

Metrovías
Sociedad Anónima
Annual Report

To the Stockholders:

According to existing laws and regulations, the Board of Directors hereby submits the Annual Report, General Balance Sheet and Income/(Loss) Statements, Statement of Stockholders' Equity, Cash Flow Statement, Notes, Exhibits, Consolidated Financial Statements presented as complementary information, Informative Overview and Additional Information required by Section 68 of the Regulations of the Buenos Aires Stock Exchange corresponding to the 16th fiscal year started on January 1 2008 and ended on December 31, 2008 for your consideration.

1. ACTIVITIES OF THE CORPORATION DURING THE FISCAL YEAR

In the fiscal year started on January 1, 2008 and ended on December 31, 2008, the net result of Metrovías S.A. showed a profit of \$ 5,507,834 compared to a profit of \$1,425,015 recorded on the previous fiscal year.

The operating result experienced a growth of \$ 27.60 million in this fiscal year compared to the previous fiscal year, accounted for by the income increases from transportation services of \$ 16.21 million arising from of a higher number of passengers mainly carried on the Subway and the results from related businesses of \$ 9.15 million for the management services provided by the Corporation as a result of the Emergency Operating Agreements involving the former Roca and Belgrano Sur Railway Lines as from the second semester of the year 2007 as well as the decrease in advertising. The growth was offset by increases over 30% in operating descriptions such as labor, infrastructure expenses, costs of magnetic support and security and surveillance, nets of payments of higher costs made by the National Government. The growth in the operating results was offset by an increase in financial costs and a difference in the description "Other Net Income and Expenses" as a result of payments of higher costs recorded on the previous fiscal year.

It is noteworthy that while on January 1, 2008 a new fare table –where the final fare increase amounted to 0.20 or 0.15 depending on the mode of transportation and segment- approved by Resolution 1170/07 issued by the Ministry of Federal Planning, Public Investment and Services ("MPFIPyS" in its Spanish acronym) became effective, the increase was not reflected in an income increase as the funds generated by the modification of fare table are deposited in a special account to be used for the execution of works.

In relation to the subsidy for higher costs received by the Corporation, as established by Section 7.4.1. of the Concession Contract, the amount collected as of the end of these Financial Statements amounts to \$ 34.7 million monthly. The Corporation is entitled to collect such subsidy until the end of the negotiation process of the contract.

It should be noted that such amount includes \$ 3.1 million received to compensate the operating costs relating to the H line.

Concerning Other Claims, on March 27, 2008, Resolution 204/08 issued by the Secretariat of Transportation of the "MPFIPyS", approved the payment of a compensation resulting from the difference found between the equivalent amount in pesos of the certificates (in US dollars) collected after January 1, 2002 and the amount actually collected by the Corporation for the work "Acquisition of 24 second-hand Japanese cars" in the sum of \$ 41.2 million, value added tax included. The corporation

has accrued said right in previous fiscal years as well as the partial adjustment of the corresponding interest. At the end of the fiscal year, it was completely collected by means of the proceeding established by Section 8 of Decree of the National Executive Power No. 2075 dated October 16, 2002.

As regards the H line, on June 11, 2008 Resolution 510/08 issued by the “MPFIPyS” confirmed the Master Agreements executed between the Secretariat of Transportation of the “MPFIPyS” and the city of Buenos Aires, with the necessary participation of the company Subterráneos de Buenos Aires Sociedad del Estado and the Corporation, and instructed the Secretariat of Transportation to request that the necessary administrative acts be taken for the compliance with the commitments undertaken in the ratified agreements. Subsequently, on July 17, 2008, the Secretariat of Transportation –by virtue of the powers described above- approved, through Resolution 508/08, the payment of the compensation of the operating costs related to the H line for a monthly amount of \$3.1 million as from June 1, 2008, as explained above. At the same time, it authorized the payment for acknowledgement of debt in compensation of pre-operating and operating expenses from October 1, 2007 to May 31, 2008 for the amount of \$ 28.5 million plus the amount of \$ 2.2 million (VAT included) for interest as of May 31, 2008. It should be noted that any income, net of taxes, collected by the Corporation for the sale of tickets of the H line is recorded as a liability and deposited in a special account at the Banco Ciudad de Buenos Aires.

