TRANSPORTADORA DE GAS DEL NORTE S.A

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2002 AND 2001

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ANNUAL REPORT FOR TRANSPORTADORA DE GAS DEL NORTE S.A. AT DECEMBER 31, 2002

Introduction

To the Shareholders:

In compliance with legal and statutory requirements, the Board of Directors of Transportadora de Gas del Norte S.A. (''TGN'' or ''the Company'') submits to the consideration of the shareholders' meeting this annual report, balance sheet, statements of income, of changes in shareholders equity and cash flows, notes and exhibits corresponding to the fiscal years ended December 31, 2002 and 2001.

The Auditors' Report and the report from the Surveillance Committee in relation to these financial statements are also attached.

Annual Report 2002

Macroeconomic context

The eleventh fiscal year of TGN took place in the context of an unprecedented economic, political and social crisis in Argentina, leading to an abrupt and unilateral rupturing of contractual relationships and significantly altering its economic and financial equilibrium, thus gravely compromising its future viability.

The year 2002 began marked by the dramatic events of December 2001, which resulted in the premature departure of the government of Fernando de la Rúa a few days before the start of the year. Congress then appointed the governor of the province of San Luis, Adolfo Rodríguez Saa, as a provisional president, and he remained in his post for seven days. That week was noted for a high level of social conflict and the official declaration of default on public sector debt. On January 1, 2002, as a result of the resignation of Rodríguez Saa and in a context of extreme political uncertainty, Congress appointed senator Eduardo Duhalde inn his place, and he confirmed the cessation of payments.

On January 6, 2002, the Government announced Law 25,561 on Public Emergency and Reform of the Exchange System, the regulation by means of which the convertibility regime in force since 1991 was abandoned, provoking a profound change in the economic and financial order that had been in effect for over 11 years.

At the beginning of February this year the Government passed additional economic measures through Decree 214 (Reordering of the financial system) and Decree 260 (Exchange Regime) both regulating the legislation introduced by the Law on Public Emergency.

The basic elements of these laws are as follows:

- **Contracts with the Public Administration:** As from the passing of the Emergency law, prices and tariffs of privatized utility companies were converted into pesos at the rate of $ 1 per US$ 1, and price adjustment clauses were scrapped. The law also authorized the Government to renegotiate the contracts, to which end a government committee was created within the Ministry of Economy. At the date of issue of these financial statements the Committee for the Renegotiation of Public Service Contracts had limited its actions to requesting information from companies, without achieving significant progress in the renegotiation process.

- ***Exchange regime***: *A single exchange market regime was introduced, and by means of detailed regulations issued by the Central Bank a strict exchange control regime was introduced. This control* *includes the requirement that exporters should negotiate their foreign currency earnings through the Central Bank, and that the monetary authority should grant authorization for the payment of liabilities and the remittance of profits abroad. In addition, limits were set on the purchase of currency by companies and the general public.*

- ***Deposits in Argentine financial entities:*** *Deposits in dollars or other foreign currencies in financial entities were converted to pesos at the rate of $ 1.40 per US$ 1 or its equivalent in any other foreign currency, and were rescheduled for longer terms. As from February 3, 2002 these deposits were adjusted according to a "reference stabilization coefficient" (CER) that measures the daily rate of change in the monthly Consumer Price Index (CPI) and a rate of interest set by the Central Bank. In addition, for several months there were restrictions on the availability of certain balances in current accounts, savings accounts and fixed term deposits. Savers were allowed to opt to convert their rescheduled deposits into National Government bonds in US dollars (BODEN).*

- **Financial debt in foreign currency in Argentine entities:** Debt in foreign currency or any other foreign currency within the Argentine financial system was converted into pesos at the parity of $ 1 per US$ 1. As from February 3, these debts were adjusted by the CER and an interest rate.

In April 2002 the first economy minister in the Duhalde administration, Jorge Remes Lenicov, resigned, and his place was taken by Roberto Lavagna, who undertook to continue with the measures that had been adopted by his predecessor. The Government signed an agreement with provincial governors under which they committed to a program of political reform and economic measures intended to unblock negotiations with multilateral credit entities. This commitment was not fully met, and negotiations with the multilateral credit agencies dragged on until January 2003.

The result of the measures adopted and the lack of political consensus were reflected in the evolution of economic and social indicators. The rate of exchange went from parity with the US dollar to $3.99 per US$1 in June, stabilizing at values of close to $3.50 per US$ in subsequent months and ending the year at $3.40 per US$1. During 2002 the wholesale price index rose by 118.2% through to December, while the consumer price index went up 41%. This situation has meant a considerable loss of purchasing power by the population. Social indicators have been a matter for concern, as more than 50% of the population is now below the poverty line and in May unemployment stood at 21.5% of the economically active population.

The increases in price indexes were a reflection of the drastic change that took place in monetary policy during 2002, with significant growth in the first half of the year. In the second six months the growth in money supply was lowered, as the Central Bank was able to absorb part of the excess pesos that previously went towards the purchase of dollars through tenders of its LEBAC bills, at the same time as the reduction in leakage from the system enabled assistance to banks by means of rediscounts to steadily diminish until it disappeared completely in the last few months. Rising foreign currency sales from exports allowed the exchange rate to stabilize, with a partial recovery in Central Bank reserves.

In the face of the acceleration in the deterioration of macroeconomic variables towards the middle of the year, the climate of social violence worsened. In July, after the death of two out-of-work demonstrators during a protest, President Duhalde decided to bring forward the end of his term of office, originally set for December 2003 to May of the same year, calling for elections in March.

Following the announcement of the bringing forward of the presidential elections and thanks to strict exchange controls (which were extended over the course of the year) as well as to the continued negotiations with the IMF, the exchange rate stabilized at $ 3.50 per US$ 1, with a consequent slowing of the rate of inflation.

During the last few months of the year political uncertainty grew because of doubts regarding the date for the holding of the elections (the original date was put back to April), difficulties in negotiations with the IMF and the possibility that the Supreme Court would rule that the measures converting deposits into pesos were unconstitutional.

In January 2003 an interim agreement was reached with the IMF under which debt due to international agencies for US$ 11 billion was rolled over until August 31 next. The agreement means that the incoming president will take over without being in default with international lending agencies, and without any significant loss of Central Bank reserves.

Given the complex outlook for the year just beginning, it is difficult to foresee the political and economic development of the country. Without doubt it will depend on the ability of the next government to draw up a sustainable economic program that will include the structural reforms necessary to enable the restructuring of public debt, a medium-term agreement to be reached with the IMF, re-negotiation of utility company contracts, the return to normal of the financial system and the re-establishing of confidence at national and international level.

specific case of TGN, the measures adopted by the government, together with the sharp devaluation of the currency and the total absence of corporate finance in Argentina have radically altered the economic equation for the Company, in a scenario noted for a breakdown in contractual and regulatory frameworks. This situation has resulted in a temporary non-compliance with its commitments with financial credits and the need to propose a restructuring of its financial debt.

As a result, TGN's future will depend on a recovery of the contractual conditions that will allow economic and financial equilibrium to be re-established, thus being able to continue with investment and growth.

Regulatory aspects

The Law on Public Emergency and Reform of the Exchange Rate System unilaterally modified the amount of the consideration of the License Contracts entered into in 1992 between the State and the Licensees providing gas transport and distribution services within the legal framework originally established by Law 24,076 (the Gas Act) and complementary regulations.

The new law, as well as suspending the effect of the adjustment clauses in foreign currency and restatement clauses based on the price indexes of other countries, forbidding all types of index-linking and setting tariffs in pesos at the exchange rate of ONE PESO ($ 1) = ONE UNITED STATES DOLLAR (US$ 1), also authorized the executive to renegotiate utility service contracts, with particular regard for the following:

1) the impact of tariffs on the competitiveness of the economy and the distribution of income;
2) the quality of service and investment programs, when laid down in the contract;
3) interests of users and access to services;
4) the safety of the systems involved, and
5) company profitability.

Lastly, the Emergency Law established that the breakdown of the contractual framework did not authorize public utility companies to suspend or alter compliance with their obligations.

In February 2002 the Executive issued Decree 293/2002 charging the Ministry of Economy with the re-negotiation of contracts. To this end a Re-negotiation Committee, including user representatives, was created to advise the Ministry. The re-negotiation must be approved by the

Executive, and provides for the non-binding participation by the Bicameral Congressional Commission created by Laws 25,561 and 23,696.

Subsequently, Ministry of Economy Resolution 20 approved rules of procedure and a work program. According to the regulations this process was to take 120 days, therefore concluding in June 2002. On September 16, Decree 1839 extended the term for submission of the proposal for contract changes by a further 120 days (to March 2003) and on January 31 (by means of Ministry of Economy Resolution 62) the term was extended for an additional 60 days. The entire process has been considerably delayed for reasons beyond the control of TGN, which has duly complied will all the requirements of the Committee. No assurance can be given that the re-negotiation will be completed within the terms set, and that they will not be extended yet again.

At the same time, all the actions undertaken by the Executive with the aim of implementing limited adjustments of a temporary nature to reduce the impact of the evolution in the exchange rate and macroeconomic indicators on the providers of public services subject to the renegotiation process were successively blocked by court orders.

Subsequent to the end of the year, through Decree 120, the Executive has been authorized to make adjustments to tariffs within the context of the Law on Public Emergency to guarantee service quality and safety. A few days later a new Decree (146/02) temporarily adjusted gas and electricity rates, granting TGN a 7% increase. It should be noted that this Decree discriminates against TGN in relation to the increases that have been awarded to other Licensees, as will be detailed below.

Lastly, on February 25, 2003 the courts responded favorably to a request for an injunction filed by consumer groups, suspending the application of the increase.

Financial situation

The series of measures adopted by the Government have substantially modified the legal and contractual conditions under which the Company carries out its activities.

The freezing of tariffs and the devaluation of the Argentine currency to around one third of its value in 2001 in just a few months has provoked a substantial imbalance in the financial and equity structure of TGN.

The impact was particularly serious as the Company's activity is noted for being highly capital intensive.

Since privatization in 1992 the Company has invested over US$1 billion on the gas pipeline system, financed in approximately equal parts by means of (i) reinvestment of its cash flows (profits and amortization) and (ii) financial borrowing mainly with long terms to repayment.

At December 2001 the level of indebtedness was equal to that of net equity, which meant that the Company maintained a healthy indebtedness ratio compatible with the best international credit ratings for this type of activity and similar to that which ENARGAS calculates as the expected capital structure for Licensees in the natural gas industry subject to its control.

As the debt was obtained in a prudent manner over very long terms with repayment conditions spread in a manner compatible with its fund generation capacity prior to the crisis, avoiding the concentration of maturities on certain dates, it was mostly obtained abroad from multilateral agencies, institutional investors and banks, as there were no such funds available in the Argentine financial market in the conditions and amounts required by the Company's business plan.

Consequently, as a result of the measures by the Government at the beginning of the year and the accelerated devaluation in the first six months, TGN was forced to opt between continuing to repay principal and interest on its financial debt or ensure compliance with its contractual obligations as a provider of a public service in its position as a Licensee.

The Company immediately decided to administer its resources so that: (i) it could continue to provide a safe and reliable public gas transportation service for which it is responsible under the terms of the Gas Act and the License; (ii) it could continue to operate as a going concern; and (iii) equality of treatment could be provided to all its creditors for the duration of the emergency.

As a consequence, the Company was obliged to postpone the payment of all its principal maturities as from January 2002.

As the macroeconomic environment continued to deteriorate and the applicable legal terms for the contract renegotiation foreseen by the Law on Public Emergency and Resolution ME 20/02 expired without the objectives of the regulations having been fulfilled, the funds generated were insufficient for the payment of all interest arising from the financial debt, particularly taking into account the balance that the Company must preserve over time between creditors of equal category.

As a result, the Company paid the full mount of the interest accrued only until July 31, 2002. Subsequently, interest payments were limited to a maximum amount of 3.5% p.a. on debt balances. The detail of amounts postponed is fully disclosed in these financial statements.

At the same time the Company began a process of discussion will all its financial creditors with the aim of reaching a negotiated solution that would prevent the execution of accelerated repayment clauses on the debt, reaching a definitive solution for its financing structure.

The variations in the Company's results, with effects reflected in its net worth, have been dealt with in the Summary Information, to which readers should refer for details.

A regional overview

In spite of the crisis in Argentina and the impact from the rupturing of the contractual framework, key aspects and events of the process of regional integration still deserve to be highlighted, given the position of the gas pipeline system owned by TGN in the energy matrix of the Southern Cone and the leading role of the Company in the realization of many of the projects for the export of Argentine gas to our neighbors..

We would mention in particular:

- The start of operations of the Cruz del Sur gas pipeline in November 2002, which in its first phase will enable Argentine gas to be supplied to the cities of Colonia, Montevideo and other localities in the south of Uruguay. In its initial stretch (Punta Lara - Montevideo) this 24" diameter pipeline has a carrying capacity of 5.5 MMm^3/d[(1)] and has firm contracts for approximately 1.8 MMm^3/d. Effective initial demand is expected to be considerably lower until the market in Uruguay has developed.

