E.S.P. or TGI, is a stock corporation (*sociedad anónima*) organized as a public services company (*empresa de servicios públicos*) under the laws of Colombia and dedicated to the transportation of natural gas. TGI was formed on February 16, 2007 to acquire substantially all the natural gas transportation assets, contracts and rights of Empresa Colombiana de Gas E.S.P. or Ecogás, and the assumption by the acquirer of such assets, contracts and rights of all related liabilities under such contracts (subject to certain specified exceptions) that first arise after the consummation of such disposition and the liabilities of Ecogás relating to ongoing legal proceedings with respect to rights of way, and of the employment arrangements related to 67 employees of Ecogás, or the Ecogás Business, in accordance with a program implemented by the Colombian government for the disposition of the Ecogás Business, or the Ecogás Disposition Program.

On March 2, 2007, TGI consummated the acquisition of the Ecogás Business for a purchase price of Col$ 3.25 trillion (approximately US$ 1.48 billion). As part of the Ecogás Business, TGI acquired the TGI pipeline system, which consists of (i) six natural gas pipelines and several branches, which are either owned and operated by TGI or owned by TGI and operated by independent contractors pursuant to operation and maintenance contracts originally entered into with Ecogás and transferred to TGI as part of the Ecogás Disposition Program, and (ii) three natural gas pipelines, which are owned, operated and maintained by third parties and made available to TGI under certain build, operate, maintain and transfer contracts, or BOMT contracts, or under the Transfer Agreement *(Contrato de Enajenación de los Activos y Cesión de los Derechos y Contratos de Ecogás)*.

TGI is a 97.91% owned subsidiary of Empresa de Energía de Bogotá S.A. E.S.P., or EEB, a Colombian stock corporation *(sociedad anónima)* organized as a public services company *(empresa de servicios públicos)* under the laws of Colombia. Directly and through its subsidiaries, affiliated companies and investees, EEB engages in the business of electricity generation, transmission and distribution and in the business of natural gas transportation and distribution. EEB is controlled by the government of the District of Bogotá, Colombia.

Expansion projects – The Company has defined in its strategic business plan and investment program to take care of the expansion projects that are detailed below:

- Ballena – Barrancabermeja- The expansion projects of the gas pipeline will increase the transportation capacity of this system from Ballena by 70 MCFD (Million cubic feet per day), passing from a current capacity of 190 MCFD to a future capacity of 260 MFCD. Currently it has four (4) compression stations along the 578 Km of the Ballena – Barrancabermeja leg. With the expansion, it will have seven (7) stations in this same leg, which increases its total installed compressor power from 30,815 HP to 94,240 HP. With an investment plan of US$ 168 million and start up in June 2010.

  The project started its execution in June 2008. As of December 31, 2009 the project has achieved a progress of 62.9% with an investment of $169,342 million.

- Cusiana Phases I and II- This project will increase the transportation capacity from Cusiana by 180 MCFD (Million cubic feet per day), passing from a current capacity of 210 MCFD to a future capacity of 390 MCFD. The project will be carried out in two phases, permitting the increase of the transportation capacity in a scaled manner, in accordance with the increase in gas production in the Cusiana field. In Phase I of the project the transportation capacity will increase by 70 MCFD and in Phase II will increase by an additional 110 MCFD. With an investment budget of approximately US$364 million and start up for Phase I in May 2010 and Phase II in December 2010.

  The project started its execution in March 2008 and as of December 31, 2009 it has achieved a progress of 41.99% with an investment of $217,714 million.

  In order to carry out the administration, investment and payment of the expansion project, the company created a commercial trust signed on May 8, 2009, as per agreement No. 3-1-12532 with Fiduciaria Bogota S.A. The major aspects of this agreement are presented below:

  Object – The object of the Commercial Trust agreement is to create an autonomous equity intended for the following purposes: a) Obtaining the credits necessary to carry out the expansion project, in accordance with the terms and conditions indicated and approved by the Grantor, b) Administer the expansion project in the terms established in the commercial trust agreement, c) To restore the assets and goods of the autonomous equity to the Grantor, once the credits and the obligations of the grantor have been paid.

  Financing Sources – The trust company, must previously request from the Autonomous Equity Fidubogota EEB No. 3-1-12549, the necessary funds to make transfers to the Autonomous Equity Fidubogota *TGI,* for the execution of the expansion projects.