On December 23, 2008, the Corporation started to operate Puán and Carabobo stations as a result of the extension of the A line.

The Corporation has made several presentations before the Secretariat of Transportation as new increases in operating costs have materialized. Since such increases exceed the parameters fixed in the Concession Contract, the Corporation is entitled to have the existing base rate, subsidy or cannon redetermined.

The Corporation kept its share (33.33%) and its participation as manager in Unidad de Gestión Operativa Ferroviaria S.A., a corporation operated on behalf and in the name of the National Government of the former Roca and San Martín Railway Lines, whose services have improved both in the number of passengers carried and in on-time performance, cleaning, safety and reliability on the whole.

Moreover, the Corporation is still part of Ferrometro SA., which operates the project “Tren Liviano del Este” (“Eastern Light Train”), in which it has a 50% shareholding.

The number of paid passengers carried during the fiscal year amounted to 310.89 million. Total passengers carried (including transfers and exemptions) amounted to 409.80 million. The Corporation has been affected during the fiscal year by different general strikes from activities of Subway workers, with the subsequent release of turnstiles at different lines and times.

It is noteworthy that in this fiscal year the Corporation has carried 12,124,639 people as exempted passengers, thus making it possible transportation for free to retirees, disabled, pupils, policemen and security staff. Moreover, 908,674 partially exempted passengers are carried such as teachers and students.

Cars/kilometers run increased by 3.90%, that is, from 40 million in the previous year to 41.56 million in this fiscal year.

The Corporation currently has technological and management tools to accurately know the development of the demand. Accordingly, the supply has been adjusted to the actual needs of the demand without affecting service quality.

The number of commissioned cars amounted to 497 units, representing an increase of 6.65% compared to the 496 units commissioned in the previous fiscal year. Moreover,

the number of trains commissioned at the average peak hour amounted to 97 units; 5.43% more than the previous year.

In relation to habitual actions, the Corporation has continued with the execution of the promised works during this fiscal year and has performed other works with its own resources. All the works will improve the quality, reliability and safety of the service for current passengers and will attract new passengers.

As regards the Plan of Works to execute, during the economic emergency situation, the contractual obligations of the Concessionaire relating to services and works are replaced by those approved by Resolution No. 115/02.

On December 28, 2005, through Decree 1683/05, it was approved the “Plan of Works, Essential Tasks and Acquisition of Assets for the Public Passenger Transportation Service by Train and Subway of the Metropolitan Area of Buenos Aires”. The works approved by such Decree include investments both in rolling stock and in civil works, signaling and telecommunications, tracks and integral works. Such investments are financed with funds from the National Treasury and are made if funds are available.

Concerning the above-mentioned works, the Joint Resolution 19/09 issued by the “MPFIPyS” and 5/09 issued by the Ministry of Economy and Public Finance approved the new proceeding for the redetermination of prices of the railway works approved under the Decree 1683/05 and Resolution 115/05 mentioned *ut-supra*.

As regards the acquisition of 80 electric cars coming from Brazil, corresponding to the Basic Work Plan and the Memorandum of Agreement dated December 28, 2005, signed between the Secretariat of Transportation of the “MPFIPyS”, Alstom Brasil Ltda., Alstom Argentina S.A. and the Corporation, which approved the final and definite price for the purchase of 16 additional electric cars, as stipulated by Decree 1914/04 to be paid by the National Government. The Corporation has not received all the cars from Brazil. The commissioning of two additional cars is still pending.

The following is a description of the works performed and the actions taken during this fiscal year.