[1] Millions of cubic meters per day.

- Start of construction on the gas pipeline at Camisea, Peru, which in 2002 achieved overall progress of 40% of the project, with operation planned to begin in August 2004. The gas pipeline, which will have an initial capacity of 8.6 MMm^3/d, will cross the Andes Cordillera to supply the main residential and industrial regions of the country, eventually reaching an LNG gas fractionating plant to produce liquefied gas mainly for export.

Consideration should also be given to the following event of strategic significance that will influence the evolution of prospects for the gas industry, and in particular the laying and expansion of gas pipelines in coming years:

- Construction of the second phase of the TSB gas pipeline that will link the city of Uruguaiana in the Brazilian state of Río Grande do Sul (currently supplied by TGN and TGM) with Porto Alegre, the state capital. This project has not yet been carried out because of the difficulties in developing the natural gas market in Brazil, as a result of:
  1- reduction in the demand for electricity as a result of the electricity rationing in 2001 ;
  2- the process of devaluation in Brazil that increased the cost of electricity production using imported gas, at the same time as:
  3- an increase in hydroelectric reserves after a severe drought, reducing the cost of hydroelectricity; and
  4- lack of regulatory definition that has forced the postponement of the construction of gas-fired power plants that would justify the construction of the pipeline.

The Gas Industry in Argentina

During 2002 there was a decline in consumption for the second consecutive year, with a drop of 3% compared to the previous year.

The most significant fall was again in the consumption of gas for thermoelectric power generation, explained mainly by lower electricity generation for both domestic and export markets. In the case of the latter, this was because of the high level of hydroelectric generation in Brazil as a result of the significant water levels in the reservoirs which limited dispatch from thermal power plants.

There was however a slight recovery in industrial gas consumption, and use of CNG has continued to rise. Both these cases are directly related to the relative price of natural gas, which is growing increasingly cheaper than alternative fuels, particularly following the conversion into pesos and freezing of tariffs.

The drop in gas consumption during 2001 and 2002 contrasts with the uninterrupted growth since 1992, even in those years when economic crises took place.
Since the privatization of public natural gas services there has been an accumulated growth of 28% in domestic consumption, with a notable rise of 32% in the demand for gas for thermal generation. This was caused by the rise in electricity consumption in the period and the competitive advantages of the new technology for gas and combined cycle generation that led private investors to assign priority to investment in thermal generation compared to other forms of investment during the 90s.

Natural Gas Consumption – $MMMm^3$ (billions of m^3) (1)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Residential	6.7	6.7	6.9	6.6	5.9	5.8	5.9	5.8	5.7	5.6
Commercial	1.0	1.0	1.1	1.0	0.9	1.0	1.2	1.2	1.4	1.6
Industrial	9.8	9.7	10	9.8	9.9	9.8	9.4	9.1	8.7	7.6
Power plants	7.8	8.9	10.9	10.7	8.5	8.5	8.6	5.9	5.2	5.9

G.N.C.	2.0	1.9	1.7	1.5	1.4	1.2	1.1	1.0	0.9	0.8
Others	0.7	0.7	0.7	0.6	0.6	0.5	0.2	0.3	0.3	0.3
Total	**28.0**	**28.8**	**31.2**	**30.2**	**27.2**	**26.8**	**26.4**	**23.3**	**22.2**	**21.8**
Index	128.3	132.3	143.2	138.5	124.8	122.9	121.1	106.9	101.8	100

(1) Volumes at 9300 kcal

Demand for primary energy by (2001) [%]

	Oil	Natural Gas	Coal	Nuclear	Hydro
USA	40.0	24.8	24.8	8.2	2.2
Canada	32.0	23.8	10.5	6.3	27.3
Mexico	64.8	23.8	4.9	1.6	5.0
Total North America	40.4	24.6	22.4	7.7	4.9
Argentina	**32.1**	**50.5**	**1.2**	**2.7**	**13.5**
Brazil	49.0	5.6	8.1	1.8	35.4
Chile	46.5	19.4	15.5	0.0	18.6
Colombia	39.9	22.2	9.7	0.0	28.6
Venezuela	35.9	42.0	0.0	0.0	22.1
Other countries of S and C America	65.9	12.2	0.8	0.0	21.0
Total S. & Cent. America	48.3	19.3	5.0	1.1	26.3

Source: BP Statistical Review of World Energy

Gas Supply

Currently Argentina is among the countries with the largest reserves of natural gas in South America (764 $MMMm^3$)[(2)] which, combined with the high level of development of its gas structure for both domestic and export purposes, has led the country to become a key component of the regional energy map.

Integration projects carried out in recent years, as well as the projects that are expected to be carried out in future once the crisis in Argentina and the region has been overcome, lead to forecasts that if the regulatory conditions once again ensure the viability of the investment needed from the private sector, Argentina will be able to consolidate this position in the medium term. This hope is based on the high reserve horizon that the basins in Argentina continue to record, in the order of 17 years, added to the growth of the gas markets in neighboring countries, which while recording a still low rate of penetration by natural gas in their energy matrix, have hopes of high growth in energy demand in general and in that for natural gas in particular.

Gas infrastructure in Argentina gas risen uninterruptedly since the introduction of the Gas Act (Law No. 24,076), with investment so far in the order of US$ 5 billion in assets for the transport and distribution of natural gas.

On the basis of the structure created in previous years by Gas del Estado, expanded and modernized subsequently by the private sector the country is today able to count on a trunk gas pipeline network with a length of some 12,850 km., a distribution network of over 109,500 km and various gas pipelines for export with a length of 2,075 km within Argentina.

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[2] Billions of cubic meters.

In 2002 annual natural gas output totaled 45.770 billion cubic meters, 55.8% from the Neuquina basin and 17.2% from the Noroeste basin. This represents a new record for Argentina, with an increase of 1.1% over 2001.

In view of the drop in domestic demand, the increase in production mainly went to supply export markets, particularly those in Chile, Brazil and Uruguay.

Natural Gas- Reserves and production at end of 2001

	Proven Reserves MMm^3	Production in 2001 MMm^3	Horizon Years	Probable Reserves MMm^3
Noroeste	161,748	7,827	20,7	64,877
Neuquina	377,891	25,968	14,6	95,303
Others	223,887	12,194	18,4	145,206
Total Argentina	763,526	45,988	16,6	305,386

Source: Energy Secretariat

The Company's business

In the context of the current serious difficulties it is necessary to stress the role played by the Company in the modernization and expansion of one of the most critical energy infrastructure assets in Argentina: the high pressure gas pipelines that form the trunk gas network for the carrying of natural gas. The priority assigned to reinvestment and growth has enabled (i) overcoming the restrictions that had affected access to natural gas for residential and industrial purposes in the country's urban centers during the winter, providing quality, reliable natural gas service to a vast sector of the country's economy, and (ii) inaugurating and extending the flow of gas for export, an activity that did not exist at the time of privatization.

Since 1992 TGN has increased its gas carrying capacity by over 130% (30 MMm^3/d). This policy has required investments for US$ 1.024 billion, mainly spent on the building of over 1.200 km of pipelines and 7 new compressor plants, adding over 140 thousand HP of installed power.

In addition to developing carrying capacity for export, during this period TGN has successfully developed other related activities, providing operation and maintenance services for the carrying facilities of third parties. Either directly or through related companies, the Company currently operates third party gas pipelines in Argentina, Chile and Brazil.

	2002	***2001***	***2000***	***1999***	***1998***	***1997***	***1996***	***1995***	***1994***	***Totals***
Gas pipelines: km added	0	47.5	332.4	20	97.7	257.4	246.6	187.1	54.7	1,243.4
Compressors: HP Added	0	0	23,900	6,900	83,900	0	0	0	27,840	142,540
Increase in capacity in MMm^3/d	0.3	0.2	4.1	5.7	6.4	4.1	3.5	1.9	4.5	30.4

Values at December 31, 2002

Gasoducto Norte	***Gasoducto CO***	***O&M***	***Total***

Km.	3,074.5	2,332	2,598.8	8,005.7
Diameter	24"	30"	-	-
Compressor stations	9	8	2	19
Thousands of HP	133.07	169.94	12.2	3,14.1
Firm contracts MMm^3/d	21.97	31.32	NA	53.29
Year built	1960	1981	1996/2000	-

Outstanding events in 2002

Gas Transport

The progressive deterioration in the social and economic situation, accompanied by the impossibility of gaining access to capital markets, constant postponement of the renegotiation and adjustment of rates in the industry and finally as and the prevailing uncertainty in relation to the timing and manner of the recovery process, all of which resulted in the postponement of investment decisions in almost all productive areas of the economy.

As a result of the above, the year ended December 31, 2002 was a year almost without investment in expansion by TGN, following many years of high rates of investment. Nevertheless, Metrogas Chile S.A. increased the capacity contracted with TGN by 0.3 MMm3/d on the Centro-Oeste pipeline to supply industrial and residential consumption in Chile, without the Company having to incur in any expansion of its system.

In addition, the firm transport contract with Camuzzi Gas Pampeana S.A. for 250 Mm3/d in the coastal region, which was to fall due on July 1 was renewed, as was the contract with GasNEA S.A. for 50 Mm3/d in the Entre Ríos region as from July this year.

As a result, the carrying capacity contracted from TGN currently totals 53,3 MMm^3/d, showing growth of 0.6% compared to the capacity existing at the start of the year. Of this total 36.9 MMm^3/d (69.3%) is used to meet demand from Argentine customers 16.4 MMm^3/d (30.7%) supplies demand for natural gas in Chile, Uruguay and Brazil.

Operation and maintenance of Third Party Pipelines (O&M)

m January 30, 2002, for a period of 5 years, TGN has assumed responsibility for the operation and maintenance of the Gasoducto del Pacífico, which has a length of 644 km. The 299 km in Argentine territory will be the responsibility of TGN, while the 345 km. in Chilean territory will be operated and maintained by the Chilean related company, Comgas Andina S.A.

In the same way as COMGAS provides operation and maintenance services on Chilean territory, Companhia Operadora do Rio Grande do Sul S.A. ("COPERG"), in which TGN also has a shareholding, provides services in Brazil, currently on the 25 km. segment of pipeline linking the crossing of the Río Uruguay on the frontier between Argentina and Brazil to the connection point at the thermo-electric power station belonging to AES Uruguaiana.

ition, an agreement was reached with the Norandino gas pipeline for an increase in the services under this contract with the aim of optimizing the scope of the service in accordance with the characteristics of its route.

On June 13, 2002, ENARGAS issued a note authorizing GasAndes to operate and maintain the GasAndes gas pipeline through its technical operator TotalFinaElf. As a result, once the work on the separation of assets at the La Mora plant was completed in December 2002 the transfer from TGN to GasAndes of the responsibility for the operation and maintenance of the gas pipeline took place. Since then, notwithstanding the transfer of operation, TGN has fulfilled a Technical Policing role.

Future commercial strategy

:ontractual conditions are restored as part of the process being undertaken by the Contract Renegotiation Committee, with the setting of minimum tariff conditions that will enable reinvestment, it will be impossible to continue with anything more than the minimum essential short-term investments needed to prevent the massive deterioration of assets and service quality.

'vation of the tariff status quo, whatever the future regulatory system and the ownership of the service, will inevitably be reflected in a deficit in investment, and therefore in a reduction in the quality of service and the inability to satisfy new long-term demand, because of the lack of work on pipeline and compression expansion.

'rmore, Decree 689/02 dated May 2002 recognizes that export transportation services should be collected in dollars, as foreign contracting parties are not subject to the exceptional measures taken by the Argentine authorities. Furthermore, the decisions on investment and the commitments assumed by TGN assume compliance risks that differ from those of the domestic regulatory framework. Therefore, consideration for the service results from non-tariffed prices.

:heless, recent rulings by the ENARGAS taking into account export income to impose on the Company the obligation to grant additional subsidies to domestic market customers, constitute a serious matter that threatens the policy of investing for export.

oint is of particular relevance because TGN sees exports as a strategic opportunity for growth, and it is currently attempting to ensure the viability of a project for customers in the central region of Chile for the expansion of its firm transport capacity that will enable the growth of electricity and industrial activity in the region.

is also a priority for TGN, as it develops the penetration by natural gas in the southern region of Brazil. To do so it is playing an active role in the development of the TSB (Transportadora Sulbrasileira de Gas) project that is linking the localities of Uruguayana, already connected to the Argentine transportation system via the TGM and TGN gas pipelines, to Porto Alegre, enabling increased gas exports to be made to that region.

Operation of the Transport system

The performance of work to improve the reliability of the system in previous years and the adequate performance of the compression equipment during the key winter months[3] has ensured an optimum performance in 2002.

Daily injection and delivery records were broken.

Mention should also be made of the operation of the Gas Pacifico gas pipeline, which is run by Comgas from a control room located in Talcahuano, Chile, with secondary monitoring from Buenos Aires.

