

2008 Management Report

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Letter of the President

Dear Sirs:

As President of ENARSA since its founding four years ago, I am pleased to present the new 2008 Management Report including the main achievements obtained during this period by those of us who have the responsibility to carry out the mission of the company.

The purpose of this report is to keep stockholders, partners, vendors and other interested groups, as well as the community as a whole, informed about the characteristics, objectives, values and results obtained by ENARSA.

We have developed values of transparency and respect, working with a group of professionals who have the capacity and attitude required for such a challenge. We have also made great progress towards the company's projects.

We truly hope that the following pages fully account for the tasks performed, the important alliances celebrated, and the numerous projects set in motion, and, above all, the huge future and attractive challenges that a company with the capacity, human talent, resources and energy like ENARSA has to face.

Engineer Exequiel Espinosa
President
ENARSA

The origins of ENARSA

ENARSA was created in October 2004 through Act 25943, which was passed for approval by the National Congress, and then became law with the President's approval through Executive Decree n° 1629 dated November 2, 2004, resulting in the outcome of an initiative of the Argentine National Government, at that time under the administration of Dr. Nestor Kirchner.

ENARSA was founded as a corporation made up by the Argentine National State (53%), the Argentine provinces (12%) and private investors (35%), with the intention that the company will become a benchmark within the energy market, primarily aimed at pursuing the development of the nation and becoming a tool to implement the National State energy policy.

As derived from the text of the law creating ENARSA, its main purpose is to carry out, by itself, through other companies or in association with others, the prospecting, exploration and exploitation of the hydrocarbons reservoirs, whether they be in solid, liquid and/or gaseous state, as well as the transportation, storage, distribution, commercialization and industrialization of said products and of its direct and indirect derivatives; in addition to the transportation and distribution of natural gas, and the production, transportation, distribution and commercialization of electric energy.

These have been the principles of ENARSA since its origin and its team of professionals has been continually devoted to said principles.

The Beginnings

In a world in which the concern for availability, distribution and the rational and sustainable use of energy grows each day, ENARSA, from the very beginning, meant a real challenge for all its members.

Since the beginning, its purpose was to recover, in a highly sensitive area of modern life, the strategic capacity of action from the State, determined to develop any necessary action to ensure energy at the service of development, economy growth, jobs creation and to offer better living standards.

Therefore, in few words, as a tool to implement the National State energy policy, the foundational purpose of ENARSA may be summarized as follows:

- **Collaborate with the energy supply industry, taking into account the growing demands of the country for the welfare of - all its citizens.**
- **Promote the national industry development.**
- **Create value to the shareholders.**
- **Participate in activities of energetic regional integration to promote the growth of the southern cone.**

Values

Since its origin, all activities carried out by **ENARSA** have been framed within corporate clearly expressed and defined values. In this fashion, **ENARSA**'s administration is focused on solid principles of efficiency, ethics and corporate responsibility, aside from its foundational purposes, which can be summarized as follows:

- **Development:** **ENARSA** seeks social and community development working in networks and generating energy resources in order to boost employment and enhance Argentine citizens' living standards.
- **Profitability:** **ENARSA** is very conscientious about its standards of efficiency, competitiveness and cooperation with the purpose of yielding profits for its stockholders.
- **Innovation:** **ENARSA** stimulates research and seeks to incorporate scientific professionals to its project administration.
- **Association:** **ENARSA** seeks alliances with national and/or international entities, public and/or private organizations, with the objective of generating resources, earn assets and profit from business opportunities.
- **Environment:** **ENARSA** sustains a jealous environmental resources protection policy, seeking to ensure sustainable development at all times.

a) Exploration and exploitation contracts

Pursuant to the law by which ENARSA was created, the company holds the ownership exploration permits and exploitation concessions of the blocks located on the Argentine Continental Shelf that had not been awarded prior to the date of its enactment.

These blocks are distributed in the sedimentary basins of Salado, Colorado, Rawson and Península de Valdés, also in San Jorge, San Julián, Malvinas, Austral, Argentina and on off-shore basins.

The strategy to add value to natural resources has always consisted in, and still does, the creation, publication and commercialization of information regarding the Argentine Continental Shelf, and, consequently, the attraction of risk investors in a strategic association with ENARSA.

Generally speaking, the associated companies will be responsible for providing funds necessary to finance the investments corresponding to ENARSA during the exploration phase. This financing will be non-refundable shall the parties decide not to commercialize within the area. However, if any commercial discovery is made, ENARSA agrees to refund the members of the association during the exploitation phase, and based on their participation percentage, the funds invested by them in the exploration phase, corresponding to ENARSA's percentage.

Within the scope of said objective, ENARSA has executed contracts with Petrobras, YPF, Petrouuguay and ENAP Sipetrol, constituting three consortiums to undertake prospecting, exploration, development and exploitation activities within the three areas of the Argentine Continental Shelf called E1, E2 and E3.

Latest progress

- **Area E-1:** The 3-D seismic information processing stage has been completed and the final interpretation phases are presently being completed, in order to identify potential exploratory prospects for drilling.
- **Area E-2:** Following with the area's exploratory process, the consortium defined, based on the entire technical information available, potential exploratory prospects for drilling, which formed the so-called "Hélix Project".
In order to drill these exploratory wells, the consortium, through its Operator, contracted a state-of-the-art jack up platform. Said platform, named "Ocean Scepter", started drilling the "Hélix E2 x-1" well in mid December 2008, the first exploratory well in the area. At present, drilling activities are being performed normally.
- **Area E-3:** Despite the area is in a preliminary exploratory stage, if compared to the other two areas above, the consortium, through its Operator, carried out a program aerogravimetry and magnetometry acquisition program in the area.
The information obtained has already been processed and the preliminary interpretation results have enabled us to substantially improve the geologic-geophysical knowledge of the area, aimed at detecting potential reservoirs for exploration.
Even through a certain level of uncertainty persists in relation to this part of the basin, it is considered that the information derived from the "Argentine Span"® Project (contracted by ENARSA), will be highly useful to improve the knowledge and comprehension of the characteristics of the basin.
All this information, thoroughly studied and interpreted, will help determine the convenience, timing and eventual execution of a program for the acquisition of 2-D seismic that would cover the areas considered most interesting.

b) ENARSA's Argentine Seismic Program

The beginning of the activities of the Norwegian seismic vessel "Geo Searcher", in mid December 2008, set off the development of the third and last phase of the Regional Seismic 2-D Acquisition Program (called "Argentine Span" ®), that was contracted by ENARSA with GX Technology Corporation (GXT). Once completed, said program will have registered approximately 11,000 kilometres of 2-D seismic, within the areas in which the exploratory permits are owned by ENARSA.