Capitalization process– The Company is currently evaluating the search of a capital investor, for which it selected Credit Suisse as Investment Bank to carry out the corresponding analysis.

Merger of Transportadora Colombiana de Gas S.A. E.S.P. – TRANSCOGAS and Transportadora de Gas Internacional S.A. E.S.P – TGI – The General Stockholders' Meeting in its meeting of December 11, 2009 approved the general purpose financial statements with closing as of October 31, 2009 and authorized the merger with Transportadora Colombiana de

Gas S.A. E.S.P. and ordered to carry out the regulatory and legal process to formalize the operation.

On December 24, 2009 Transportadora de Gas Internacional S.A. E.S.P. and Transcogás S.A. E.S.P. filed the application for merger with the Superintendence of Corporations.

Summary of Significant Accounting Policies and Practices - TGI's financial statements have been prepared on the basis of accounting principles generally accepted in Colombia, or Colombian GAAP. For the convenience of readers outside Colombia, the financial statements have been translated into English, certain reclassifications have been made and certain clarifying account descriptions have been included.

Certain accounting practices applied by TGI that conform to Colombian GAAP do not conform to generally accepted accounting principles adopted in the United States, or U.S. GAAP.

The consolidated financial statements as of December 31, 2008 and 2009 include the financial statements of TGI and its subsidiary TGI International Ltd. TGI International Ltd. was incorporated as an affiliate in the Cayman Islands to serve as an investment vehicle.

The Company's financial statements are prepared pursuant to standards set forth in the Accounting Manual for Domiciliary Public Services Providers (*Plan de Contabilidad para Entes Prestadores de Servicios Públicos Domiciliarios*), established by the Superintendency of Domiciliary Public Services (*Superintendencia de Servicios Públicos Domiciliarios*), which conform to Colombian GAAP. The more significant accounting policies and practices followed by TGI are summarized below:

a. *Consolidation* – The consolidated financial statements include the accounts of TGI and all majority owned subsidiaries in which TGI has control. The Company's investments in other non-controlled entities are carried at their historical cost. In July 2007, TGI purchased 100% of TGI International Ltd.

   Selected information from the separate balance sheets and income statements of TGI and its subsidiary TGI International Ltd. as of and for the periods ended December 31, 2008 and 2009 are as follows:

   December 31, 2008

	TGI	TGI International Ltd.
Balance sheets:		
Total assets	$ 3,541,774	$ 1,721,327
Total liabilities	2,657,781	1,721,325
Shareholders' Equity	883,993	2

	TGI	TGI International Ltd.
Income statements:		
Operating revenues	471,419	-
Net loss	(180,700)	-

December 31, 2009

	TGI	TGI International Ltd.
Balance sheets:		
Total assets	$ 3,677,131	$ 1,568,373
Total liabilities	2,545,475	1,568,371
Shareholders' Equity	1,131,656	2
Income statements:		
Operating revenues	545,246	-
Net income	247,663	-

The consolidated financial statements include the accounts of Transportadora de Gas Internacional S.A. E.S.P. consolidated with its subsidiary, applying the method of global consolidation, which consists of incorporating to the financial statements of the Companies, totality of the assets, liabilities, equity and results of the subsidiaries, previous elimination of the investments and the reciprocal operations. All the important operations between related companies, were eliminated in the consolidation.

b. *Foreign currency transactions* - Foreign currency transactions and balances denominated in currencies other than the Colombian peso are translated into Colombian pesos at the representative exchange rate (*Tasa Representativa del Mercado)* as certified by the Colombian Financial Superintendency (Superintendencia Financiera de Colombia). The exchange gains and losses on accounts payable and liabilities denominated in foreign currency, resulting from the acquisition of inventories and property, plant and equipment, are capitalized until the acquired asset is in condition to be used or sold. All other exchange gains and losses are included in the current period results. The official exchange rate used to adjust foreign currency assets and liabilities were:

	Per US$1.00
December 31, 2009	Col $ 2,044.23
December 31, 2008	Col $ 2,243.59

c. *Temporary investments* – Temporary investments are initially recorded at cost and subsequently valued at market price. Profits and losses on valuation at market prices are recorded within the current period results.