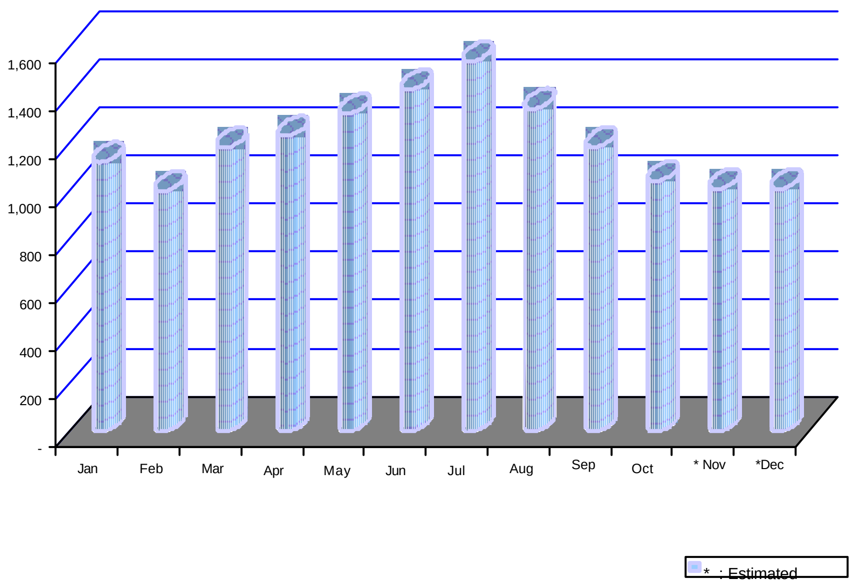
The entire system performed well, in spite of certain operating restrictions on pressure in some sectors of the Norte gas pipeline because of activities in relation to the detection, control and repair of a phenomenon known as stress corrosion cracking.

Some figures on transport

- Capacity contracted : 53.3 MMm^3/day
- Annual delivery : 14.42 MMMm^3
- Annual injection: 14.82 MMMm^3
- Exports : 3.38 MMMm^3
- Interruptible transport : 297 MMm^3

Monthly delivery curve

In millions of m^3



Daily Records – MMm^3/day

Injection

Norte	21,5
Centro Oeste :	34,3
Deliveries :	54,4

Integrity maintenance integrity

Below is a summary of the maintenance activities to preserve the integrity of the assets of TGN and the quality of the service provided by the Company during 2002:

The most important activities were as follows:

- To minimize the risk from stress corrosion cracking (SCC), 40 exploratory excavations were made at the outlets for various compressor plants and hydrostatic testing at the Lumbreras and Recreo plants, which led to the replacement of the affected pipeline.

[3] In effect, the compression equipment has exceeded annual relliability and availability targets in every month of the year.

- 12 river crossings were repaired, with a new crossing being built over the Riacho Seco river(in the province of Salta) and 33 major erosion points along the line of the Gasoducto Norte were repaired, reducing the risk of incidents on the pipeline either from the action of nature or that of third parties.
- For a better control of risk in densely populated regions, 343 km of pipeline was inspected internally, making it necessary to modify installations on various segments, particularly in the case of the final stretches in the Greater Buenos Aires area. In addition, replacement was carried out of those segments of the pipeline affected by defects or where inappropriate reinforcing had been installed. As a result of this program, 1,870 meters of pipeline were replaced requiring 46 cuts.
- Improvements were made to the cathodic protection systems on the pipeline including the installation of 3 new stations and the partial reconditioning of 17 existing stations. The program for control of corrosion velocity was continued with the installation and monitoring of coupons and test tubes, as well as studies on microbiological corrosion and soil maps.
- The multiple year program for the prevention of damage to TGN pipelines by third parties has continued, with the holding of informative meetings, the delivery of leaflets and brochures to both the owners of property along the line of the pipe and institutions that could excavate in the area of the pipeline. The benefit of the application of this program have been evident, as incidents of such a nature continued to decline in comparison to the previous year.

The following activities were performed in relation to surface installations (compressor stations and metering and regulation points):

- A program was implemented for the development of domestic suppliers of services and for the manufacture and repair of compression spares and metering and regulation stations.
- A risk management model was designed for compression plants, metering and regulation equipment and stations, with the allocation of a risk factor for each type of installation. Each item was evaluated to follow-up risk, determine controls and take corrective measures.
- Hazop (Risk Operations) studies were performed at 9 compressor plants with recommendations being made for design improvements which are being analyzed and weighted for the taking of corrective measures by means of maintenance tasks and/or projects. This program is estimated to be concluded at the end of 2003.
- 14 integrity studies were carried out on metering and regulating stations and 6 re-inspections were made of compressor plants.

Technology, systems and communications management

Activities in 2002 were focused mainly on cost reduction, without losing sight of the need to maintain and increase the level of service. A summary of activity is as follows:

- Work was carried out on the new radio link connecting the plants at Lumbreras, Miraflores and Pichanal with TGN's own network, an agreement was signed for the interconnection of communications systems with TGS in Neuquen and the remaining rental contracts were renegotiated, enabling a reduction of approximately 70% in the annual cost of this item.

- The purchasing site, introduced in December last year, has grown in use until covering 75% of the Company's tenders, enabling improved exchange of information with suppliers and a reduction in costs in relation to the sending and processing of documentation.

- During the current year a Web site for customers was introduced that allows customers and producers to participate in the daily cycle of gas ordering, nomination and balancing by electronic means, speeding daily operations. It is equipped with flexible reporting tools that allow each user to obtain the information required in the most appropriate manner for processing on their own information systems. The reduction of errors and the standardizing of daily operations have been a direct result of this implementation.

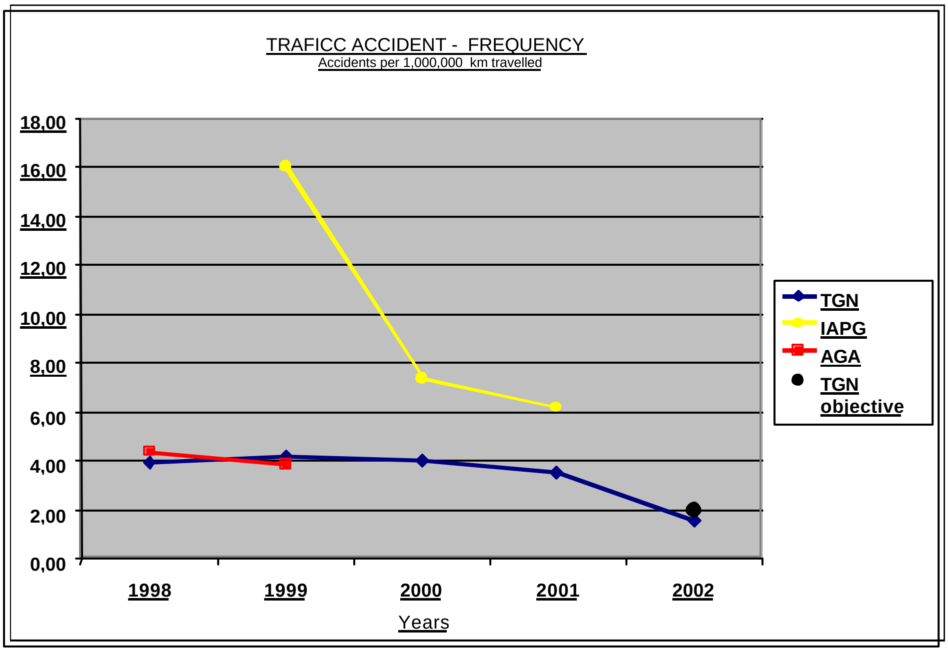
- The increase in the number of persons routinely working using Internet connections (over 20), redesign of TGN's Intranet, monitoring of images of the Puelén and Cochico plants by Intranet, development of the system of electronic forms and the new institutional page for the company complete the list of activities developed on the Web during 2002.

- Specific activities have also been carried out for other companies. These include the start-up of the SCADA system for Gasoducto del Pacífico, the automating and remote control of the Number 4 valve on the Norandino gas pipeline and advice on SCADA technology and communications for Transportadora de Gas del Perú.

Quality, Safety, Hygiene and the Environment

TGN has operated a very safe service during the year, having merited an award for its "Significant Improvements" in safety granted by the Instituto Argentino de Gas y Petróleo (IAPG).

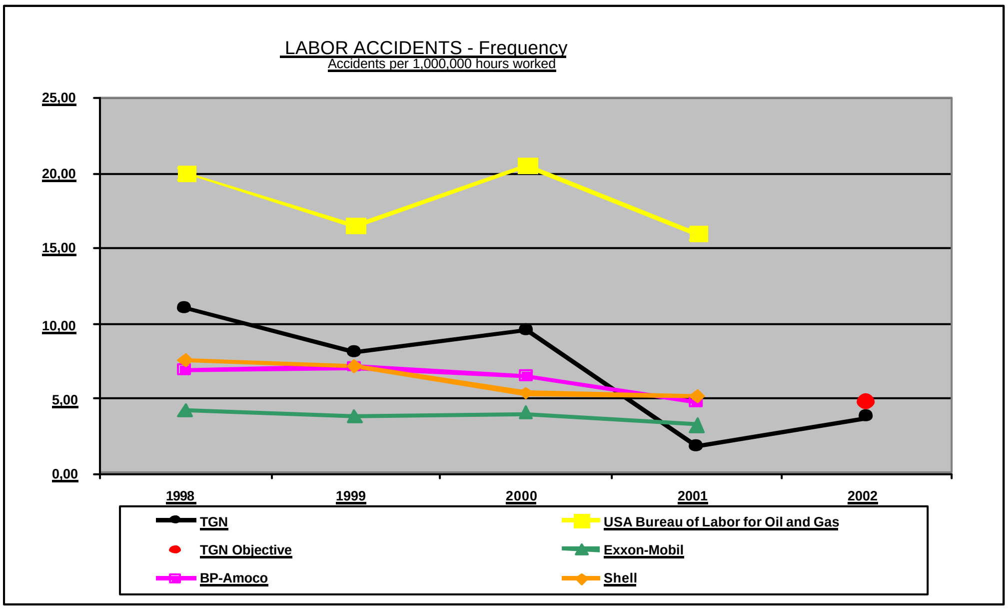
Targets in relation to accident statistics have been met. Only one traffic accident took place with a high loss potential, without personal injuries. "Almost accident" reporting has been increased significantly, enabling preventive action so that actual losses do not take place. Only four personal accidents were recorded, with harm rated as minor.



TYPE	OBJECTIVE	VALUE ACHIEVED
Labor accidents	Maximum 5	4

Traffic accidents	Maximum 15	12
Almost accident reports	Over 250	364

- **Benchmarking of accident statistics (Comparison):** The Company's results are in line with international standards. For this study, information was obtained from the following institutions and companies: AGA (American Gas Association), BLS (Bureau of Labor Statistics) and IAPG (Instituto Argentino de Petróleo y Gas), BP Amoco. Exxon-Mobil and Shell.



Prevention Assurance Continuity Program

- Over 3000 man-hours of training in SHYMA were provided to personnel. Over 290 people were trained by TGN in new procedures for Safe Work Permits and Testing of Atmospheric Conditions in addition to over 180 employees of contractors.

- Family Seminars on Education in Safety, Hygiene and the Environment: As part of the extension program on Safety and Hygiene for families, this year work was carried out on the basis of a Workshop for Prevention of Accidents in the Home directed at employee children aged between 6 and 12. The main purpose of this workshop is to reinforce prevention habits.

- Evaluation of the influence of nitrogen oxides on human health: Environmental studies are being performed on air quality at seven Compressor Stations., with the aim of obtaining information that will enable an understanding of air pollution problems and the effects of the emission of nitrogen oxides on human health.

- Work has begun on the introduction of an Integrated System of Operating Management (SIGO) to ensure a process of Continuous Improvement and Quality.

In addition, in the key programs for SH&MA, active and permanent contacts have been arranged with the Argentine Oil and Gas Institute (IAPG) and the Argentine Business Council for Sustainable Development (CEADS).

Furthermore, various incident simulation exercises have been carried out with evacuations in the field and in administrative offices at headquarters to evaluate the state of readiness of personnel and the functionality of the installations.

Development of our Human Resources

Training

Training has been focused on consolidating the competencies that the personnel have managed to develop during the period of incorporation of new technology. As a result, emphasis has been placed on the contribution by specialized TGN personnel who transmit their knowledge. To reinforce this training, activities have been carried out such as the Program for the Training of Trainers, which is continued by the Program for the Development of Heads of Zone, Technical Assistants and Management Development, among others.

Courses have also been delivered in the field by internal instructors, mainly in relation to the operation of compression plants, gas quality, protection against corrosion of gas pipelines, welding and drilling under pressure and the regulation and calibration of valves.

External trainers were only hired to train the Company's own personnel in the case of operating tasks which until then had been outsourced, for technological up-dating in relation to the operation of compression plants, for post-graduate programs for professionals such as Specialization in Welding Inspections, the Engineering Program and Maintenance Management and Safety and Environment Technology.