The product resulting from the "Argentine Span"®, which includes, in addition to the surveys, processing, visualization and interpretation of the seismic information obtained, will be highly useful to increase and/or refine the knowledge of the Argentine off shore basins.

Even though the product will be owned by ENARSA, ENARSA, jointly with GXT, will be able to grant the corresponding non-exclusive licenses, to enable access to such product, to companies which may be interested in its acquisition.

c) Off Shore

The Argentine State has set into motion, during the second semester of 2008, its mayor program for off shore hydrocarbon exploration, through the first round (almost 120,000 square kilometers) of a National and International Tender for the exploration of localized areas along the Argentine coastline, as from the province of Buenos Aires to its southern most extreme region, adjacent to Malvinas Islands.

d) On Shore Activities

Completed Actions

- **Mina Salamanca, Pico Salamanca and Cañadón Pilar Areas:** Once all requisites established by the legislation in force were satisfactorily completed in early 2008, three exploratory wells were drilled, named CP x-3001, CP x-3002 and PS x-4001. One of them resulted to be sterile (CP x-3001), while the other two were cased and are pending completion. To that effect, during December 2008, new contracts were entered into to start completion tasks in both wells.
- **"Medanito Sur" Area:** Based on the study and interpretation of the seismic information obtained during the 3-D acquisition campaign performed, the consortium established a program for the First Exploratory Period. The development of such program led to the discovery of hydrocarbons in three of them: El Puma x-1; El Jabalí x-1 and El Caldén x-1, which generated the corresponding Exploitation Blocks. Consequently, by the end of December 2008 all information necessary to determine the commercialization of the three discoveries was submitted to the Hydrocarbons authorities of the Province of La Pampa, and it was requested that, if it corresponded, the Exploitation Permits over the mentioned Exploitation Blocks be granted to the Consortium.
- **"Laguna Blanca" and "Zapala" Areas:** The works on demarcation and measuring of the area could not be carried out due to disputes with local indigenous communities. In order to solve the conflict, periodic meetings with representatives of the communities are held to reach a solution in order to continue with the compulsory works that the consortium must perform to fulfil the legislation in force.
- **Gobernador Ayala III Area:** The "Joint Venture Agreement Gobernador Ayala III" was signed in June 2007. A request was timely presented before the Hydrocarbons and Mining Authorities of the Province of La Pampa to perform a series of assignments, including the assignment in favor of ENARSA of a 10 percent share in the consortium. We are waiting for the corresponding resolution to execute said assignments. In compliance with the work plan, an intense exploratory drilling campaign was carried out, which enabled to make hydrocarbon discoveries in the areas of "El Renegado" and "Gobernador Ayala Este". Consequently, once the corresponding information was presented to the Hydrocarbon Authorities of the Province of La Pampa, in mid September 2008, the corresponding Exploitation Concessions were granted for "El Renegado" and "Gobernador Ayala Este".

Description of the programs and projects

1. Total Energy Program

Under Resolution number 121/2008, the Total Energy Program (PET) was implemented in 2008 in the entire territory of the Argentine Republic, through four plans, with the purpose of ensuring the provision of energy resources, whether liquid or gas fuels, required by the productive sector as well as for the population as a whole.

General Plan for the Provision of Gas Fuels

▪ Plan for the Provision of Liquefied Natural Gas, hereinbefore regasified “LNG”

The implementation of the project for the regasification of LNG was part of such program. For that purpose ENARSA signed with YPF a contract for works for the regasification of LNG by using a regasifying vessel. Under such contract YPF had to design, build, operate, maintain, manage and administrate such system. The Excelsior regasifying vessel was used at an existing wharf at Ing. White Port.

For the interconnection of the vessel with the transport system a new gas pipe was built to transport gas up to General Cerri, thus linking the TGS transport system. The Contract stipulated the engineering and construction of all necessary facilities to make the wharf compatible with the regasification operation, including the installation and mounting of an unloading arm, accessory equipment, valves, measurement stations, fire protections, adaptation of the wharf with new mooring points, among other installations. The amount of the contract reached U\$S 49 million, including the fixed cost of the works amounting to U\$S 8 millions.

The contract is effective for five years, with an annual regasification period of five months (from May 1 to September 30), renewable, at ENARSA’s option, up to October 31.

The regasification vessel has a storing capacity of 138,000 m³ and a maximum regasification capacity of 8 millions m³ daily (approximately 6% of the average daily volume of the demand in Argentina).

ENARSA contracted the provision of NLG during 2008 with a cost of U\$S 270 millions.

▪ Plan for the Provision of Propane-Air

Under a contract between ENARSA and YPF, YPF undertook the design, construction, operation, maintenance, and dispatch of an Propane Air Injection Plant (PIPA) with a production capacity of 1.5 Mm³/day of equivalent natural gas of 9300 kcal/m³ at the district of Esteban Echeverría, Province of Buenos Aires.

PIPA produces synthetic Natural Gas through the mixture of vaporized propane and air, approximately 60% and 40%, respectively, to be injected at high pressure in the distribution network of the area of Buenos Aires. In this manner, the plant complements the injection of natural gas from the system, to be used during winter peak demand.