d. *Permanent investments* – All investments made in shares of non-controlled companies are recorded at their acquisition cost and those made in controlled companies are consolidated. Foreign-currency investments are translated into Colombian pesos at closing rates and the result thereof is compared to the intrinsic value. For investments made in controlled and non-controlled companies, any excess amount from the market value or the intrinsic value over the cost adjusted at the end of the period, is recorded as "Revaluation of assets", and credited to the equity account "Surplus from revaluation of assets". If at the year's closing its market value or its intrinsic value is lower than the cost adjusted, once the appraisal surplus is exhausted, any deficit is recognized through provisions.

e. *Allowance for doubtful accounts* - TGI determines the allowance on the basis of the aging and individual analyses of the creditworthiness of its customers.

f. *Inventories* - Inventories primarily consist of parts valued at their corresponding acquisition cost. The carrying values shown do not exceed their estimated net realizable values and are charged to income on the basis of weighted average cost

g. *Property, plant and equipment, net* - The property, plant and equipment acquired from Ecogás are valued at net replacement cost as determined by technical appraisal made as of Febrero 16, 2007. Subsequent acquisition of property, plant and equipment is recorded at historical.

h. Depreciation is computed applying the straight-line method. Annual depreciation rates applied are as follows:

Asset	**Annual depreciation rate**
Gas pipelines	1.96%
Compression stations, plants and ducts	4.03%
Communication equipment	10.00%
Computer equipment	20.00%
Buildings	4.28%
Machinery and equipment	10.00%
Furniture, fixtures and office equipment	10.00%
Transportation equipment	20.00%
Other equipment	10.00%

i. *Other assets -*

Intangible assets beyond BOMT contracts - Corresponds to the net replacement cost of the construction portion of every pipeline asset built pursuant to a BOMT Contract estimated by a technical appraisal. These costs are amortized through the straight-line method over the remaining estimated life of the pipelines, as follows:

BOMT Contract	Annual depreciation rate	Period
Centragas BOMT Contract (Ballena – Barrancabermeja Pipeline)	1.85%	54 years
Transgas BOMT Contract (Mariquita – Cali Pipeline)	1.81%	55 years

Goodwill – Goodwill corresponds to the difference between the amount paid by TGI and the net fair value of the assets, rights and contracts acquired. They are amortized through the straight-line method using an estimated life of 65 years.

Prepaid O&M expenses under BOMT Contracts - These correspond to payments made in advance covering operating and maintenance costs of gas pipelines according to the BOMT Contracts; such costs are amortized through the straight-line method during the remaining lives of BOMT Contracts, as follows:

BOMT Contract	Annual depreciation rate	Period
Centragas BOMT Contract (Ballena – Barrancabermeja Pipeline)	26.31%	3.8 years
Transgas BOMT Contract (Mariquita – Cali Pipeline)	9.61%	10.4 years

Pre-operating expenses - These correspond to the amounts paid for incorporation expenses, commissions, fees and legal expenses incurred to structure the process of acquisition of the Ecogas Business and subsequent incorporation of TGI. Preoperating expenses are amortized using the straight-line method over a period of five years.

Rights of way - Correspond to the net book value that Ecogas had recorded at the time of disposal of the assets, rights and contracts. Rights of way are amortized using the straight-line method based on an estimated useful life of 65 years.

Software and licenses - Correspond to the costs incurred in the purchase of computer software and licenses, which are amortized using the straight-line method over a period of five years.

j. *Trust Rights* – Company records as trust rights the net value of the contractual rights and obligations arising from the commercial trust agreements. In addition, it monthly accrues as company income or expense the net value of the income and expense earned or incurred by the Commercial Trust.

In accordance with Colombian GAAP, the Company does not consolidate the financial statements of the trust since it is a *"Patrimonio autónomo"*.

k. *Income tax provision* – TGI determines the current provision for income taxes based upon the taxable income estimated pursuant to the Colombian tax Law. The effect of temporary differences that implies the payment of a lower or greater tax in the current year, calculated at current rates, is recorded as deferred tax asset or liability, as applicable, provided that there is reasonable expectation that those differences will reverse in the foreseeable future.

l. *Labor obligations* – Correspond to TGI's obligations for mandatory and voluntary fringe benefits under applicable labor agreements, as well as employee severance, interest on severance, bonuses, vacation accruals and contributions for social security. These obligations are recorded on an accrual basis.

m. *Collections on behalf of third parties* – Correspond to the obligations resulting from collection of taxes, contributions and other items in favor of public entities, based on legal regulations. Mainly include the transportation tax, industries contribution and development quota.