TGN's Safety, Hygiene and Environment Program has also required systematic training in areas such as Defensive Handling, Accident Recognition and Prevention, General Emergency Procedures, Safety Procedures, Venting, Ejectors, Color Coding and Markings, Noise, Thermal Load and Vibrations.

Lastly, with the involvement of personnel from the Company, ENARGAS and other companies, a program of technical talks on the Administration of Defects in Gas Pipelines and on Different Types of Corrosion (RStreng effective area, SCC, MIC)

Community relations

TGN has focused on community action and its different organizations with the intention of helping to generate a culture that encourages capacity for own action, with values, relations and knowledge determined and adapted to the aims of each project.

The aim is that the company should become an active member of the community and not a mere entity that provides physical and economic resources. This is being achieved in a context of urgent needs in line with the principle of the channeling of efforts to achieve results that transcend the purely welfare assistance concept.

The Corporate Volunteer Program for 2002 has continued with the development of projects in various provinces, with active involvement in time and effort by TGN personnel.

These include :

Hogares de Belén – Province of Buenos Aires.
Participation in the final stage of the building of the Escuela de Recreo – Province of Catamarca.
Children's Activity Center, Catriel - Province of Río Negro.
Hogar El Arca Project - Moreno - Province of Buenos Aires.
Rural School at Bell Ville - Province of Córdoba.
Construction of market gardens in schools - Lumbreras - Province of Salta.

The Company participates in the following Development and Community Action programs:

- *Asociación de Mujeres Warmi Sayajsunqo- Puna Jujeña*:
  Participation continues on the Organic Produce Project, which has so far reached 3100 direct participants, with 200 market gardens built and 100 under construction.

- *Nazareth Home for Children at Risk - San Pedro - Province of Jujuy:*
  This program benefits 50 children at risk aged between 5 and 12. The Company participates in this project for social services, education and food assistance for street children in San Pedro, Jujuy.

- *Aboriginal Community at Villa Rallé - Province of Salta:*
  Construction of a general purpose hall for community activities to benefit 1200 people.

- *Northern Rehabilitation Center - Deán Funes- Province of Córdoba:*
  Providing of a site for the construction of installations for the Northern Rehabilitation Center that currently provides assistance to around 70 children and adolescents.
  This will allow children and youths with special needs to enjoy a park, sports fields, covered areas for classrooms and consulting rooms, swimming pool and other facilities.
  During its first stage, the project will involve the remodeling of installations to adapt the site to the requirements of rehabilitation.

- *Fundamind* – This is a foundation for assistance to mothers and children for children in need or disabled. – Federal Capital.

- *Education and Social Project: Kindergarten*. The Company maintains this project that benefits 20 children, providing them with education and food. The project includes a School for Parents and psychological assistance for children and adults.

- *Center for Senior Citizens and former Gas Industry Employees - Federal Capital*.
  This project, begun in 1993, promotes social activities for industry pensioners who attend recreational and social activities at the Center.

Educational projects

- *Special School at Lamadrid – Province of Tucumán:*
  This project, begun in 1997 with the construction of the school building, has continued with the development of the dining-room, market garden and flower cultivation project for 50 students, for which TGN provides financial resources. The first stage has been built of a special rehabilitation class for children with disabilities or who are psychotic.

- *Escuelas Los Naranjos of San Andrés – Province of Salta:*
  A school poultry farm project involving 190 students has been developed for the school at San Andrés and a computer room has been equipped for the Escuela Polimodal of Los Naranjos, both in the province of Salta.

Proposed allocation of results

The Company's results were a net loss of $ 198,495,899, so the Board of Directors submits to the consideration of the Ordinary Shareholders' Meeting a proposal that the full amount be charged to unappropriated retained earnings.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001

In accordance with the terms of General Resolution 368/01 and its modifications issued by the National Securities Commission (''CNV''), we detail below an analysis of the results of the operations of Transportadora de Gas del Norte S.A. ("TGN" or ''the Company") and its financial situation, which should be read together with the attached financial statements.

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION

- ***Net income for the year ended December 31, 2002. Effects of inflation.***

The net result income for the year ended December 31, 2002 was a loss of $ 198.5 million, which compared to the $ 59.3 million the net income in the previous year has been a fall of $ 257.8 million.

It is important to point out that the result for the year has been influenced by the recognition in full of the effects of inflation, as laid down by Decree 1.269/02 implemented by General Resolution 415/02 issued by the CNV. These rules have re-established the obligation to present financial statements in constant currency in accordance with professional accounting standards, using the general level wholesale price index (IPIM) published by the National Statistics and Census Institute (''INDEC''), effective January 1, 2002.

The variations recorded in constant currency between the two years are as follows:

> i) lower net revenues amounting to $ 73.4 million ii) higher operating, administrative and selling expenses for $ 40.4 million iii) higher financial costs including the result of exposure to changes in the purchasing power of currency for $ 221.2 million, iv) a decrease in other expenses for $ 34.5 million, v) an increase in the result due to participation in subsidiaries of $ 1.0 million and vi) lower income tax charge amounting to $ 41.7 million.

The next paragraphs show the variation in critical results for TGN in constant currency of December 31, 2002. Certain economic and financial indicators related to the Company's net equity are also included.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001

ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Contd.)

- ***Result***

(In million of constant pesos at December 31, 2002)

	Years ended 12.31.					
	2002	*2001*	*Variation $*	*2000*	*1999*	*1998*
Income from revenues						
Gross revenues:						
Gas transportation service	*497.8*	*562.1*	*(64.3)*	*564.7*	*501.9*	*457.8*
Allowance for doubtful accounts in foreign currencies	*(20.9)*		*(20.9)*	*-*	*-*	*-*
Turnover tax	*(14.3)*	*(16.9)*	*2.6*	*(16.8)*	*(14.8)*	*(13.7)*
Benefit on social security contributions Decrees 292, 1520 and 814	*(2.3)*	*(5.2)*	*2.9*	*(6.5)*	*(5.5)*	*(4.4)*
Subtotal gas transportation service	***460.3***	***540.0***	***(79.7)***	***541.4***	***481.6***	***439.7***
Operation and maintenance service	*18.9*	*12.4*	*6.5*	*10.7*	*4.8*	*2.7*
Turnover tax	*(0.6)*	*(0.4)*	*(0.2)*	*(0.4)*	*(0.2)*	*(0.1)*
Subtotal operation and maintenance service	***18.3***	***12.0***	***6.3***	***10.3***	***4.6***	***2.6***
Net revenues	***478.6***	***552.0***	***(73.4)***	***551.7***	***486.2***	***442.3***
Operating costs						
Operating and maintenance costs	*(124.1)*	*(122.6)*	*(1.5)*	*(135.6)*	*(98.1)*	*(103.2)*
Fixed assets depreciation	*(121.2)*	*(99.1)*	*(22.1)*	*(84.7)*	*(80.6)*	*(45.8)*
Intangible assets amortization	*(5.4)*	*(5.5)*	*0.1*	*(5.7)*	*(1.7)*	*(0.2)*
Sub-total	***(250.7)***	***(227.2)***	***(23.5)***	***(226.0)***	***(180.4)***	***(149.2)***
Gross profit	***227.9***	***324.8***	***(96.9)***	***325.7***	***305.8***	***293.1***
Administrative and selling expenses	*(57.4)*	*(40.5)*	*(16.9)*	*(43.4)*	*(32.2)*	*(32.1)*
Operating income	***170.5***	***284.3***	***(113.8)***	***282.3***	***273.6***	***261.0***
Result from investment in subsidiaries	*1.3*	*0.3*	*1.0*	*0.3*	*0.1*	*-*
Other net expenses	*(5.3)*	*(39.8)*	*34.5*	*(25.9)*	*(15.4)*	*(3.8)*
Financial and holding results (including result of exposure to changes in purchasing power of the currency)	*(365.0)*	*(143.8)*	*(221.2)*	*(134.0)*	*(104.3)*	*(75.9)*
Net (Loss) Income before tax	***(198.5)***	***101.0***	***(299.5)***	***122.7***	***154.0***	***181.3***
Income tax	*-*	*(41.7)*	*41.7*	*(36.7)*	*(49.9)*	*(50.8)*
Net (Loss) Income for the year	***(198.5)***	***59.3***	***(257.8)***	***86.0***	***104.1***	***130.5***

- ***Economic and Financial ratios***

	Years ended 12.31				
	2002	*2001*	*2000*	*1999*	*1998*
Total Assets *($ million)*	*3,281.1*	*2,813.2*	*2,843.0*	*2,648.1*	*2,402.9*
Total Liabilities *($ million)*	*2,082.1*	*1,415.6*	*1,484.9*	*1,312.5*	*1,171.0*
Shareholders' equity *($ million)*	*1,199.0*	*1,397.6*	*1,358.1*	*1,335.6*	*1,231.9*
Shareholders' equity/Total liabilities	*0.58*	*0.99*	*0.91*	*1.02*	*1.05*
Net (Loss) Income for the year *($ million)*	*(198.5)*	*59.3*	*86.0*	*104.1*	*130.5*
Income before financial and holding results, depreciation, amortization and income tax *($ million)*	*295.9*	*351.9*	*348.9*	*341.5*	*304.0*
Dividends paid and personnel participation bond *($ million)*	*-*	*39.5*	*43.9*	*0.2*	*0.2*
Book value *($/share)*	*3.4113*	*3.9760*	*3.8638*	*3.7998*	*3.5047*
(Loss) Profit per common share *($/share)*	*(0.5647)*	*0.1687*	*0.2447*	*0.2960*	*0.3713*

ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Contd.)

- ***Income from revenues***

The following table summarizes net income from revenues by type of service for the years ended December 31, 2002 and 2001:

(In million of constant pesos at December 31, 2002)

	Years ended 12.31.				
Type of service	***2002***	***2001***	***2000***	***1999***	***1998***
Gas transportation	*460.3*	*540.0*	*541.4*	*481.6*	*439.7*
Gas pipeline operation and maintenance	*18.3*	*12.0*	*10.3*	*4.6*	*2.6*
Total net revenues	***478.6***	***552.0***	***551.7***	***486.2***	***442.3***

Gas transportation service

The natural gas transportation business accounted for net revenues at December 31, 2002 of $ 460.3 million, which compared to the $ 540.0 million of the previous year have implied a net reduction of $ 79.7 million.

This net reduction has taken place as a result of the combination of the following variations:

i. a reduction of $ 169.3 million from the lack of increase in prices compared to the restatement of the sales for fiscal 2001, partially offset by an increase of $ 105.0 million in export revenues, which are billed in dollars as laid down by Decree 689/02 published on May 2, 2002. The rates of exchange used for billing have risen, particularly in the first six months of the year;

ii. the setting up this year of a provision for $ 20.9 million on the invoicing issued in foreign currency mentioned in i), the collection of which in dollars or its equivalent in legal tender is currently the subject of negotiation;

iii. a decrease of $ 2.9 million in the bonus billed to customers under the terms of Executive Decrees 292, 1520 and 814, of which $ 2.8 million represent the restatement of the bonuses in the previous year; and

iv. a reduction in constant currency in the accrual of turnover tax for $ 2.6 million.

The year ended December 31, 2002 was heavily marked by a widespread crisis at national level, with a progressive deterioration in the social and economic situation, accompanied by the impossibility of gaining access to capital markets, constant postponement of the renegotiation and adjustment of rates in the industry and finally as and the prevailing uncertainty in relation to the timing and manner of the recovery process, all of which resulted in the postponement of investment decisions in almost all productive areas of the economy.

As a result of the above, the year ended December 31, 2002 was a year without investment by TGN, following many years of high rates of investment.

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

- ***Income from revenues (Contd.)***

Gas transportation service (Contd.)

Nevertheless, Metrogas Chile S.A. increased the capacity contracted with TGN by 0.3 MMm^3/d on the Centro-oeste pipeline to supply industrial and residential consumption in Chile. As a result, TGN's transport capacity totals 53.292 MMm^3/d, an increase of 0.6% in comparison to the capacity existing in 2001.

ition, the firm transport contract with Camuzzi Gas Pampeana S.A. for 250 Mm3/d in the coastal region, which was to fall due on July 1 was renewed, as was the contract with GasNEA S.A. for 50 Mm3/d in the Entre Ríos region as from July 26 of this year.

Gas pipeline operation and maintenance service

The providing of third party gas pipeline operation and maintenance services generated net income for $ 18.3 million, which compared to the $ 12.0 million of the previous year shows an increase of $ 6.3 million.

Such variation is explained by:

i. an increase of $ 6.5 million net of the effects of inflation arising from the recording of such revenues in dollars at rising rates of exchange, in particular during the first half of the year, in comparison to the $1 per US$ 1 exchange rate in the previous year, and

ii. higher turnover tax of $ 0.2 million, in line with the increase in such revenues.

m January 30, 2002, TGN has assumed responsibility for the five- year term operation and maintenance of the Gasoducto del Pacífico, which has a length of 644 km. The 299 km in Argentine territory will be the responsibility of TGN, while the 345 km. in Chilean territory will be operated and maintained by the Chilean related company, Comgas Andina S.A. (''COMGAS'').