By the end of 2008 the installation and equipment works were completed, and the pilot tests for the start up will be performed during 2009.

The contract’s total amount was U\$S 29 millions, including the plant’s works and operation during 2008.

The plant is linked through a propane pipeline to the LNG storage facilities, owned by YPF, located at Dock Sud, Province of Buenos Aires. The propane must have a certain quality level, once the mixture is produced, to fulfil the standards required by the Argentine gas system, Such quality is obtained exclusively from the propane extracted from natural gas, processed in Bahía Blanca, and transported to Dock Sud on a vessel leased by ENARSA specifically for such purpose.

General Plan for the Provision of Liquid Fuels

▪ Plan for the Provision of Demand

ENARSA performed the operation for the provision of imported gasoil volumes mainly under the Underlying Provision Agreement entered into with YPF S.A. and later under the term agreement signed with PDVSA.

In March 2008 the company agreed with YPF the Management of the Provision of Liquid Fuels, by means of which YPF performed the operative management for a volume of 150,000 m³. and in May 2008 celebrated the contract for the importation of Gasoil with PDVSA, under which 441,000 m³ were imported.

ENARSA’s importation in 2008 represented 30% of the total imported by Argentina, approximately (2,100,000 m³).

▪ Plan for the Substitution of Gas Consumption and/or Electric Energy with Alternative Fuels

ENARSA celebrated agreements with YPF SA, Petrobras Energía SA y ESSO Petrolera Argentina SRL for the provision of substitute liquid fuels and logistic and distribution services, in order to implement the Gas and/or Electric Energy Substitution Plan under the TOTAL ENERGY PROGRAM.

The Sub-Secretariat of Coordination and Management Control of the Ministry of Federal Planning, Public Investment and Services, as Executing Unit of the Program, established the maximum value to recognize vendors for the provision of national origin fuel.

The beneficiaries paid for the national fuel to the vendors the weighted average for the acquisition of natural gas and/or electric energy

for their productive processes and/or generation during the 2006 July/October period .

In furtherance of its mission , ENARSA defined the control methodology and procedures for the administration of the Plan.

The execution of the Plan for the Substitution of natural gas and/or electric energy with liquid fuels resulted in savings equal to 272 Mm³ of natural gas and 40,000 MW.

2. Gas from Bolivia

After the subscription of the Underlying Agreement between the Argentine Republic and the Republic of Bolivia in connection with the Sale of Natural Gas and the Execution of Energy Integration Projects” by and between the Argentine President and the Bolivian President, in June 29, 2006, ENARSA imports and commercializes Natural Gas from Bolivia and obtains earnings for the company.

During the 2008 fiscal year the daily average provision has been 2.7 millions of m³, since the Republic of Bolivia and, specifically YPFB has found it difficult to supply volumes larger than those required by Argentina.

Gas from Bolivia – Associated plans

- **The GNEA Project:** Pursuant to Decree n° 267, passed by the National Executive Power on March 24, 2007, ENARSA was granted the concession to operate the Argentine Northeast Gas Pipeline for 35 years, which may be extended, and has the responsibility to construct, operate, maintain, provide transportation services and commercialize natural gas. For such purpose, a main gas pipe will be constructed across the provinces of Salta, Formosa, Chaco and Santa Fe, with a transportation capacity of additional 20 millions cubic meters. The objective of this project is to contribute to the natural gas supply for the Argentine market, especially for the northeastern region of our country.

Under the “Underlying Agreement signed between the Argentine Republic and the Republic of Bolivia in connection with the Sale of Natural Gas and the Execution of Energy Integration Projects” the plant design parameters were defined, such as the chromatography of the feeding gas, flow volume, pressure and temperature. Also, the terms and conditions were drafted for the call of bids in connection with the execution of basic extended engineering of the gas treatment plant, owned by YPFB, as set forth in the above mentioned agreement.

At present, the preliminary environmental surveys, environment impact assessments, satellite surveys routes as well as the information compilations into geographic information systems have been concluded.

The basic engineering of the gas pipeline is being developed and the route for interconnection systems named YABOG-GNEA has been defined, also the location of the first station of the compression system YABOG-GNEA in the Argentine territory.

The call for national and international public bids for the acquisition of the pipes and turbo compressors have took place, as well as the call for a national public bid for the contracting of measurement services and cadastral surveys. The bid offers for the pipes, measurement services and cadastral surveys had been opened.

Moreover, the award of bids regarding the pipe supply, measurement services and cadastral surveys are still in the process of performance. Also, the opening and award of the bids for turbo compressors, public work bids in three stages and the management of the corresponding contracts remain pending.

3. Natural Liquefied Gas Regasification Project in Uruguay

In view of the agreement for the implementation and operation of the regasification of the natural liquefied gas, entered into by Argentina and Uruguay, ENARSA has initiated alliance processes with the Uruguayan state-owned companies, ANCAP and UTE, in order to constitute a Joint Venture to execute the regasification project at Punta Sayago in Montevideo, whose purpose is to provide Uruguay and Argentina with regasified natural gas from natural liquefied gas. ENARSA is expected to have a 50 per cent share in this project and an equal percentage in the use of the capacity of the facilities for the provision of natural gas to the Republic of Argentina.

4. Transener S.A.

With the strategic purpose of participating in the electric energy high tension transmission segment, ENARSA, jointly with Electroingeniería S.A., signed with Petrobras Energía S.A. (PESA) an Agreement, on March 14, 2007, by which both companies offer to individually purchase, in equal parts, the stock of Compañía Inversora de Transmisión Eléctrica Citelec S.A.(Citelec), controller of Compañía de Transporte de Energía Eléctrica de Alta Tensión Transener S.A. (Transener S.A.), owned by PESA.

As a result of such offer, on July 19, 2007, ENARSA and Electroingeniería S.A. signed with PESA a Stock Purchase Agreement, by which each of them individually purchased from PESA 25% of the shares of stock and votes of Citelec.