n. *Financial Derivatives* – The Company carries out operations with derivative financial instruments, in order to reduce its exposure to fluctuations in the exchange rate of its obligations in foreign currency. These agreements are adjusted monthly to their market value and the resulting adjustment is recorded in profit and loss accounts.

o. *Memorandum accounts* – Include contingent rights and obligations, as well as control and tax accounts.

p. *Revenue recognition* – Revenues from the sales of gas transportation services are recorded based on output delivery and capacity provided at rates as specified under contract terms. Sales revenues include unbilled sales of transportation services for which services have been provided, but have not been billed at period-end. These amounts are included in current assets, as accounts receivable.

q. *Statements of cash flows* – Statements of cash flows were prepared using the indirect method, which includes the reconciliation of annual net income or loss to net cash provided by operating activities.

r. *Cash equivalents* – For purposes of presentation in the statement of cash flows, the Company classifies current temporary investments within cash equivalents.

s. *Convenience translation to U.S. dollars* - The U.S. dollar amounts presented in the accompanying financial statements have been translated from the Colombian peso solely for the convenience of the readers at the exchange rate of Col$2,044.23 per U.S. dollar as of December 31, 2009. Such translations should not be construed as representations that the Colombian peso amounts represent or have been or could be converted into U.S. dollars at that rate or any other rate.

t. *Use of estimates* – The preparation of financial statements in conformity with Colombian GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

u. *Reclassifications* - Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

2. OPERATIONS IN FOREIGN CURRENCY

The Company shows as of December 31, 2009, the following assets and liabilities in foreign currency, which are recorded for their equivalent in pesos as of that date:

	2009		2008	
	US Dollar (000)	Millions of Col	US Dollar (000)	Millions of Col
Assets:				
Cash	US$ 4,024	$ 8,226	US$ 4,024	$ 9,029
Investments	25,696	52,529	27,157	60,928
Accounts Receivable	3,000	6,133	2,987	6,701
Total Assets	US$ 32,720	$ 66,888	US$ 34,168	$ 76,658
Liabilities:				
Financial Obligations	US$ 1,120,000	$ 2,289,538	US$ 1,120,000	$ 2,512,821
Hedgings instruments	42,389	86,652	-	-
Accounts Payable	22,241	45,467	22,231	49,876
Other Liabilites	4,955	10,129	5,497	12,334
Total Liabilities	US$ 1,189,585	$ 2,431,786	US$ 1,147,728	$ 2,575,031
Net Position	US$ 1,156,865	$ 2,364,898	US$ 1,113,560	$ 2,498,373

3. CASH AND CASH EQUIVALENTS

	As of December 31, 2008	2009
Cash	Col$ -	Col$ 10
Banks	39,902	82,618
Temporary investments – Term deposit certificates	220,835	131,841
	Col$ 260,737	Col$ 214,469

4. ACCOUNTS RECEIVABLE

	As of December 31,			
	2008		2009	
Customers	Col$	33,468	Col$	36,056
Advances		17,235		63,778
Deposits		6,790		8,267
Other debtors		4,960		27,293
		62,453		135,394
Less – short-term accounts receivable		(53,522)		(126,440)
Long-term accounts receivable	Col$	8,931	Col$	8,954

5. PERMANENT INVESTMENTS

	As of December 31,			
	2008		2009	
Congas Perú S.A.C.	Col$	3,030	Col$	3.625
Provision		-		(844)
	Col$	3,030	Col$	2,781

Congás Perú S.A.C. (Formerly Transcogás Perú S.A.C.) was incorporated on June 13, 2008 with a capital stock of US$ 5,000, represented by 1,000 ordinary shares with a par value of US$ 5 each. EEB and TGI made an initial contribution of US$ 2,500; consequently, the initial ownership interest of each company in Transcogás Perú S.A.C. (Today Congás Perú S.A.C.) was 50%.

		2008		2009
Total Assets	$	12.115	$	12.880
Total Liabilites		161		1.758
Total Shareholders Equity		11.954		11.122
Net Loss		(310)		(1.815)

According to statutory reform approved on September 26, 2008, it was agreed to increase the capital stock of *Transcogás Perú S.A.C.* through cash contributions amounting to US$ 5,466,000 (EEB, US$ 4,099,580 – TGI, US$ 1,366,420). The shares were modified and resulting ownership structure was: EEB, 75% and TGI, 25%. As of December 31, 2009 the investment value amounts to $3,625 less provision of $844, after recording a loss of $454 million originated in the application of the equity method.