In the same way as COMGAS provides operation and maintenance services on Chilean territory, Companhia Operadora do Rio Grande do Sul S.A. ("COPERG"), in which TGN also has a shareholding, provides services in Brazil, currently on the 25 km. segment of pipeline linking the crossing of the Río Uruguay on the frontier between Argentina and Brazil to the connection point at the thermo-electric power station belonging to AES Uruguaiana.

contracts are added to those currently in effect entered into in previous years with the Norandino, Entrerriano, Petrouruguay gas pipelines, the gas pipelines to Paso de los Libres owned by Transportadora de Gas del Mercosur S.A. (TGM), and the Paso de los Libres-Uruguayana gas pipeline owned by Transportadora Sulbrasileira de Gas "TSB".

On June 13, 2002, ENARGAS issued a note authorizing GasAndes to operate and maintain the GasAndes gas pipeline through its technical operator TotalFinaElf. As a result, once the work on the separation at the La Mora plant was completed in December 2002 the transfer from TGN to GasAndes of the responsibility for the operation and maintenance of the gas pipeline took place.

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

- ***Income from revenues (Contd.)***

Gas transportation service (Contd.)

On the basis of the experience accumulated in the operation and maintenance of the NorAndino pipeline, an extension was agreed in the scope of the services of this contract, with the aim of reducing and controlling the risks implicit in the operation of this particular gas pipeline.

With the exception of the Entrerriano gas pipeline contract, the remaining contracts initially converted into pesos on the introduction of Law 25,561 on Public Emergency and Reform of the Exchange Rate Regime and Decree 214 were renegotiated with the agreeing of new amounts in dollars that imply a reduction in costs expressed in that currency.

Future commercial strategy

ıssing of Law 25,561 which marked the departure from the convertibility law in effect in Argentina since 1991 also implied the conversion into pesos of public utility tariffs and the end of index-linking (even if, as in the case of gas transportation and distribution, the rates had originally been set in US dollars). This, together with the strong devaluation of the local currency which followed, the *de facto* freezing of tariffs and the lack of credit for company financing in Argentina has led to an imbalance in the economic and financial situation of the Company that severely conditions its future business prospects.

e 689/02, which recognizes that export services should be collected in dollars, and the Process for the Renegotiation of the Contracts for Public Works and Services, the outcome of which is still uncertain, have not been sufficient to allow companies to overcome the emergency. The consequences of these events can be seen in an investment deficit, with a resulting reduction in service quality in the short term and the inability to meet new long-term demand, because of the failure to increase capacity and machinery, in particular as regards the domestic market.

context the Company will continue to seek opportunities for growth, focusing mainly on its efforts in relation to export projects. TGN is working together with GasAndes and customers in the central region of Chile on the expansion of its firm transport capacity that will enable the growth of electricity and industrial activity in the region.

is also a priority for TGN, as it develops the penetration by natural gas in the southern region of Brazil. To do so it is playing an active role in the development of the TSB project that is linking the localities of Uruguayana, already connected to the Argentine transportation system via the TGM and TGN gas pipelines, to Porto Alegre, enabling increased gas exports to be made from Neuquén to that region.

Tariffs

ntioned, Law No. 25561 converted to pesos and froze utility tariffs, including those corresponding to natural gas transportation and distribution.

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

- ***Income from revenues (Contd.)***

(Contd.)

quently, the current tariffs are those in effect in the first half of 2000 (Note 1.3b) to the attached financial statements.

Although Decree 293 and its regulating norm, Resolution 20/02 issued by the Ministry of Economy, planned for the Renegotiation Committee to submit its recommendations to the Executive no later than June 28, 2002, this term was extended on several occasions until reaching June 2003. In addition, the public hearings that had been called for September and October 2002 to deal with emergency tariff increases for public utilities, were suspended by court orders at the instance of various user associations. An emergency decree issued in November 2002 that approved limited tariff adjustments for companies in the gas and electricity sector, were likewise suspended by court order.

A new attempt by the Executive in January 2003 to establish partial increases for gas and electricity rates, which in the case of the Company amounted to 7%,was also suspended by order of the courts.

- ***Operating costs***

Operating costs for the year ended December 31, 2002 amounted to $ 250.7 million, which compared to the $ 227.2 million in the previous year, represent an increase of a net $ 23.5 million, the most significant variations being:

(In million of constant pesos at December 31, 2002)

	Years ended 12.31.									
	2002	%	2001	%	2000	%	1999	%	1998	%
Fixed assets depreciation	121.2	48.3	99.1	43.6	84.7	37.5	80.6	44.7	45.8	30.7
Personnel costs	21.6	8.6	35.4	15.6	39.3	17.4	32.1	17.8	29.2	19.6
Maintenance and repair of fixed assets	33.2	13.2	35.4	15.6	27.3	12.1	10.7	5.9	11.6	7.8
Fees for technical services	3.3	1.3	4.4	1.9	17.9	7.9	17.9	9.9	19.0	12.7
Sundry material	15.0	6.0	9.6	4.2	12.9	5.7	10.3	5.7	12.4	8.3
Communications, freight and transportation, staff travel and agency expenses	6.0	2.4	8.1	3.6	11.6	5.1	7.0	3.9	9.4	6.3
Excess gas use and basins exchange	0.3	0.1	0.4	0.2	3.7	1.6	3.1	1.7	2.6	1.8
Intangible assets amortization	5.4	2.2	5.5	2.4	5.7	2.6	1.7	1.0	0.2	0.1
Foreign personnel staff residence	3.7	1.5	3.1	1.4	5.5	2.4	3.3	1.9	3.9	2.6
Easements	2.3	0.9	4.5	2.0	3.8	1.7	3.7	2.0	2.6	1.8
Insurance	10.0	4.0	5.1	2.2	3.9	1.7	1.4	0.8	3.1	2.1
Fees for professional services	0.7	0.3	4.1	1.8	3.7	1.6	3.1	1.7	3.3	2.2
Rental and office suppliers	1.9	0.8	2.8	1.2	3.5	1.6	1.1	0.6	2.6	1.7
Taxes, rates and contributions	0.6	0.2	1.1	0.5	0.9	0.4	1.3	0.7	0.9	0.6
Obsolescence of consumption material and spares	12.1	4.8	7.3	3.2	0.7	0.3	-	-	0.6	0.4
Slow moving consumption material and spares	13.0	5.2	-	-	-	-	-	-	-	-
Other	0.4	0.2	1.3	0.6	0.9	0.4	3.1	1.7	2.0	1.3
Total	**250.7**	**100.0**	**227.2**	**100.0**	**226.0**	**100.0**	**180.4**	**100.0**	**149.2**	**100.0**
% Operating costs on net sales	**52.4**		**41.2**		**41.0**		**37.1**		**33.7**	

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

- ***Operating costs (Contd.)***

i. an increase of $ 22.1 million in *Fixed asset depreciation*, calculated using the rates detailed in Exhibit A to the financial statements on the original values of these assets restated to December 31, 2002. The most significant portion of this increase is accounted for by the amount of $ 18.0 million corresponding to the depreciation of the capitalized exchange difference which had not yet been absorbed by the restatement for inflation of the fixed assets (Note 2.2.d);

ii. an increase of $ 4.8 million under *Obsolescence of consumption material and spares*, because of the booking of write-offs from stock of obsolete spares and material ;

iii. an increase of $ 13.0 million under *Slow moving consuption material and spares* that the Company has decided to set up a provision for;

iv. an increase of $ 4.9 million in the cost of *Insurance* contracted by the Company on the items making up the gas transportation system. This increase is directly associated with the fact that policies are issued in foreign currency;

v. an increase of $ 5.4 million under *Sundry materials* as a result of the consumption of material at a price higher than that of the year used for comparison, and the use of certain imported spares in the repair of pipelines and the regular maintenance work;

vi. a reduction of $ 13.8 million in *Personnel costs* as the salary adjustments granted by the Company have not succeeded in offsetting the effects of inflation during the year ;

vii. a net reduction of $ 2.2 million in *Maintenance and repair of fixed assets* from the conclusion in the first half of 2002 of work begun in 2001 in relation to the removal of constructions and sundry integrity work, fault repair, corrosion analysis and adaptation of measurement points, partially offset by increased costs allocated to regular maintenance, hydraulic tests and repairs on the Gasoducto Norte at the level of the Recreo and Lumbreras plants and programmed maintenance on river crossings;

viii. a reduction of $ 3.4 million in *Fees for professional services e*xplained mainly by the conclusion of technical studies made in 2001 and the effect of the restatement of costs for the year used for comparison purposes;

ix. a reduction of $ 2.2 million in *Easements* caused exclusively by the restatement of the cost in 2001; and

x. a reduction of $ 1.1 million in *Fees for technical services* caused exclusively by the restatement of the cost in 2001.

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

- ***Administration and selling expenses***

(In million of constant pesos at December 31, 2002)

	Years ended 12.31.									
	2002	***%***	***2001***	***%***	***2000***	***%***	***1999***	***%***	***1998***	***%***
Personnel costs	*11.1*	*19.3*	*18.5*	*45.7*	*17.0*	*39.2*	*14.8*	*46.0*	*15.7*	*48.9*
Fixed assets depreciation	*1.5*	*2.6*	*1.2*	*3.0*	*0.6*	*1.4*	*0.6*	*1.9*	*0.6*	*1.9*
Fees for professional services	*2.4*	*4.2*	*3.8*	*9.4*	*7.9*	*18.2*	*3.9*	*12.1*	*3.9*	*12.1*
Taxes, rates and contributions	*2.5*	*4.4*	*6.0*	*14.8*	*4.1*	*9.5*	*5.6*	*17.4*	*5.1*	*15.9*
Communications, freight and transportation of staff, travel and agency expenses	*1.1*	*1.9*	*1.7*	*4.2*	*3.5*	*8.1*	*2.6*	*8.1*	*2.2*	*6.9*
Maintenance and repair of fixed assets	*1.6*	*2.8*	*2.6*	*6.4*	*2.0*	*4.6*	*0.9*	*2.8*	*0.9*	*2.8*
Rental and office supplies	*1.0*	*1.7*	*2.1*	*5.2*	*2.4*	*5.5*	*2.6*	*8.1*	*0.7*	*2.2*
Intangible assets amortization	*1.1*	*1.9*	*1.1*	*2.7*	*1.1*	*2.5*	*0.4*	*1.2*	-	-
Doubtful accounts	*1.8*	*3.1*	*0.7*	*1.7*	-	-	-	-	-	-
Lawsuits and other expenses	*33.1*	*57.7*	*2.5*	*6.2*	*4.4*	*10.1*	*0.4*	*1.2*	*2.6*	*8.1*
Administrators, Directors and Syndics' fees	*0.2*	*0.4*	*0.3*	*0.7*	*0.4*	*0.9*	*0.4*	*1.2*	*0.4*	*1.2*
Total	***57.4***	***100.0***	***40.5***	***100.0***	***43.4***	***100.0***	***32.2***	***100.0***	***32.1***	***100.0***
% administrative and selling expenses on net sales	***12.0***		***7.3***		***7.9***		***6.6***		***7.3***	

Administration and selling expenses for the year ended December 31, 2002 amounted to $ 57.4 million, which compared to the $ 40.5 million in the previous year have increased by $ 16.9 million.

The principal variations between the two years have been:

i. an increase of $ 30.6 million under *Lawsuits and other expenses* because of reserve for claims (Note 8);

ii. an increase of $ 1.1 million under *Doubtful accounts*, to set up an allowance for revenues of doubtful recovery ;

iii. a reduction of $ 7.4 million under *Personnel costs* as the salary adjustments granted by the Company have not succeeded in offsetting the effects of inflation during the year ;

iv. a reduction of $ 3.5 million in *Taxes rates and contributions*, of which $ 2.2 million correspond to lower verification and control charges payable to ENARGAS, the remaining $ 1.3 million being the net effect of the restatement between the two years; and

v. variations in the other administration and selling headings that are exclusively a result of the effect of restatement for 2002 versus 2001.

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

- ***Other net expenses***

(In million of constant pesos at December 31, 2002)

	Years ended 12.31.				
	2002	**2001**	**2000**	**1999**	**1998**
Net result of fixed asset deletions	(10.3)	(18.0)	(20.5)	(7.3)	(0.6)
Reversion of PPI tariff adjustment to be invoiced-fiscal year 2000-	-	(23.7)	-	-	-
Recovery of contingencies	1.1	6.8	-	-	-
Personnel indemnities	(0.3)	(2.2)	(4.8)	(1.6)	(2.2)
Other	4.2	(2.7)	(0.6)	(6.5)	(1.0)
Total	**(5.3)**	**(39.8)**	**(25.9)**	**(15.4)**	**(3.8)**

The most significant differences between 2002 and 2001 correspond to:

i. *Reversion of PPI tariff adjustment to be invoiced - fiscal year 2000 -:* recording of a loss of $ 23.7 million on the financial statements at December 31, 2001 corresponding to income recognized during 2000 as described in Note 1.3.b) to the financial statements;

ii. *Personnel indemnities*, which was down $ 1.9 million as in the previous year personnel levels had been adjusted upon completion of the intensive investment program; and

iii. *Recovery of contingencies:* A gains of $ 1.1 million were recorded this year, compared to $ 6.8 million the previous year, as a result of the settlement of various insurance claims in relation to pipeline damaged in 2000.