Once the conditions set forth in the Stock Purchase Agreement were fulfilled, on December 18, 2007, the transfer of stocks to ENARSA and Electroingeniería S.A. was recorded on Citelec’s Stock Transfer Book. Upon such registration, ENARSA and Electroingeniería S.A. are shareholders of Citelec S.A., controlling company of Transener S.A.

Therefore, ENARSA obtained a key participation in the only company of the country that transmits energy in high and extra high tension, a

fundamental aspect for the provision of electric energy.

Transener continues working in the operation and maintenance of the system with outstanding quality service levels by consolidating the training and specialization of its personnel, maintaining investment levels in excess of its obligations and keeping its commitment with the environment, by ratifying its compliance with ISO 9001 and ISO 14001 certifications.

5. ENARSA Aeropuertos S.A.

In association with Corporación América S.A. (owner of Aeropuertos 2000), ENARSA Aeropuertos S.A.'s purpose is the exploitation of fuel plants and its derivatives, and the provision of services related to such exploitation at all airports, ports, terminal stations and locations related to air, sea, land and water transportation throughout the country and abroad.

Holding a 20 % participation interest in the stock capital of ENARSA Aeropuertos S.A., and with the involvement of a highly experienced partner in the provision of airport services, ENARSA promotes a business with an attractive growth potential, which is intended also to introduce state of the art technology in a particularly sensitive aspect of the life of the country.

6. ENARSA PDV S.A.

Natural Liquefied Gas (LNG) Regasification Project in Argentina

Dedicated from the very beginning to promote a regional alliance and exchange strategies, ENARSA and PDV Argentina S.A. were pioneer partners in the region and created a company in 2006, whose main purpose is to develop activities in all phases of the hydrocarbons business value chain: From exploration to exploitation, refinement, industrialization, transportation and commercialization of crude oil and its derivatives.

ENARSA, which holds 40% of the stock of this new company (the remaining 60% is owned by PDV Argentina S.A.) promotes an association with great possibilities in the local energy market, given the multiple potentialities of each of its members.

Pursuant to an agreement of the parties, PDV Argentina S.A. has committed to reduce its capital stock in this company by 10%, which will raise ENARSA's share to 50%.

In furtherance of the objectives of the National Executive Power, that is, securing the provision of natural gas in the mid and long term by diversifying sources, and in compliance with the Memorandum of Understanding signed by the Argentine Republic and the Bolivarian Republic of Venezuela, ENARSA and PDVSA have agreed to start the development of the "Regasification of Liquefied Natural Gas (LNG) Plant" project, to be located in the Argentine Republic, through the mixed private/public company ENARSA PDV S.A.

The regasification of LNG estimates an initial natural gas production capacity, in transportation conditions, of 10 million m³/day and the potential to expand such capacity up to 20 million m³/day.

The call for Expression of Interest made to companies that wish to participate in the development of the feasibility assessment (conceptual extended visualization and engineering) of the facilities for the regasification of LNG is under process. The central objective is to reach the result on the basis of a technical/economic/environmental and regulatory pre-feasibility analysis of at least three alternatives for micro localization of the plant, the port terminal and the gas pipeline connected to the Argentine gas transportation system, as well as the identification and selection of the most adequate technology and the project estimated cost.

7. ENARSA SERVICIOS S.A.

ENARSA SERVICIOS S.A., created in August 2006, in association with INVAP INGENIERÍA S.A., and with 80% of the shares of the new corporation held by ENARSA, has been organized for the promotion of the technological development by providing services to the energy sector, in general, and to the petroleum sector, in particular, in Argentina as well as overseas. Such services include engineering, measuring, design, construction of facilities, and logistic services.

In general, ENARSA SERVICIOS S.A. (ENSSA) is intended to focus on services related to the exploration and production of hydrocarbons, reactivation and/or expansion of refineries, development of new gas stations, generation and distribution of electricity and development of alternative energies such as biofuels and eolic parks, among others.

Additionally, ENARSA SERVICIOS S.A.'s foundational purpose is to incorporate the "know how", contribute to the development of small local applied-technology companies and the satisfaction of those areas where there may be a certain deficit of services at present.

It is worth mentioning that INVAP, which is devoted to the integral realization of technological projects in the nuclear, spatial and industrial fields, has a vast experience in the implementation of highly competitive projects, and has contributed to position Argentina as a reliable exporter of nuclear installations and its related control equipments and systems, thorough over three decades of history.

Electrotechnical Center for Investigations and Tests

The CEDIESA (Research and Tests Electrotechnic Center) Project is aimed at creating the necessary facilities for a Test Lab on Equipment for High and Very High Tension. The facilities will have three main labs:

- **High and Very High Tension Dielectric Tests Lab.**

- **High Power Lab for Middle Tension.**
- **High Current in Low Tension Lab.**

CEDIESA will require a 30 million U.S. dollars total investment, approximately, partly from government funds and partly from private sources, in cash as well as on account of future investments. The investment will be carried out in phases, as already defined in the Project Executive Summary.

By the time this report was drafted, the Final Report of the Technical and Economic Assessment, prepared by the National University of Lomas de Zamora, was completed. Such report was presented, together with the CEDIESA Project, to the Secretary of Science and Technique, in order to look for counselling about possible instruments of shared funding.

The Tucumán National University has executed the conceptual engineering update of the Lab for Dielectric Tests in 500 Kv, and the Rio Cuarto National University performed the project for the Lab for Low Tension Tests.

Edenor, Transener and Yacypretá Transmission System Executing Unit are building a Transformer Station to be completed in 27 months on a 64 hectare plot, at the area of Tigre, on route 26, out of which 11 hectares will be used for the Laboratory.