6. PROPERTY, PLANT AND EQUIPMENT, NET

		As of December 31, 2008		
Depreciable:				
Gas pipelines	Col$	831,167	(30,922)	790,065
Compression stations, plants and ducts		140,756	(10,180)	140,756
Buildings		5,932	(275)	5,657
Machinery and equipment		2,693	(239)	2,454
Communication and computer equipment		2,031	(1,056)	975
Furniture, fixtures and office equipment		390	(127)	263
Transportation equipment		81	(12)	69
Other equipment		9	(8)	1
Total depreciable		983,059	(42,819)	940.240
Non-depreciable:				
Land		2,843	-	2,843
Constructions in process		18,230	-	18,230
Unexploited property, plant and equipment		114	-	114
Equipment and materials in the warehouse		1,399	-	1,399
Movable assets in the warehouse		239	-	239
		22,825		22,825
				963,065

		As of December 31, 2009		
Depreciable:				
Gas pipelines (1)	Col$	1,006,760	(54,433)	952,327
Compression stations, plants and ducts		159,083	(16,757)	142,326
Machinery and equipment		9,056	(851)	8,205
Buildings		5,932	(426)	5,506
Communication and computer equipment		3,159	(1,380)	1,779
Furniture, fixtures and office equipment		695	(209)	486
Transportation equipment		81	(25)	56
Other equipment		9	(8)	1
Total depreciable		1,184,775	74,089	1,110,686

	As of December 31, 2009		
Non-depreciable:			
Land	2,843	-	2,843
Constructions in process (2)	143,128	-	143,128
Unexploited property, plant and equipment	1,399	-	1,399
Equipment and materials in the warehouse	239	-	239
Movable assets in the warehouse	114	-	114
	147,723		147,723
			1,258,409

(1) On October 21, 2009 the BOMT contract Gases de Boyacá y Santander was terminated, the Company reclassified as fixed assets for $188,293 of the account of intangibles, corresponding to the cost of the right.

(2) As of December 31, 2009 corresponds mainly to the work progress on contracts for the expansion project that is being carried out in the Ballena – Barrancabermeja span for $113,226, construction of Checua deviation $18,057 and Cusiana expansion for $4,719 (See Note 1). As of December 31, 2008, it corresponded mainly to work in progress for the expansion of the Norean and Vasconia stations for $12,597. As of December 31 these works were reclassified for $18,944.

7. OTHER ASSETS, NET

	As of December 31,			
	2008		2009	
Prepaid Expenses	Col$	113,113	Col$	84,527
Deferred charges		14,518		10,525
Trust rights (1)		-		70,724
Intangibles (2)		2,150,206		1,963,878
		2,277,837		2,129,654
Less – Accumulated amortization		(70,554)		(99,992)
		2,207,283		2,029,662
Less – Prepaid expenses – short term		(30,058)		(91,500)
	Col$	2,177,225	Col$	1,938,162

(1) A Trust agreement was structured, as a "*patrimonio autónomo*" for the construction of the expansion project from Cusiana and be the subject of credit to finance this project.

As of December 31, 2009, net assets, liabilities, income and expenses of the trust "*patrimonio autónomo*" are the following:

Total assets	$ 320,181
Loan from patrimonio autónomo EEB	(190,017)
Other liabilities	(59,440)
Trust Rights, net	70,724
Income	175
Expenses	175

(2) As of December 31, 2009 corresponds mainly to the Rights on BOMT contracts for $1,640,093 ($1,828,386 as of December 31, 2008), business rights for $318,191 ($318,191 as of December 31, 2008) and easements for $3,478 ($1,777 as of December 31, 2008).

8. FINANCIAL DEBT

	Interest Rate	Maturity Date	As of December 31,			
				2008		2009
Financial obligations:						
Senior Notes	9.50%	3/10/2017	Col$	1,682,693	Col$	1,533,173
Related companies	8.75%	10/10/2017		830,128		756,365
Interest				49,876		45,466
Hedging Operations				-		86,652
				2,562,697		2,421,656
Less – Current portion				(49,876)		(45,466)
			Col$	2,512,821	Col$	2,376,190

The debt denominated in foreign currency as of December 31, 2008 and 2009 was US$ 750 million corresponding to the senior notes and US$ 370 million corresponding to the related companies.