- ***Financial and holding results including result of exposure to changes in the purchasing power of the currency***

Below is a detail of the composition of the *Financial and holding results including result of exposure to changes in the purchasing power of the currency* account for the years ended December 31, 2002 and 2001, and details of their main variations:

(In million of constant pesos at December 31, 2002)

	Years ended 12.31				
	2002	**2001**	**2000**	**1999**	**1998**
Interest and restatement generated by liabilities	(133.0)	(127.9)	(124.4)	(91.6)	(88.4)
Interest capitalized in investments in fixed assets	0.2	1.7	9.4	7.2	19.2
Foreign exchange differences generated by liabilities	(671.0)	-	-	-	-
Foreign exchange differences capitalized in fixed assets	504.3	-	-	-	-
Commissions, expenses, bank and financial taxes	(11.3)	(13.3)	(19.0)	(12.8)	(2.2)
Reimbursement Agreement fee	(3.4)	(2.2)	(2.4)	(2.7)	(2.1)
Intangible asset amortization – Global Programs of Negotiable Corporate Bonds	(4.1)	(4.1)	(6.1)	(2.7)	(2.6)
Result from transaction with derivatives	-	-	7.0	-	-
Holding results	(6.0)	-	-	(0.2)	0.4
Interest and expense generated by assets	(1.1)	2.0	1.5	(1.5)	(0.2)
Exchange differences generated by assets	(25.2)	-	-	-	-
Result from exposure to changes in the purchasing power of currency	(14.4)	-	-	-	-
Total	(365.0)	(143.8)	(134.0)	(104.3)	(75.9)

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

- ***Financial and holding results including result of exposure to changes in the purchasing power of the currency (Contd.)***

  i. an increase of $ 671.0 million was recorded under *Exchange differences generated by liabilities* from the impact of devaluation on the foreign currency liability items (Exhibit G). However, the most significant portion of the effects of the devaluation were treated as laid down in Resolution MD 3 issued by the Professional Council in Economic Sciences for the Autonomous City of Buenos Aires, under which the exchange differences on foreign currency liabilities in existence at January 6, 2002 which financed the purchase, manufacture or construction of fixed assets. These exchange differences totaled $ 504.3 million (Note 2.2.d and Exhibit A to the financial statements;

  ii. a reduction of $ 2.0 million under *Commisions, expenses, bank and financial taxes*, as a consequence of the gradual reduction in the rate of the tax on banking and financial debt interest from 15% to 2%, in force in the first half of 2001 and 2002 respectively and its subsequent elimination; and

  iii. the recording of a loss of $ 14.4 million under *Result from exposure to changes in the purchasing power of the currency*, generated on the Company's net monetary position.

- ***Contingencies and legal matters***

- Las Mesitas Accident (Note 8.8.)

Resolution 479 dated October 8, 2002 issued by the Ministry of Economy confirmed the imposing of ten fines for a cumulative total of $ 5 million. The Company has appealed this resolution.

- Stamp Tax- Santiago del Estero- Contract entered into before take-over (Note 8.7)

In December 2002 the Provincial Revenue Bureau for the province of Santiago del Estero notified the Company of the assessment of stamp tax for a total of $ 3.4 million on the firm transportation contract entered into by the Company and Gasnor S.A. prior to take-over. On the basis of the fiscal indemnity clause in the Transfer Contract, the Company informed the Under-secretariat for Equity Normalization at the Ministry of Economy of this demand. In addition, TGN proceeded to reject the tax claim.

- Rescinding of the firm transportation contract entered into with AES Paraná S.C.A. (Note 8.9)

In February 2003, following a fruitless negotiation process, the Company was obliged to demand the rescinding of the firm transportation contract signed in July 1999 with AES Paraná S.C.A. because it had become excessively onerous. In addition, the Company has requested the suspension of the effects of the contract until such time as the events of force majeure preventing the Company from complying with its obligations under the contract have been resolved. In spite of the limited progress in the negotiations, the Company expects to reach an equitable solution for both parties.

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

- ***Distribution of profits***

The Shareholders' Meeting held on April 8, 2002 decided to distribute the net profits for the year ended on December 31, 2001 as follows (amounts stated in constant currency at December 31, 2002):

a) $ 2,965,432 to the Legal Reserve,
b) $ 56,343,215 to Unappropriated retained earnings, and
c) Not to declare payment of dividends.

II) COMPARATIVE SUMMARY BALANCE SHEET FOR THE YEARS ENDED DECEMBER 31, 2002, 2001, 2000, 1999, AND 1998

(in thousands of constant pesos at December 31, 2002)

	Years ended 12.31.				
	2002	**2001**	**2000**	**1999**	**1998**
Current assets	250,082	139,688	107,883	129,281	92,672
Non-current assets	3,031,063	2,673,534	2,735,136	2,518,826	2,310,198
Total	**3,281,145**	**2,813,222**	**2,843,019**	**2,648,107**	**2,402,870**
Current liabilities	663,784	383,676	362,552	425,889	174,540
Non-current liabilities	1,418,288	1,031,977	1,122,352	886,583	996,423
Subtotal	2,082,072	1,415,653	1,484,904	1,312,472	1,170,963
Shareholders' equity	1,199,073	1,397,569	1,358,115	1,335,635	1,231,907
Total	**3,281,145**	**2,813,222**	**2,843,019**	**2,648,107**	**2,402,870**

III) COMPARATIVE SUMMARY INCOME STATEMENT FOR THE YEARS ENDED December 31, 2002, 2001, 2000, 1999 AND 1998

(in thousands of constant pesos at December 31, 2002)

	Years ended 12.31.				
	2002	**2001**	**2000**	**1999**	**1998**
Operating result	170,498	284,364	282,416	273,537	261,111
Financial result	(365,067)	(143,829)	(134,014)	(104,289)	(75,913)
Result of investment in subsidiaries	1,320	332	251	131	-
Other net expenses	(5,247)	(39,847)	(25,973)	(15,399)	(3,837)
Net result before taxes	(198,496)	101,020	122,680	153,980	181,361
Income tax	-	(41,711)	(36,659)	(49,926)	(50,843)
Net result for the year	**(198,496)**	**59,309**	**86,021**	**104,054**	**130,518**

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001

IV) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2002, 2001, 2000, 1999 AND 1998

Volume dispatched in millions of cubic metres:

According to type of carrying agreement

	Years ended 12.31.				
	2002	**2001**	**2000**	**1999**	**1998**
Firm	*14,104*	*13,997*	*13,470*	*12,632*	*11,674*
Interruptible, exchange and displacement	*733*	*429*	*586*	*645*	*462*
Total	***14,837***	***14,426***	***14,056***	***13,277***	***12,136***

VOLUME DISPATCHED IN MILLIONS OF CUBIC METRES

According to source

	Years ended 12.31.				
	2002	**2001**	**2000**	**1999**	**1998**
North gas pipeline	*6,368*	*6,286*	*5,664*	*5,359*	*5,568*
Centro Oeste gas pipeline	*8,469*	*8,140*	*8,392*	*7,918*	*6,568*
Total	***14,837***	***14,426***	***14,056***	***13,277***	***12,136***

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001

V) COMPARATIVE RATIOS AT DECEMBER 31, 2002, 2001, 2000, 1999 AND 1998

	Years ended 12.31.				
	2002	***2001***	***2000***	***1999***	***1998***
Current liquidity	*0.38*	*0.36*	*0.30*	*0.31*	*0.53*
Liability/Equity	*1.74*	*1.01*	*1.09*	*0.98*	*0.95*
Net resultbefore income tax	*(0.14)*	*0.08*	*0.10*	*0.13*	*0.16*

Buenos Aires, March 4, 2003

The report of independent accountants dated March 4, 2003 is issued as a separate document

Board of Directors
Jorge Valdez Rojas
President

TRANSPORTADORA DE GAS DEL NORTE S.A.

BALANCE SHEETS as of December 31, 2002 and 2001 (Note 2)
(Stated in constant currency)
(In pesos)

	2002	2001
	$	
ASSETS		
CURRENT ASSETS		
Cash and banks	15,557,055	52,287,426
Investments (Exhibit D)	155,600,204	42,352
Accounts receivable - trade (Note 3.a))	55,664,295	68,743,017
Other receivables (Note 3.b)i))	12,948,729	7,875,665
Intangible assets (Exhibit B)	10,311,027	10,739,277
Total current assets	250,081,310	139,687,737
NON-CURRENT ASSETS		
Investments (Note 5 and Exhibits C and D)	3,270,748	5,077,291
Other receivables (Note 3.b)ii))	20,790,150	12,968,384
Intangible assets (Exhibit B)	22,169,067	32,403,847
Fixed assets (Exhibit A)	2,979,550,458	2,611,844,686
Other assets - Gas in pipelines	5,282,800	11,239,986
Total non-current assets	3,031,063,223	2,673,534,194
Total assets	**3,281,144,533**	**2,813,221,931**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 3.c))	21,204,722	37,114,350
Financial debt (Note 6.i))	579,407,613	287,053,618
Social security	2,733,788	6,261,178
Taxes (Note 3.d))	16,855,060	27,426,042
Customers' advances	1,637,184	6,000,775
Other liabilities (Note 3.e)i))	3,058,004	13,708,363
Reserves (Note 8 and Exhibit E)	38,887,330	6,111,798
Total current liabilities	663,783,701	383,676,124
NON-CURRENT LIABILITIES		
Financial debt (Note 6.ii))	1,418,234,126	1,029,350,154
Customers' advances	-	718,254
Other liabilities (Note 3.e)ii))	53,530	1,908,334
Total non-current liabilities	1,418,287,656	1,031,976,742
Total liabilities	**2,082,071,357**	**1,415,652,866**
SHAREHOLDERS' EQUITY (as per respective statements)	**1,199,073,176**	**1,397,569,065**
Total	**3,281,144,533**	**2,813,221,931**

The accompanying Notes 1 to 9 and Exhibits A, B, C, D, E, G, H and I are an integral part of these statements.

Jorge Valdez Rojas
President

The report of independent accountants dated March 4, 2003 is issued as a separate document

TRANSPORTADORA DE GAS DEL NORTE S.A.

STATEMENTS OF INCOME for the years ended December 31, 2002 and 2001 (Note 2)
(Stated in constant currency)
(In pesos)

	2002	2001
	$	
Net revenues (Note 3.f))	478,665,580	552,029,831
Operating costs (Exhibit H)	(250,720,767)	(227,216,964)
Gross profit	**227,944,813**	**324,812,867**
Selling expenses (Exhibit H)	(3,374,799)	(9,032,228)
Administrative expenses (Exhibit H)	(54,072,184)	(31,416,552)
Operating income	**170,497,830**	**284,364,087**
Result from investment in subsidiaries	1,320,092	332,435
Other net expenses (Note 3.g))	(5,247,145)	(39,847,198)
Financial and holding results including the result of exposure to changes in the purchasing power of the currency:		
Generated by assets (Note 3.h)-Exhibit H)	(101,257,900)	2,003,862
Generated by liabilities (Note 3.h)-Exhibit H)	(263,808,766)	(145,833,697)
Net (Loss) Income before tax	**(198,495,889)**	**101,019,489**
Income tax	-	(41,710,842)
Net (Loss) Income for the year	**(198,495,889)**	**59,308,647**

The accompanying Notes 1 to 9 and Exhibits A, B, C, D, E, G, H and I are an integral part of these statements.

Jorge Valdez Rojas
Presidente

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TRANSPORTADORA DE GAS DEL NORTE S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY for the years ended December 31, 2002 and 2001
(Note 2)
(Stated in constant currency)
(In pesos)

Caption	Shareholders' contributions			Legal reserve	Voluntary reserve for future dividends	Unappropriated retained earnings	Total shareholders' equity 12.31.02	Total Shareholders' equity 12.31.01
	Capital stock	Adjustment to capital	Total					
	$							
Balances at the beginning of the year	351,499,185	500,091,706	851,590,891	42,918,830	124,714,540	378,344,804	1,397,569,065	1,358,114,371
Approved by the Shareholder's Ordinary Meeting held on March 29, 2001:								
Personnel participation bonds	-	-	-	-	-	-	-	(215,053)
Approved by the Board of Directors' Meeting held on September 24; 2001:								
Cash dividends	-	-	-	-	-	-	-	(19,638,900)
Approved by the Shareholders' Ordinary Meeting held on April 8, 2002:								
Legal reserve	-	-	-	2,965,432	-	(2,965,432)	-	-
Net (Loss) income for the year	-	-	-	-	-	(198,495,889)	(198,495,889)	59,308,647
Balances as of December 31, 2002	**351,499,185**	**500,091,706**	**851,590,891**	**45,884,262**	**124,714,540**	**176,883,483**	**1,199,073,176**	**-**
Balances as of December 31, 2001	**351,499,185**	**500,091,706**	**851,590,891**	**42,918,830**	**124,714,540**	**378,344,804**	**-**	**1,397,569,065**

The accompanying Notes 1 to 9 and Exhibits A, B, C, D, E, G, H and I are an integral part of these statements.