The project's expected results are:

- **Assessing the quality of the materials and equipment used by the electric sector and increasing its reliability.**
- **Improving its characteristics by enhancing manufacturing processes.**
- **Facilitating the certification of products of the small and medium size electromechanic industry and helping its successful incorporation to the exporting sector.**

Bank of high flow Gas Ultrasound Meters Calibration Project

This project is oriented to satisfy a specific demand in Argentina, since the country does not have high flow gas measuring calibration instruments. These calibrations are especially important for "Custody Transfer", which must be performed overseas (often in Canada and Germany), with the subsequent logistic expenses that this entails.

The project involves the installation of a Laboratory on a location connected to a trunk pipeline, which will permit, in addition to the mentioned calibrations, to perform I+D tasks, as well as all types of tests that may benefit the Argentine industry in the natural gas technology sector. To date, discussions with ENARGAS and INTI have been held in order to establish the regulatory framework for this activity, and the first phases for the execution of this project are about to start.

8. Vientos de la Patagonia I S.A.

The company created in July 2006 in alliance with the Government of the Province of Chubut, has been constituted to design, construct, start up, operate, develop and maintain the first Argentine high-power eolic park to be connected to the national network, located in the outskirts of the city of Comodoro Rivadavia.

Vientos de la Patagonia I S.A., in which ENARSA owns 80% of the stock, intends to go beyond the experimental nature of the diverse present projects, and not only start with the production of eolic energy, but also stimulate the manufacturing, installation and local operation of generators.

With an installed power capacity expected to be around 60 MW, and aerogenerators manufacture at least 80 % locally, the project of this eolic energy park is a major step for the fulfilment of the Argentine Government National Strategic Plan of Eolic Energy, designed to promote the use of clean renewable and non-contaminating energy.

One of the two prototypes (1.5 MW each) included in the original plan is built and installed and the link of such prototype with the transmission line is being constructed, while 80% of the second has been completed.

9. ENARSA Generation

ENARSA carries out technical, economic-financial and legal studies to make investments in the electric sector of the Argentine Republic viable, under the guidelines established by the National Government and the law in force. Therefore, ENARSA attempts to design public-private participation mechanisms in order to obtain internal and/or external financing. Within the spectrum of possible projects, the following are highlighted:

- **Generation of Electric Energy from renewable and alternative sources.**
- **Big generation centrals.**
- **Energy Efficiency projects.**
- **Distributed Generation.**
- **Repowering of existing power facilities.**

Big Generation Centrals

As part of the strategic plan set by the National Government, and in order to provide electricity to the Argentine Interconnection System (SADI), through the construction, start up and association of five new thermal open cycle gas turbine centrals, that may be converted to combined cycle, in several parts of the country, The National and International ENARSA - n°002 / 2007 Public Bid process is being performed since July 2007. The purpose of this bid was to “Contract the project, provision, construction, set up, start up, supervision of operation, and maintenance, under the “turn-key” modality, of five (5) power generation centrals ranging between 110 and 560 MW each, equipped with Gas turbogenerators”.

The following chart illustrates some details of each central:

Central (power)	Localization
CT - Brigadier López - (1 x 240 / 280 MW)	(Sauce Viejo – Sta. Fe)
CT - Ensenada de Barragán - (2 x 240 / 280 MW)	(Ensenada – Bs. As.)
CT - Ing. Francisco Bazán - (1 x 110 / 145 MW)	(Ciudad de Córdoba)
CT - Necochea II - (1 x 110 /145 MW)	(Necochea – Bs. As.)
CT - Manuel Belgrano II - (2 x 240 / 280 MW)	(Campana – Bs. As.)

ENARSA has satisfactorily complied with the execution, publication and sale of the corresponding bidding conditions that resulted in successful offers for the five items of the document, for each of the referred thermal centrals.

So far, the Brigadier López (Santa Fe) and Ensenada de Barragán (Buenos Aires) Centrals have been awarded, and are now under execution.

The generator plant at Brigadier López will have a Net Power of 280 MW, while the new one at Ensenada de Barragán will have 560 MW, both are ISO certified, with new Gas Turbines, designed for base load and/or partial load, using as fuels natural gas or n° 2 distilled gas (gasoil), indistinctly at the indicated location. The Centrals design and layout have taken into account its future conversion to combined cycle, reaching a total power of 420 and 840 MW, respectively.

The units will be suitable for a possible conversion (extension) to combined cycle, taking advantage of the residual heat of the escape gases of the gas turbogenerator in a Heat Recovery Steam Generator used to generate vapour, which will be expanded in a vapour turbine, producing electric energy through a generator.

The market that supplies the Central is Eléctrico Nacional through a sale of energy guaranteed by contract through CAMMESA (Compañía Administradora del Mercado Eléctrico Mayorista Sociedad Anónima).

The incidence of the Brigadier López project in demand, based in the country's thermal generation, is 3.64 %.

The incidence of Ensenada de Barragán project in demand based in the country's thermal generation is 7.28%.

Distributed Generation. First and Second phase

In order to expand Argentina's generation of energy, ENARSA called specialized companies of the sector and obtained multiple offers to provide power to the interconnected system and generate electric energy by using low power portable generators, whether through alternative engines or gas turbines. A relevant feature of both equipments is that they have the capacity to use liquid fuel or natural gas indistinctly.

At present, there is no other type of equipment in the market that could be made operational immediately, for this reason, ENARSA decided to resort to Distributed Generation temporarily, until high power and more efficient machines are fully operational.

This represents a significant challenge, since it implies the execution of infrastructure works aimed at promoting the normal performance of the National Energy System, in short terms and uniform quality, by contributing to generate the conditions related to the country's economic growth.

The Distributed Generation Program is, precisely, one of the actions created to respond to such challenge and it consists of the development of mounting works and the start up of new electric generation centrals of high regional impact.