Covenants – TGI in its capacity as guarantor of the issuance of bonds made by TGI International Ltd. and under the provisions of the Issue Indenture acquired the following covenants:

- TGI's net debt to EBITDA ratio must not exceed 4.8:1.0.
- TGI's EBITDA to interest expense ratio must be lower than 1.7:1.0.

In the event that any of the previous commitments is not fulfilled, the Company and its subsidiary TGI International Ltd. would have the following limitations:

- TGI must not create, incur, assume or allow the existence of any lien on any property or asset, profit or income (including accounts receivable) or rights with respect to any of such.

- TGI must not merge or consolidate with any other corporation. From this event is excluded the possible merger of TGI with Transcogás.

- TGI must not engage in any business other than the business of gas transportation and the activities or business related to it.

- TGI must not create or acquire any subsidiary, or make any investment in another corporation, except related investments in the ordinary course of business.

- TGI must not dispose of any assets, except:

  - Sales of inventories, damaged, obsolete, used, nonproductive or surplus assets, waste and investments in the ordinary course of business; and

  - Other disposals for consideration that does not exceed, individually or jointly US$ 30 million (or its equivalent in other currencies) per year.

- TGI must not incur any debt and must not guarantee any obligation in favor of a third party.

Additionally to the foregoing, TGI and its subsidiaries must not make any changes in the accounting treatment and practices of financial reports or in the treatment of taxes, except as required or permitted by Colombian GAAP, consistently applied during the period.

9. HEDGING OPERATIONS

In order to mitigate the effect of the exchange rate fluctuations on the debt in U.S. dollars acquired by the issue of bonds in the international capital market, in January 2009 hedge operations were carried out. These operations consists in the combination of swaps and forwards whereby the Company agrees to pay, as of 2011 a coupon rate of 2% on the notional amount, converted into pesos at the spot rate previously defined by the Company and exchange pesos for U.S. dollars at the forward rate quoted by the other party on the expiration date. These agreements are adjusted monthly to their market value and the valuation adjustment is obtained is recorded in the profit and loss accounts.

As December 31, 2009, the following agreements have been entered into:

Entity	USD$	Spot Rate	Forward rate	Expiration
Bancolombia	$50,000,000	2,230.00	3,478.50	October 2017
Bancolombia	$50,000,000	2,210.00	3,439.87	October 2017
Bancolombia	$50,000,000	2,225.00	3,348.16	October 2017
Citibank N.A.	$50,000,000	2,250.00	2,995.00	October 2017

As of December 31 the market valuation are the following:

Rights on hedging operations	$	(306,152)
Obligations on hedging operations		392,804
Loss in valuation	$	86,652

10. ACCOUNTS PAYABLE

	As of December 31,			
	2008		2009	
Domestic suppliers	Col$	1,879	Col$	16,384
Miscellaneous creditors		4,014		4,233
Taxes		3,432		3,651
Advances		544		522
Others		858		3,574
	Col$	10,727	Col$	28,364

11. RELATED PARTIES

	As of December 31,			
	2008		2009	
Accounts receivable:				
Congás Perú S.A.C. (Formerly Transcogás Perú S.A.C.)	Col$	32	Col$	-
Liabilities:				
Financial obligations – Long term	Col$	830,128	Col$	756,365
Interest		11,244		10,267
Accounts payable		28		-
	Col$	841,400	Col$	766,632

The effect on operations of the transactions with related parties is as follows:

	For the year ended December 31, 2008		For the year ended December 31, 2009	
Transcogás S.A. E.S.P.				
Revenues:				
Technical Assistance	Col$	-	Col$	95

	For the year ended December 31, 2008		For the year ended December 31, 2009	
Empresa de Energía de Bogotá S.A. E.S.P.				
Costs and expenses:				
Interest		64,285		70,521
Fees		-		5,197
Commissions		48		275
	Col$	64,333	Col$	75,993

12. TAXES

Income tax - The Company is subject to income tax at a rate of 33%. As of December 31, 2008 and 2009 the Company has determined a tax loss carryforward amounting to Col$225,942 and Col$ 23,125, respectively which can be used to absorb future taxable income.