Execution of the Investment Plan undertaken before the National Government

a. Main works that have been completed in this fiscal year:

- Work “Remodeling of San Martín Garage”. The tasks included the necessary civil works to enlarge pit No. 3 and to extend tracks No. 3 and 4; the construction of a command room for a lathe; the construction of staff changing rooms and technical rooms; the adaptation of existing bathrooms and changing rooms; the adaptation of electrical and lighting installations; the installation of a compressed air distribution network; the modification of the carpentry, iron works and painting of the involved areas. The works included all necessary materials and equipment.
- Work “Traction Wiring – C Line”. The scope comprised the provision, assembly and commissioning of the supply drivers of positive and negative electric traction between the 9 de Julio transformer substation and circuit breakers, located between Av. de Mayo and Retiro stations; and the interconnections between the circuit breakers/catenaries and the distributions between negative wiring and impedance centers and rails, located between the stations mentioned of the C line of the Subway network.
- Work “Track renewal – Phase I km 0+000 to 6+300. Urquiza Railway Line”, which included the renewal of tracks (6.287 km of simple track), drainages,

grade crossings (Del Campo, Agronomía and Beiró) and pedestrian crossings (Pta. Arenas, Agronomía, Beiró, Helguera, Concordia, Devoto).

b. Main works that are in progress:

- Signaling work of the D line, achieving a 99.73% progress level. The scope of the work comprises the replacement of the existing signaling system with another of microprocessed technology -completely electronic- to improve service safety and frequency.
- Work “Track renewal – Phase III km 17+000 to 25+500. Urquiza Railway Line”, which includes the renewal of tracks, drainages, grade crossings and pedestrian crossings. An 87.10% progress level was achieved. The pending segment is stopped as the redetermination of prices has not been acknowledged yet.
- Work “Integral provision of 80 new cars” and “16 additional new Alstom cars”. At present, 16 five car sets and 14 additional cars are in service. The other two cars are at Alstom La Plata.
- Tasks corresponding to the work “Access tunnel to the new Central Workshop – Phase Civil Work”. The progress level is 99.08%.
- Work “Adaptation of stations for people with reduced mobility (SBA) – Phase Provision and Assembly of Lifts for Callao and Catedral Stations of the D line and Callao and Uruguay Stations of the B line, with a 38.87% progress level. The Civil Work Phase has achieved a 76.83% progress level.
- Work “Adaptation of facilities for people with reduced mobility at General Urquiza Railway Line”. The progress level is 92.02%.
- Work “Stores to meet Health & Safety needs”. The engineering corresponding to Phase III is being prepared.
- Work “Track Renewal – Phase II General Urquiza Railway Line – Pending Work – Complementary”. The progress level is 46.15%. The pending segment is stopped as the redetermination of prices has not been acknowledged yet.
- Tasks corresponding to the program “Replacement of escalators (29)”, which consist in the provision, assembly and preventive maintenance during the fiscal year of new escalators to replace existing escalators. The progress level is 42.65%.
- Work “Emergency lighting at stations of the C, D and E lines, except 9 de Julio nod stations. The scope of the work consists in the implementation of a non-permanent centralized emergency lighting system in the C, D and E lines.
- Work “Overhauling of 64 Spanish General Electric cars”.
- Work “Overhauling of 86 Siemens Schuckert cars”.
- Work “Coverage of earth-train communication at workshops, garages, crossovers and switching yards in the B, C, D and E lines.

Other actions taken by the Corporation in this fiscal year

- As part of the Cultural Program “SubteVive 2008”, the following activities were carried out:

- Series “Cinema in the Subway”, performed at Carranza Station of the D line with fragments of the best films, including all genres and epochs.
 - Literary contest “Travel anecdotes”.
 - Publication of the digital newsletter “SubteVive”.
 - Jazz Festival: held on September 21 with the participation of 30 bands that gathered more than 7,000 spectators.
 - On November 19, a new mural based on a work of the artist “Quino” was inaugurated.
 - Photography contest: “Contemporary Photography”.
 - Rotary exhibition “8 sculptors 8”, carried out at José Hernández Station of the D line.
 - Passengers may enjoy, on a daily basis, a variety of cultural events with different timetables and at several stations with ballet, theatre and music performances, among others.
- The “Customer Satisfaction” permanent survey -corresponding to the first, second and third quarter of the year 2008- was performed.
 - Analysis, development and production of promotional actions with Disney, Hoyts cinemas and Burger King through Subtepass. Benefits offered by third party companies to be used by customers adhered to Subtecard / Subtepass.
 - The campaign “Subway Alert” under the responsibility of the Ministry of Interior has been continued. The purpose of this campaign is to advertise the available phone number to report any event occurred in the Subway Network related with physical insecurity.
 - The campaign “Lack of Coins” was restarted. Passengers are invited to use their coins given the lack of them.
 - The campaign “Modernization of the A line” has been continued in order to warn passengers of possible problems in the provision of the service due to the relevant modernization works.
 - The campaign “Electronic Signs” has been continued. The installation of modern electronic signs at entrances of the Subway Network motivated the campaign launched to inform passengers of this new tool which allows them to access to online information about the service.
 - The campaign “School Supplies” was carried out. From February 25 to March 5, passengers were able to exchange school supplies for two rides on the Subway. The supplies were donated to different rural schools.
 - The campaign “Monedero” (Electronic Purse) has been continued at ticket offices of high passenger circulation and lack of coins to increase the participation of this means of payment.
 - Donation campaign as a result of the “National Day of Organ Donation”, aiming at the purchase of technological equipment for the transplantation area of Hospital de Niños Dr. Juan P. Garrahan (Children’s Hospital).
 - Campaign “New Signaling System” to inform passengers of the possible delays that the implementation of a new signaling system in the D line might involve.
 - Campaign “Figures” to show actual data of passengers who daily travel on the Subway; the investment made in maintenance; new cars and overhauled cars; among others.

- Campaign “Track Renewal in the Urquiza Railway Line”. Between February 7 and 26, the third phase of the track renewal of the Urquiza Railway Line was performed.
- From July 28 to August 6 and from December 9 to 18, the campaigns “Two rides for a food item” were made. The food items were given to school feeding programs.
- In winter holidays, the activity “Adventure on rails” was carried out. The purpose of this activity was to show employees’ children the work place of their parents in Metrovías.
- Given the 95th Anniversary of the Subway, 3 short institutional films to show the passing of time and the Subway history were made. They were uploaded on the institutional Website and Subtv.
- The placement of commercial and institutional signs was completed to improve the information of promotions to passengers.

2. CHANGE IN SHAREHOLDING COMPOSITION

On May 9, 2008, Benito Roggio Transporte granted a special power of attorney to purchase class B shares of stock of the Corporation through the stock market regulated by Mercados de Valores de Buenos Aires S.A. Accordingly, since the granting of this power of attorney up to the closure of the fiscal year, Benito Roggio Transporte S.A. purchased 96,094 (ninety six thousand ninety four) class B common shares of stock issued by the Corporation, which represented 0.7% of the capital stock and –which added to the shares owned by Benito Roggio Transporte S.A.- amounted to 12,412,513 (twelve million four hundred twelve thousand five hundred thirteen) shares representing 90.60% of the capital stock of the Corporation.

3. BRIEF COMMENT ON FUTURE PROSPECTS

In the next fiscal year, the Corporation plans to continue with the negotiations with the Government and take actions to achieve a better positioning.

Additionally, in the next months the Corporation will continue with the works and actions detailed below:

- Work “Signaling of the D line”.
- Work “16 new Alstom cars” related to the commissioning of two pending cars.
- Work “Track Renewal – Phase II Urquiza Railway Line – Pending Work – Complementary”.
- Work “Track renewal – Phase III km 17+000 to 25+620 - Urquiza Railway Line”.
- Work “Stores to meet Health & Safety needs – Phase III” to adapt facilities to applicable laws as a result of the crew growth.
- Work “Adaptation of stations for people with reduced mobility (SBA) – Phase Provision and Assembly of Lifts for Callao and Catedral Stations of the D line and Callao and Uruguay Stations of the B line and those related to the Civil Work Phase.
- Work “Adaptation of facilities for people with reduced mobility at General Urquiza Railway Line”.
- Tasks corresponding to the program “Replacement of escalators (29)” in the C, D and E lines.
- Work “Overhauling of 64 Spanish General Electric cars”.
- Work “Overhauling of 86 Siemens Schuckert cars”.