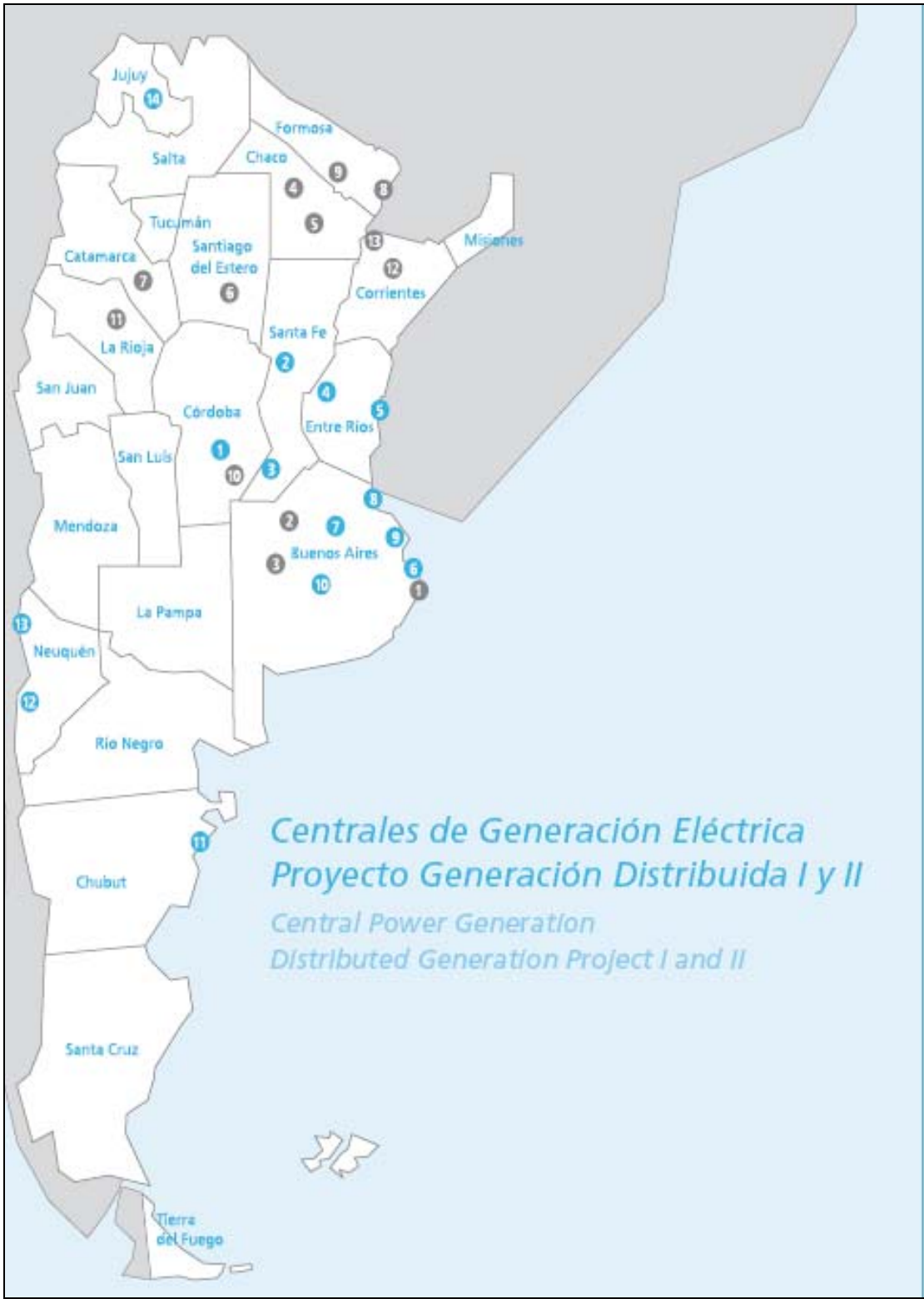
These actions have been intended to satisfy the greater demand of energy and power registered in the last few years, by improving the basis for the development of the industrial, agricultural and touristic sector of each of the affected regions, with high reliability and quality for the provision of the rest of the country.

As leader of the Distributed Generation Program, ENARSA has contributed to foster equal opportunities, improve life quality and promote the development of national production.

The Distributed Generation Program was developed in two phases that include the installation and start up of 27 centrals located in thirteen provinces of the national territory with a total power of 600 MW.

The first stage encompasses 13 centrals, 95% of which contribute power and energy at present. The total power of this state is approximately 230 MW.

The second stage encompasses 14 centrals, with a total power of 350 MW.



Distributed Generation Project I

City	Province	Power
1 Pinamar	Buenos Aires	21 MW
2 Junín	Buenos Aires	20 MW
3 Pehuajó	Buenos Aires	20 MW
4 J.J. Castelli	Chaco	15 MW
5 Sáenz Peña	Chaco	20 MW
6 Añatuya	Santiago del Estero	18,6 MW
7 Catamarca	Catamarca	20 MW
8 Formosa	Formosa	15 MW
9 Pirané	Formosa	15 MW
10 Isla Verde	Córdoba	20 MW
11 La Rioja	La Rioja	20 MW
12 Santa Rosa	Corrientes	3 MW
13 Paso de la Patria	Corrientes	2,4 MW

Distributed Generation Project II

City	Province	Power
1 Bell Ville	Córdoba	20,5 MW
2 Rafaela	Santa Fe	19,2 MW
3 Venado Tuerto	Santa Fe	19,2 MW
4 Paraná	Entre Ríos	42 MW
5 Concepción del Uruguay	Entre Ríos	20,5 MW
6 Las Armas	Buenos Aires	10 MW
7 Bragado	Buenos Aires	53 MW
8 Matheu	Buenos Aires	63 MW
9 La Plata	Buenos Aires	40,6 MW
10 Olavarría	Buenos Aires	41 MW
11 Trelew	Chubut	23,4 MW
12 Aluminé	Neuquén	11,2 MW
13 Caviahue	Neuquén	8 MW
14 Jujuy	Jujuy	15 MW

10. ENARSA's branch in Ecuador

On March 12, our company, Energía Argentina S.A., was authorized to establish a branch in Ecuador and started its commercial activities on March 18, 2008.