Jorge Valdez Rojas
Presidente

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TRANSPORTADORA DE GAS DEL NORTE S.A.

STATEMENTS OF CASH FLOWS for the years ended December 31, 2002 and 2001 (Note 2)
(Stated in constant currency)
(In pesos)

	2002	2001
	$	
CAUSES OF CHANGES IN FUNDS		
Changes in funds from operating activities		
Net (Loss) Income for the year	(198,495,889)	59,308,647
Add: Items not requiring funds		
Fixed assets depreciation	122,755,743	100,539,053
Intangible assets amortization	6,536,605	6,536,605
Residual value of fixed assets written off	18,163,082	20,850,142
Consumption of spare parts	22,420,722	18,506,781
Setting up of reserves	78,172,326	1,550,786
Financial and holding results net of the result of exposure to changes in the purchasing power of the currency	283,608,182	128,148,580
Intangible asset amortization Global Program of Negotiable Corporate Bonds (Exhibit B)	4,126,425	4,202,674
Less: Items not providing funds		
Result from investment in subsidiaries	(1,320,092)	(332,435)
Sub-total	335,967,104	339,310,833
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable-trade - net	(7,775,716)	21,604,235
Increase in other receivables- net	(12,915,380)	(10,824,411)
Decrease in accounts payable - net	(15,909,628)	(14,887,676)
Decrease in social security - net	(3,527,390)	(1,883,206)
(Decrease) Increase in taxes - net	(10,570,982)	21,455,731
Decrease in other liabilities - net	(12,505,163)	(25,654,373)
Decrease in settlement reserves - net	-	(26,674)
Funds provided by operating activities	**272,762,845**	**329,094,459**
Changes in funds from investment activities		
Acquisition of fixed assets	(39,741,606)	(80,444,408)
Net change in investments	427,626	(4,359,836)
Dividends collected	61,764	-
Capital contribution in subsidiaries	(45)	-
Funds used in investment activities	**(39,252,261)**	**(84,804,244)**
Carried forward	233,510,584	244,290,215

TRANSPORTADORA DE GAS DEL NORTE S.A.

STATEMENTS OF CASH FLOWS for the years ended December 31, 2002 and 2001 (Note 2) (Contd.)
(Stated in constant currency)
(In pesos)

	2002	2001
	$	
CAUSES OF CHANGES IN FUNDS (Contd.)		
Brought forward	233,510,584	244,290,215
Changes in funds from financing activities		
Increase in new short - term financial debt	41,280,628	1,350,415,039
Increase in new long - term financial debt	-	21,821,000
Payment of short - term financial debt	(3,626,671)	(1,281,322,574)
Payment of long - term financial debt	(3,310,492)	(148,647,397)
Interest and commissions paid on financial debt	(145,438,626)	(125,623,106)
(Decrease) Increase in customers' advances	(5,690,488)	6,028,049
Increase in intangible assets	-	(388,309)
Dividends paid	-	(19,638,900)
Payment of personnel participation bonds	-	(215,053)
Funds used in financing activities	**(116,785,649)**	**(197,571,251)**
Increase in funds	**116,724,935**	**46,718,964**
Funds at the beginning of the year	**52,329,778**	**5,610,814**
Funds at the end of the year	**169,054,713**	**52,329,778**

The accompanying Notes 1 to 9 and Exhibits A, B, C, D, E, G, H and I are an integral part of these statements.

Jorge Valdez Rojas
President

The report of independent accountants dated March 4, 2003 is issued as a separate document

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
(Stated in constant currency)(In pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK

1.1. Formation of the Company

Transportadora de Gas del Norte S.A. (the "Company" or "TGN") was incorporated on November 24, 1992 following the introduction of Laws 23,696 and 24,076 ("The Gas Act") and Executive Decree 1.189/92 which established the privatization of gas transport and distribution services and the creation of companies that were to receive licenses to operate such services.

TGN is the owner of a license (the "License") for the rendering of natural gas transportation services, whereby it is assigned the exclusive right to own and operate gas pipelines in the Northern and Central-Western regions of Argentina.

The Company's gas pipeline system is directly connected to the two principal gas producing basins in the Northern and Central-Western regions in Argentina, to the Northwestern and Neuquina basins and indirectly to gas fields located in Bolivia.

The transfer of assets from Gas del Estado Sociedad del Estado ("GdE") to TGN and commencement of operations took place on December 28, 1992, based on an agreement for the transfer of shares (the "Transfer Agreement") between the National Government, GdE and the investment company Gasinvest S.A. ("Gasinvest" or "Parent Company").

1.2. Argentine economic situation and its impact on the Company's economic and financial position

- Context

Argentina is immersed in an extremely serious and complex economic and social context. The end of the currency convertibility regime implemented in April 1991 took place in a context of traumatic institutional, political and social events, such as the sudden abandoning of office by a constitutional government, the succession of temporary and extremely short mandates, the declaration of default on external debt servicing and the issue of exceptional regulations affecting the entire Argentine community by substantially changing the terms of private contracts.

The Law on Public Emergency and Exchange System Reform, enacted on January 6, 2002 and complementary regulations introduced changes to the legal framework under which this Company provides services. This situation, in addition to the substantial devaluation of the Argentine currency and the increasing inflation rates, have had a significant adverse effect on the Company's economic results and financial position.

As from December 3, 2001 the National Government issued measures to restrict the free availability and circulation of cash and the transfer of foreign currency abroad. Subsequently, the Government declared default on external debt servicing.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
(Stated in constant currency)(In pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)

1.2. Argentine economic situation and its impact on the Company's economic and financial position (Contd.)

- Context (Contd.)

On January 6, 2002, after a social and political crisis that resulted in the resignation of two presidents, the Government enacted Law No. 25561 that involved important changes to the prevailing economic model, mainly the abandonment of the Convertibility Law in force since March 1991.

On February 3, 2002 the Executive Branch passed Decree No. 214 (Reorganization of the financial system) establishing the conversion into pesos of all obligations to give sums of money denominated in US dollars or other currencies existing as of January 6, 2002. Under this regulation, deposits in US dollars in the financial system were converted at the rate of US$ 1 = $ 1.40 while debts in the financial system were converted at the rate of US$ 1 = $ 1; it also established that those deposits and debts would be adjusted by a Reference Stabilization Coefficient created on the basis of the Consumer Price Index, on which minimum deposit and loan rates to be set by the Argentine Republic Central Bank ("BCRA") would be accrued.

Decree No. 214 also established that the obligations to pay sums denominated in dollars or other foreign currency not related to the financial system, would be converted to pesos at the exchange rate of $ 1 to US$ 1, stating that if application of this provision were to lead to the resulting value of the item, good or service being higher or lower at the time of payment, either of the parties can request a fair readjustment of the price.

The general pesification rule established by Decree No. 214, however, was successively modified, restricting its initial scope.

After a brief period during which two exchange rates coexisted, on February 8, 2002 the Government issued Decree No. 260 (Exchange Regime) establishing a single free exchange market system as from February 11, 2002, through which all transactions involving the exchange of currency are to be traded at a rate of exchange to be freely agreed, observing the requirements to be laid down by the BCRA.

Simultaneously the BCRA established a change control regime which requires prior approval of transfers of foreign exchange abroad corresponding to financial obligations and sets restrictions on the purchase of foreign currency. Although this regime has been partially flexibilized, its main provisions continue to be applicable. The BCRA regulates the obligatory payment of foreign currency from foreign trade operations, except for certain specific cases which are expressly exempt.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
(Stated in constant currency)(In pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)

1.2. Argentine economic situation and its impact on the Company's economic and financial position (Contd.)

- Impact on TGN

With regard to the Company's tariff calculation mechanism, without detriment to the original contract clauses detailed in Note 1.3., Law No. 25561 on Economic Emergency and Exchange System Reform established the obligatory conversion of tariffs into pesos at the exchange rate of US$ 1 = $ 1, their freezing in pesos as of that date and the suspension of the half-yearly adjustment based on the Producer Price Index (PPI). In addition, the Emergency Law 25561 authorized the National Executive Branch to renegotiate the contracts for public works and services taking into account (i) the impact of tariffs on the competitiveness of the economy and the distribution of income, (ii) the quality of the services and the investment plans contemplated in the contracts, (iii) users' interests and service accessibility (iv) the systems' security and (v) the profitability of companies. By Decree No. 293 the National Executive Branch delegated to the Ministry of Economy the mission to carry out the renegotiation process. In addition, as established by the mentioned decree, the Bicameral Follow-up Commission created by section 20 of Law No. 25561 must be permanently informed of the renegotiation procedure through a report informing the agreements reached.

On April 19, 2002, in compliance with the schedule established by Resolution No. 20/2002 of the Ministry of Economy and the Guide of Procedures applicable to TGN, the Company presented an estimate of the adverse effect caused by the emergency regulations to the Renegotiation Commission, as well as an explanation of the economic and financial situation and the mitigation of the mentioned impact. The terms for the Commission to rule on this matter were subsequently extended until June 2003, and no significant progress in the License renegotiation process has been observed so far.

Although Decree No. 293 and its regulatory decree, Resolution No. 20/02 of the Ministry of Economy established that the Renegotiation Commission would submit its recommendations to the National Executive Branch not later than June 28, 2002, that term was successively extended until June 2003. Furthermore, the public hearings called in September and October 2002 to deal with emergency tariff increases for certain public services, were suspended by a court order at the request of various user associations. An emergency decree issued in November 2002, which approved limited tariff adjustments in favor of gas and electricity companies, was suspended by a court order. A new attempt by the National Government in January 2003 to establish partial gas and electricity tariff increases, which in the case of the Company reached 7%, was also suspended by a court ruling.

As a result, changes in the economic context and in the legal and contractual conditions under which the Company was operating, as well as the result of the renegotiation of contracts generate uncertainty as to the generation of future cash flows to settle liabilities and to recover non-current assets and to continue operating as a going concern.

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)

1.2. Argentine economic situation and its impact on the Company's economic and financial position (Contd.)

- Impact on TGN (Contd.)

The "move away from the dollar" and simultaneous freezing of tariffs, added to the devaluation of the peso and the subsequent evolution of the dollar quotation on the free exchange market affected the future cash flows since, although part of the expenses are denominated in pesos, almost the total financial debt of the Company has been incurred in dollars with foreign entities and, therefore, the above clause on conversion of balances due would not be applicable. This situation has a significant adverse effect on TGN's financial situation and results.

- Immediate consequences for TGN

As a result of the financial imbalance generated by the mentioned measures, the Board of Directors has set the administration of its own resources as a goal in order to: i) maintain a secure and reliable public natural gas transportation service, as required by Gas Law No. 24076 and section 10 of Law No. 25561, ii) to preserve the going concern principle and iii) to ensure an equal treatment to all its financial creditors.

In line with these objectives, during the year the Company was forced to postpone payments of certain financial obligations amounting to $ 379,8 million (including principal, interest and commissions)-(Note 6 and Exhibit I).

If the Company does not obtain a waiver for its irregular debt, certain creditors could consider all receivables past due and demand advance settlement of amounts due, which are shown by the Company in its financial statements classified as current or non-current according to the original terms agreed.

The creditors of these obligations are being contacted to agree the conditions to avoid the execution of acceleration clauses, thus enabling the Company to start negotiations with the National Government to rebuild its capital flows and regularize its financial liabilities.

As a result of the above circumstances, the Company has failed to comply with certain covenants on certain financial liabilities

The Company is analyzing its indebtedness structure, and expects to rebuild its economic equation to align it to its financial debt profile. Although Management understands that there are feasible alternatives, it is not possible to provide assurance of success upon implementation.

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NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)

1.2. Argentine economic situation and its impact on the Company's economic and financial position (Contd.)

- Immediate consequences for TGN (Contd.)

The impacts generated by all these measures adopted to date by the Government on the financial situation of the Company as of December 31, 2002 were calculated according to the evaluations and estimates made by Management at the date of preparing the financial statements, assuming that the necessary agreements will be reached with the financial creditors to avoid the debt acceleration

However, actual results could differ from the evaluations and estimates made at the date of preparing these financial statements and these differences could be significant. Therefore, the Company's financial statements may not report all the adjustments and reclassifications that could result from these adverse conditions. Furthermore, at this time it is not possible to foresee the future development of the country's economy or its consequences on the economic and financial situation of the Company, or the outcome of the negotiation of tariffs with the National Government. Thus, any decision that must be made on the basis of these financial statements must take into account the effects of these measures and their future development and the Company's financial statements must be considered in the light of these uncertain circumstances.