- Work “Emergency lighting at stations of the C, D and E lines, except 9 de Julio nod stations.
- Work “Access tunnel to the new Central Workshop – Phase Civil Work”.
- “Customer Satisfaction” permanent surveys on a quarterly basis.
- Development of the Cultural Program “SubteVive” 2009.
- Publication of the 4th digital newsletter “SubteVive”, informing the actions and initiatives of the cultural program.
- Information to passengers about the location of emergency elements will continue to be improved.
- The “Security Campaign” will be continued to make passengers aware of the preventive rules to bear in mind when traveling by Subway.

The Corporation plans to perform the following works and take the following actions:

- Works corresponding to “Track Renewal of the D line”. The work consists in the renewal of 5,545 meters of simple track, in three isolated segments.
- Works “Remodeling (extension) of the North hall of Catedral station”.
- Rebuilding of 2 trains (12 cars) of the Urquiza Railway Line.
- Tasks to carry out the work “Track renewal – Phase III Bis km 17 to 25.6 - complementary”.
- The information system “Infosubte” will be updated to provide further and better information to the passenger.
- School supplies will be exchanged for two journeys on the Subway under the campaign “Todos podemos ser útiles” (“Everybody may be useful”).
- The “Recycling Campaign” will be carried out to cooperate with Garrahan Foundation with 3 recycling campaign: paper, bottle caps and keys.
- Approach maps will be placed at every station so that the station staff may provide information to passengers.
- Development of a Signaling Project at Primera Junta station – A line – as a result of the A line extension.

4. ASPECTS RELATED TO THE DECISION-MAKING PROCESS AND THE INTERNAL CONTROL SYSTEM OF THE CORPORATION

The Corporation has a pyramidal organization, with people responsible for each area. Eight regular directors and eight deputy directors are in charge of the management and administration of the Corporation. It should be noted that three of the above-mentioned regular directors and three deputy directors are independent as they do not meet the criteria established by Section 11, Chapter III.6, of the Book I of the General Resolution 368/01 issued by the Comisión Nacional de Valores (local Securities and Exchange Commission) and modifying resolutions.

The strategic-operating decisions are adopted by the managers of the different areas, having exclusive and permanent dedication.

As regards the internal control, the Corporation has information systems to appropriately record all economic facts in which it participates. The Corporation has an internal control according to its structure, which provides information to people responsible of each are. Accordingly, they are able to follow up the compliance with the objectives and the analysis of deviations.

5. COMPENSATION POLICY

The Corporation does not have call option plans for the compensation of directors or managers. The fees of the members of the Board of Directors are determined on an annual basis through a fixed amount.

The Corporation has a Compensation Committee in which independent and non-independent directors participate. The Committee establishes the general policies related to compensation and assesses the individual and joint objectives reached.

6. PROPOSAL TO ALLOCATE RESULTS

The result of the fiscal year as of December 31, 2008 showed a profit of \$ 5,507,834 and the accumulated results amounted to \$ 5,507,834.

The Board of Directors deems it appropriate to make the following proposal for the allocation of results to be considered by the Annual Meeting of Stockholders, to wit:

- 1) \$ 275,392 to Legal Reserve.
- 2) In relation to the balance of the Accrued Results of \$ 5,232,442, to set up an Optional Reserve.
- 3) The Board of Directors does not make any capitalization proposal for the integral adjustment of the capital stock as it is considered that the current capital is enough for the Corporation's turnover.

7. TRANSACTIONS WITH COMPANIES INCLUDED IN SECTION 33 OF ACT 19,550 AND RELATED COMPANIES

During this fiscal year, the Corporation has performed transactions with related companies, which are described in Note 10 to the Financial Statements.

Acknowledgements

The Board of Directors specially thanks the providers and customers of the Corporation as well as the banking institutions for their cooperation in the management of the Corporation. The sincere acknowledgement of the Board of Directors is also for the staff for the big efforts made during this fiscal year.

City of Buenos Aires, March 9, 2009.

The Board of Directors