During the fiscal year ended on December 31, 2008, the first of the branch, Energía Argentina S.A. (ENARSA) established solid basis for the inclusion of in the Ecuadorian energy market.

It has been a year of hard work since the start of the activity in March. The organization and development process of the Branch in Ecuador has been started, as well as the investigation of the possibilities of development of different energy projects, including one of the most important the Hydroelectric Project Coca Codo Sinclair.

On February 7, 2008 the Hydroelectric Company Coca Codo Sinclair S.A. was established in Quito, Ecuador, constituted by Ecuadorian and Argentine capitals represented by Termopichincha S.A. y Energía Argentina S.A, respectively.

In April, 2008, the company started its activity and planned the necessary actions for the execution and development of the Hydroelectric Project, the greatest in Ecuador with a capacity of 1500MW.

Also, the different areas of the company –administrative, environmental, legal and technical- have been working intensely.

11. Strategic Alliance signed with PETROECUADOR

Based on the bilateral relations between Argentina and Ecuador, the "Institutional Cooperation Underlying Agreement N° 30-PRO-A-

2006 between ENARSA and PETROECUADOR”, and with the purpose of developing activities of mutual interest in exploration, exploitation, transport, storage, industrialization, commercialization, oil services, institutional strengthening, environmental management, and training, PETROECUADOR and ENARSA signed a “Strategic Alliance Agreement “ in September 2007.

Research studies performed under such Agreement detected a potential opportunity for the exploration and exploitation of an oil field (Campo Oglán), owned by PETROECUADOR.

With the object of best evaluating the scope of such opportunity, ENARSA and PETROECUADOR signed the necessary Confidentiality Agreement that gave access to the technical information available in PETROECUADOR, which enabled to confirm the possibility of making a concrete proposal to such company.

Such proposal was formally submitted to PETROECUADOR in early May 2008.

The proposal is being studied and evaluated by the different specific technical sectors of PETROECUADOR. In the event of approval, PETROECUADOR will inform the Minister of Mines and Oil of Ecuador, so that this application authority authorizes the final phase of negotiation of the corresponding Agreement between ENARSA and PETROECUADOR. The execution of such agreement will translate into the award of the mentioned area to start exploration and exploitation activities.

12. Agreement between the Bolivarian Republic of Venezuela and the Republic of Argentina for the exploration and/or exploitation of oil areas

The exploration and exploitation activities in Venezuela are developed under:

- **Memorandum of Understanding for the Performance of Joint Hydrocarbon Activities for the Determination and Quantification of Exploration and/or Exploitation Reserves of Hydrocarbons by the Bolivarian Republic of Venezuela and the Republic of Argentina (subscribed at Puerto Ordaz, in November 2005).**
- **Letter of Intent (subscribed in Brasilia, in January 2006).**
- **PDVSA – ENARSA Execution of Activities Protocol (subscribed in Caracas, in July 2006).**
- **Confidentiality Agreement (subscribed in Buenos Aires, in October 2006).**

The activities refer specifically to two fields:

- **The Orinoco Oil Belt (Venezuela),** The activities involved the integration of a technical team between PDVSA and ENARSA to determine, quantify and certify the reserves of Block 6 “Ayacucho”, of the Orinoco Oil Belt. These activities were divided in three Phases:
First Phase: Development of a static preliminary model with estimated reserves, from which an estimated number of reserves was derived and which indicated the convenience of the drilling of delineation or stratigraphic wells. This generated a proposal for their execution in order to certify the reserves. This First Phase has been completed.
Second Phase: Drilling of stratigraphic wells. Eight stratigraphic wells were drilled with optimal results. The prognosis was obtained and the geologic model to increase the quality of wells was increased, which implied better quality and higher reliability information necessary to start the Third Phase. The Second Phase has been completed.
Third Phase: Certification of the hydrocarbon calculated reserves. This phase involves the Certification of Reserves by a highly experienced internationally renown consultant group (to be selected by PDVSA at its cost), which, based on the geologic model and the petrophysical, geologic, etc. information obtained during the two previous phases, revises the parameters applied and audits the reserve calculations made. This Third Phase is almost completed.

With the purpose of developing the certified reserves of Block 6 “Ayacucho” in the future, ENARSA and PDVSA signed an “Underlying Agreement for the Constitution of a Mixed (private/public) Company”, whose specific purpose will be the extraction and improvement of the extra heavy oil to be produced at the Block.

PDVSA will own 60% of the capital stock and ENARSA the remaining 40%.

- **CAA-16 and CAA-20 Offshore Blocks:** The activities involved the provision by ENARSA of all available information on the CAA-16 and CAA-20 Offshore Blocks, after the execution of the corresponding Confidentiality Agreement, so that PDVSA technicians could assess the existing alternatives to develop exploration and potential exploitation activities of those blocks.
These studies continue to develop and may be complemented with the regional information resulting from “Argentine Span” ®, described above.
- **Mature fields in Venezuela:** The parties are nowadays holding meetings for the establishment of the terms and conditions for the performance of a joint study of the Yopales Norte, Socororo, Cari - Cari and Cachicamo fields. Such study involves the technical assessment of the fields, preparation of the development plan and design of other necessary

technical instruments. The technical teams are formed and are analyzing the datapack of the mature fields.

- **Project of Liquefaction of Natural Gas in Venezuela:** The Natural Liquefied Gas Project, which includes the construction of two trains that will form the LNG Plant at the Gran Mariscal de Ayacucho Industrial Complex, located at Güira, Sucre state, Venezuela Bolivarian Republic, is at the start up process among the associated companies and PDVSA.

The share percentage in the rights and obligations of the Project, including the respective share in the capital stock of the Mixed Company, is different for each of the member parties. The companies are: PDVSA; GALP ENERGIA; ENARSA; ITOCHU and M&M.