The detail of the provision for income tax is as follows:

	For the year ended December 31, 2008		For the year ended December 31, 2009	
Current tax	Col$	9,680	Col$	7,634
Unusual gain tax		-		2,066
Deferred tax		26,897		11,874
	Col$	36,577	Col$	21,574

13. COLLECTIONS ON BEHALF OF THIRD PARTIES

	As of December 31,			
	2008		2009	
Development quota	Col$	1,649	Col$	1,730
Transportation tax		5,699		10,443
Ariari Gas pipeline		89		597
Industries contributions		10		1
Other		-		3,191
	Col$	7,447	Col$	15,962

Development quota – Corresponds to 3.0% of the rate that TGI collected from customers for the gas effectively transported in accordance to the Law 401 of 1997. Development quota is transferred to the Ministry of Mines and Energy.

Transportation tax – By delegation of the Ministry of Mines and Energy, quarterly basis consignors are billed for the transportation tax established by the code of petroleum, Decree No.

1056 of 1953 and based upon resolutions issued by the Ministry, payments are made to the municipalities through which the gas pipelines run, based upon the gas quantity transported.

Industries contribution – Contribution collected from the industry according to the provisions of Law 143 of 1994.

14. PROVISIONS

	As of December 31,			
	2008		2009	
Provisions for contingencies	Col$	2,030	Col$	709
Other provisions (1)		22,624		14,145
Fiscal		2,122		1,899
		26,776		16,753
Less – Current portion		(14,442)		(6,624)
	Col$	12,334	Col$	10,129

(1) Correspond to the accrual of the obligation to acquire the pipelines upon expiration of the BOMT contracts, as follows:

		2008		2009
Contrato BOMT Centragás (USD$2,196)	$	4,927		4,489
Contrato BOMT Transgas de Occidente (USD$2,759)		6,190		5,640
Contrato BOMT Boyacá and Santander (USD$543)		1,217		-
	$	12,334	$	10,129

On October 21, 2009 there was exercised the call option of the Contract BOMT GBS.

Contingencies – As of December 31, 2009 and 2008, the value of the claims of the Company that corresponds to civil and arbitrations lawsuits amount to Col$3,456 million Col$4,332 million, respectively, and others for undetermined amounts. Based upon the evaluation of the likelihood of success in the defense of these cases, the Company has provisioned Col$709 million as of December 31, 2009 and Col$2,030 million as of December 31, 2008 to cover for the probable losses for these contingencies.

The Company's management estimates that the results of the litigation corresponding to the non-provisioned portion shall be favorable to the Company's interests and will not accrue significant liabilities that have to be recorded or that, if there are any, they will not significantly affect the Company's financial position.

15. OTHER LIABILITIES

	As of December 31,			
	2008		2009	
Deferred tax	Col$	49,840	Col$	61,714

16. SHAREHOLDERS' EQUITY

Capital – The authorized capital stock of TGI is 104,900,000 common shares with a face value of 10,000 pesos each, 75,000,000 of which were subscribed and paid as of December 31, 2009, distributed as follows:

	Number of Shares	Percentage of authorized capital
Empresa de Energía de Bogotá S.A. E.S.P.	73,435,860	97.91
Solidarity sector	1,510,603	2.02
Other	53,537	0.07
	75,000,000	100.00

Additional Paid-in capital – Corresponds to the premium on the placement of shares.

Legal reserve – The Colombian Code of Commerce requires companies to appropriate at least 10% of the net income of each year to the legal reserve until such reserve is equal to at least 50% of paid-in capital. The legal reserve is not distributable as dividends before the liquidation of the Company, but it may be used to absorb net losses.

Reserve Article 130 of Tax Statute – It is generated in a greater fiscal expense requested for fixed-asset depreciation amounting to $15,298 million, which is equivalent to 70% of the greater value requested.

Reserve for exchange gain – An occasional reserve to was created through a decision made by the General Shareholders' Meeting. It was generated by revenues that, mainly the exchange difference.

17. MEMORANDUM ACCOUNTS

	As of December 31,			
	2008		2009	
Credit memorandum accounts:				
Guarantees granted	Col$	1,682,693	Col$	1,533,173
Fiscal accounts		-		208,887
Financial Obligation PA TGI-Pipeline		-		190,017
Contingencies		2,302		13,000
	Col$	1,684,995	Col$	1,945,077