Each of the Parties signed with PDVSA, an "Underlying Agreement for the Constitution of a Mixed Transportation and Natural Gas Liquefaction Company (Train 2)", by which each Party agree to constitute a Mixed Company, with the purpose of developing the project for the construction and operation of a Natural Gas Liquefaction Train, with an annual capacity of four million seven hundred thousand metric tons (4.7 MMTA), to be established at CIGMA, and, in addition, the development of the project for the construction and operation of a gas pipe to transport natural gas from the Mariscal Sucre Project production fields to the city of Güira, Sucre state, to feed Train 2; as well as the acquisition, transportation and processing of natural gas to transform it into LNG and its commercialization in different international markets, ENARSA has appointed principal and deputy representatives at the Coordination Committee and at the Commercial, Financial and Technical Sub Committees. Meetings are permanently taking place and the project is progressing in accordance with the agreed upon activity schedule.

13. Location of oil Refinery

In June 2006, an agreement with CAMMESA was entered into to provide fuel oil to the electric power stations. By December 2007, ENARSA, through Rutilex Hidrocarburos Argentinos S.A., had processed 178,300 m³ of Escalante Crude Oil, obtaining 156,000 m³ of fuel oil to be used for in-country electric energy generation.

This important achievement, oriented to accomplish local refinement, allowed the replacement of the importation of fuel oil by fuel produced in the country, deriving in the creation of employment and productive investments. At the same time, tests being made to increase production have shown highly successful results.

14. South Region Loop Pipeline extension

ENARSA's other objective during this period has been to consolidate the provision of gas for the country's southern region as a main factor to improve the inhabitant's standard of living, boost development and contribute to the growth of key industries, such as tourism. In this respect, the Ministry of Federal Planning, Public Investment and Services, the Department of Energy, ENARSA, EMGASUD S.A and the National Gas Regulation Entity agreed to execute the infrastructure works of the South Region Loop Pipeline. Initially, the agreement stipulated the construction of loops and a compression plant on the gas pipeline that feeds the cities of Ushuaia, Río Grande and Tolhuin of the Province of Tierra del Fuego by means of an interconnection with the Pipeline System operated by Camuzzi Gas del Sur S.A.

The first stage consisted in the installation and authorization of 54 km of a 12 inch steel pipe, launched in 2006. The second stage is planned to be the construction, installation and authorization of 58 Km of a 12 inch steel pipe and the installation of a new 1200 HP compressor unit to increase the compression capacity of the Río Grande Compression Plant.

15. Integral Hydrocarbon Database of the Republic of Argentina

The Integral Hydrocarbon Database is a strategic action intended to:

- **Gather, maintain and apply the information obtained during the exploration, production and abandonment of hydrocarbon wells, in the name of the National State or Provinces, as applicable.**
- **Facilitate a secure access to quality controlled information.**
- **Promote investments.**
- **Improve and manage E&P (exploration and production) activities.**
- **Increase the level of success by diminishing uncertainties.**
- **Reduce the costs of entrance and exit of new operators.**

In December, 2006, in compliance with section 8 of the Act 25,943, within the framework of the Projects Public Bid for the Creation and Administration of the Integral Hydrocarbon Database, the proposal submitted by the company Registros Mineros Argentinos SA (REMASA), a consortium of national and international companies, was selected by ENARSA, and the agreement was entered into

during the first quarter of 2007.

For the selection of this project, ENARSA and the Department of Energy executed an Underlying Agreement in order to establish the procedure by which ENARSA will be provided the information, documentation and elements to develop the database.

In addition, other countries' former experiences and background related to the successful development of integral databases were also analyzed.

The Integral Hydrocarbon Database started processing data and managing information on August 2007. Nowadays, REMASA has performed up to a 70% of the contract according to the schedule presented at that time. The completion of the deposit of fixed assets in Caleta Olivia, province of Santa Cruz is expected to occur during the first semester of 2009.

In addition, the joint agreements with the hydrocarbon provinces that have not yet subscribed to the Data Bank are being developed. To date, the provinces that have adhered to the Data Bank are Chubut, Tierra del Fuego, Neuquén, Santa Cruz and Formosa.

16. I + D Renewable Energy

ENARSA actively participates in the investigation and development of new clean and renewable energy sources aiming to contribute to the diversification of the national energy matrix and the protection of the environment by ensuring the provision of alternative fuels. At the same time ENARSA is getting ready to face a future in which conventional fuels will turn scarce and difficult to get.

ENARSA's aim is to develop renewable energy technologies to improve the quality of life of the Argentine population.

For these reasons, ENARSA is involved in programs, plans and initiatives boosted by the different national governmental entities that promote the protection of the environment and the reduction of the gases that cause the greenhouse effect, by means of national technological developments.

Within this framework, ENARSA has established cooperation associations with relevant actors of the technological and scientific sectors developing through them several concrete plans of investigation and development on the following subjects:

- **Eolic generation.**
- **Solar generation.**
- **Biofuels quality.**
- **Alternative fuels: hydrogen, biodiesel, bioethanol, etc.**
- **To take advantage of biomass resources (Forest waste, Biogas, etc).**
- **Other renewable sources (geothermal energy, tidal power, etc).**

Throughout 2008, there has been progress in relation to the renewal of specific investigation and development agreements in the following projects:

- **Production of Hydrogen and synthesis gas from (Bio)Ethanol (with LPC-CONICET)**
- **Hydrogen batteries (with CITEFA, Ministry of Defence)**

Both projects had suffered different kinds of modifications and moved forward to new stages towards commercially useful prototypes.

Therefore, ENARSA's relationship with Investigation and Development institutions had to be updated, which was accomplished by means of new agreements.

As far as Solar Energy is concerned, negotiations with different interested parties for the construction of an electricity Generation Central by means of thermal solar energy are advancing. This emblematically important project for the development of solar energy in our country has the support of the following institutions:

- **Government of the Province of Salta.**
- **REMSA - Recursos Energéticos y Mineros de Salta S.A.**
- **INENCO (CONICET – UNSA).**
- **National Ministry of Science, Technology and Productive Innovation.**