1.3. Regulatory framework

a) General matters

The Gas Act and its regulations, together with the License, the Transfer Agreement, the Bid Document for the privatization of GdE (the "Pliego"), and the resolutions issued by ENARGAS, establish the legal framework for the Company's business.

The License was granted for an initial period of thirty-five years. However, both the Gas Act and the License establish that the Company will be able to apply to ENARGAS for a renewal for a further ten-year period. At that time, ENARGAS is required to evaluate the performance of TGN and submit a recommendation to the Government.

b) Tariffs

- Contractual framework

The tariffs corresponding to the natural gas transportation service were established in the License and are regulated by ENARGAS.

The Gas Law establishes that the tariffs must cover reasonable operating costs, taxes and depreciation charges, while providing profit margins similar to those obtained from other activities subject to comparable or similar risks, being in proportion to the level of efficiency in providing of the services.

NOTE 1 - FORMATION OF THE COMPANY AND REGULAT ORY FRAMEWORK (Contd.)

1.3. Regulatory framework (Contd.)

b) Tariffs (Contd.)

- Contractual framework (Contd.)

Tariffs are subject until expiry of the License to:

i) half-yearly adjustments resulting from changes in PPI;

ii) adjustments derived from the five-yearly tariff review to be performed by ENARGAS affecting, as far as possible, the “X” efficiency and “K” investments factors, where "X" reduces the tariff as a counterpart of efficiency increases and “K” increases it to encourage unprofitable investments;

iii) non-recurring adjustments to reflect variations in the costs resulting from changes to tax regulations (except in the case of changes in income tax); and

iv) unscheduled adjustments as a result of other objective and justifiable causes at the discretion of ENARGAS.

As already mentioned, Law No. 25561 on Public Emergency and Exchange System Reform has converted into pesos and frozen all utility rates, including those corresponding to gas natural transportation and distribution.

This situation has resulted in the suspension of the five-year Tariff Review process, based on which the new tariffs for the 2003-2007 five-year period were to be determined, as required by Resolution No. 38/2002 of the Ministry of Economy.

- Suspension of adjustments using PPI

On January 17, 2000, ENARGAS Resolution No. 1471 established the deferral for the second half of 2000 of the application of the tariff adjustment according to the PPI which was to be considered as from January 1st, 2000.

On July 17, 2000, TGN and the remaining licensees for natural gas network transportation and distribution signed a Minute of Agreement with the National Secretary of Energy -acting on behalf of the Ministry of Economy- and ENARGAS, whereby certain criteria were established to extend the deferral until June 30, 2002. This agreement was subsequently ratified by Decree No. 669/00 of the National Government dated August 4, 2000 and implemented through ENARGAS resolutions as of the same date that approved the tariffs for the second half of 2000. However, on August 18, 2000, a federal court on contentious and administrative matters established the precautionary suspension of Decree No. 669/00 at the request of the Ombudsman. The ordinary claim filed by the Ombudsman against the National Executive Branch and ENARGAS claims that the provisions of the Regulatory Framework contemplating the adjustment of tariffs according to the PPI are unconstitutional.

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)

1.3. Regulatory framework (Contd.)

b) Tariffs (Contd.)

- *Suspension of adjustments (Contd.)*

Based on the provisions of the Minute of Agreement signed on July 17, 2000 subsequently ratified by Decree No. 669/00, TGN accrued the amounts corresponding to deferred tariff variations until September 30, 2001.

Considering the enforceability of Law No. 25561 mentioned in this Note and the validity of the preliminary injunction (still being discussed at judicial level), the Company considers that collection of the amount corresponding to tariff variations not applied through a tariff adjustment is currently improbable, so TGN has decided to adopt a conservative criterion, without implying a waiver to its right to collect the amounts accrued, consisting in reversing, in 2001, the effect of recognized income and filing a request for reimbursement for $ 4.3 million corresponding to VAT paid.

- *New regulations applicable to TGN's tariffs*

On May 2, 2002 Decree No. 689/02 was published in the Official Gazette, establishing that as from January 6, 2002, the natural gas transportation service for exports carried out in the national territory via gas pipelines will not be subject to the provisions of Law No. 25561 or Decree No. 214.

A new attempt by the National Government in January 2003 to establish partial increases of gas and electricity tariffs, which in the case of the Company reached 7%, was suspended by a court ruling.

c) Restricted assets

A substantial portion of the assets transferred by GdE, mainly included in the captions Gas pipelines, High pressure branch lines, Compressor plants and High pressure regulation and/or measurement stations (Exhibit A), has been defined as essential for the performance of licensed service. Therefore, the Company is committed to repairing and maintaining these assets together with any future improvements and extensions in accordance with certain standards defined in the License. The Company may not, for any reason, dispose of, encumber, lease, sublease or loan essential assets for purposes other than providing licensed service, without the prior authorization of ENARGAS.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
(Stated in constant currency)(In pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)

1.3. Regulatory framework (Contd.)

d) Environmental matters

In line with its environmental care and remediation policy, TGN is permanently committed to preserve and protect the environment and its natural resources. Consequently, it evaluates the potential impact of all its activities on the environment so as to control and minimize the effects which might adversely affect environmental quality. It also designs, constructs and operates environmentally safe facilities in compliance with federal, regional and ENARGAS environmental standards and regulations.

NOTE 2 - BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND PRINCIPAL VALUATION CRITERIA

The financial statements were prepared applying valuation and disclosure criteria established by General Resolution No. 368/01 as amended, Resolution No. 398/02 and Resolution No. 415/02 of the CNV and MD Resolution No. 3/02 of the Professional Council in Economic Sciences of the City of Buenos Aires (C.P.C.E.C.A.B.A.).

In addition, valuation and disclosure criteria established by Resolution No. 1660 dated March 31, 2000 issued by the National Gas Regulator, amended by Resolution No. 1903 dated September 18, 2000, which regulates certain valuation matters applicable to all regulated natural gas transportation and distribution activities. These matters are similar to applicable accounting standards.

2.1. Recognition of the effects of inflation

The financial statements have been prepared in constant currency, reflecting the overall effects of inflation until August 31, 1995. As from that date, in accordance with professional accounting standards and the requirements of the control authorities, restatement of the financial statements was discontinued until December 31, 2001.

On July 16, 2002, the National Executive Branch passed Decree No. 1269/02 suspending Decree No. 316/95, thus eliminating the restriction regarding receipt of financial statements in constant currency by control authorities. That decree was regulated for application by the National Securities Commission by General Resolution No. 415 dated July 25, 2002, published in the Official Gazette on July 30, 2002.

As from January 1st, 2002, in accordance with Resolution No. MD 3/02 of the Professional Council in Economic Sciences of the City of Buenos Aires, Resolution No. 240/02 of the Argentine Federation of Professional Council in Economic Sciences ("F.A.C.P.C.E.") and Resolution No. 415 of CNV, the effects of inflation are again being recognized in these financial statements. Consequently, the financial statements are presented in constant monetary units, based on the application of the above provisions and stated in constant

NOTE 2 - BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND / PRINCIPAL VALUATION CRITERIA (Contd.)

2.1. Recognition of the effects of inflation (Contd.)

currency of December 2002 based on the changes in the Internal Wholesale Price Index General Level ("IPIM") published by the National Institute of Statistics and Census, in connection with the index established as basis that corresponding to December 2001.

The Company adopted the restatement method established by Technical Pronouncement No. 6 of the F.A.C.P.C.E., including the amendements made by Technical Pronouncement No. 19 of the F.A.C.P.C.E., adopted by Resolution CD No. 262/01 of the C.P.C.E.C.A.B.A., considering that the accounting measurements restated by the changes in the purchasing power of the currency until August 31, 1995, and those arising between that date and December 31, 2001, are stated in the currency of the latter date.

2.2. Principal valuation criteria

a) Items denominated in Argentine currency

Cash and banks, investments receivables, liabilities and reserves

They have been maintained at their nominal values, plus interest accrued, through each year-end, where applicable.

b) Items denominated in foreign currency

Cash and banks, investments, receivables, liabilities and customers' advances

They have been valued at the corresponding exchange rate plus interest accrued, through each year-end, where applicable.

The Company has set up a provision on those trade receivables invoiced in foreign currency, collection of which is under a negotiation process. On December 31, 2002 $ 20,1 million were provided for and expensed against "Net revenues" (Note 3.a) and Exhibit E).

c) Intangible assets

Valued at the cost of incorporation stated in constant currency and shown net of the corresponding accumulated amortization, calculated based on: *a)* four-year deferral for turbine overhaul and implementation of an integrated administration and maintenance system depreciated by the full year of retirement method; *b)* five-year deferral for passage of instruments for detection of corrosion in gas pipelines applying the full year of retirement depreciation criterion.

Expenses incurred in the creation of the Global Programs of Negotiable Corporate Bonds are amortized based on the maturities of the related issued debt. The corresponding amortization is included as "Financial and holding results generated by liabilities - Interests".

NOTE 2 - BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND PRINCIPAL VALUATION CRITERIA (Contd.)

2.2. Principal valuation criteria (Contd.)

d) Fixed assets

The original global value adopted in relation to assets transferred at the beginning of Company operations is that assigned to them under the Transfer Agreement.

Assets acquired or constructed after take-over were valued at acquisition or construction cost, including material, labor and indirect costs, and are shown net of the corresponding accumulated depreciation.

The Company has included as part of the value of fixed assets, the net cost generated by the financing by third parties during the period of construction or installation.

The above-mentioned values are stated in constant currency.

Depreciation is computed by the straight-line method, using annual rates sufficient to extinguish asset values by the end of their estimated useful lives and adopting the year of full deletion criterion for inventories up to December 31, 1999 and the "month of addition" for increases as from January 1st, 2000.

Resolution MD No. 3/02, issued on March 6, 2002 by the C.P.C.E.C.A.B.A., adopted by General Resolution No. 398/02 of the CNV, permits capitalization under fixed assets of exchange differences generated by liabilities in foreign currency existing as of January 6, 2002, which financed the acquisition, production or construction of fixed assets. As a result, exchange differences amounting to $ 1,242.9 million were capitalized which, net of the effect of inflation, amount to $ 504.3 million. Those exchange differences will be amortized over the remaining useful lives of the respective fixed assets.

As established by the above mentioned resolution, the exchange differences incorporated to assets will have the effect of advance recognition of changes in the purchasing power of the currency, and will be subsumed in the reexpression of the accounting values in constant currency.

After analyzing the stock of consumption materials and spares, the Company identified certain items recording very slow rotation during the last year. Consequently, a provision was set up on the restated value of those items of $ 13.0 million, which were expensed to operating costs for the year (Exhibit H).

Subject to the resolution of the uncertainty generated by the changes in the economic context and the legal and contractual conditions under which the Company operates, as well as on the outcome of the contract renegotiation, the book value of fixed assets, taken as a whole, does not exceed their recoverable value.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
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NOTE 2 - BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND PRINCIPAL VALUATION CRITERIA (Contd.)

2.2. Principal valuation criteria(Contd.)

e) Non-current investments

Investments in Bonds under the Program of Medium-Term Foreign Bills of the Argentine Republic have been valued at the acquisition cost plus interest accrued at the stated rate up to December 31, 2002; net of the allowance for impairment necessary to reflect its recoverable value (Note 5).

The investments in subsidiaries Comgas Andina S.A. and Companhia Operadora Do Rio Grande Do Sul S.A. ("COPERG") are recorded using the equity method of accounting based on their financial statements as of December 31, 2002.

To determine the proportional equity value for the companies that issue their financial statements in foreign currency, the criteria established by Technical Resolutions No. 5 and 13 of the F.A.C.P.C.E.

f) Other assets - Gas in pipelines

Gas in pipelines has been valued at the replacement value of the cubic meter of gas plus average transportation cost. The results from application of these prices are recognized under Financial and holding results generated by assets - Holding result on non-financial assets.

The book value of these assets does not exceed recoverable value.

g) Capital stock and adjustment to capital

These accounts have been stated in constant currency; the historical nominal capital stock is shown at its historical nominal value.

The difference between capital stock stated in constant currency and the historical nominal capital stock is shown under "A*djustment to capital"*, making up the shareholders' equity.

h) Legal reserve

Balances at the beginning of the year were restated from January 1st, 2002 until December 31, 2002 applying the coefficient derived from the index mentioned in Note 2.1.

Furthermore, the movements for the year were restated into constant currency of December 31, 2002 using those indices.

i) Voluntary reserve for future dividends

The amounts included under this caption were set up by the Shareholders' meetings approving the corresponding annual financial statements.

NOTE 2 - BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND PRINCIPAL VALUATION CRITERIA (Contd.)

2.2. Principal valuation criteria (Contd.)

i) Voluntary reserve for future dividends (Contd.)

This reserve can be released by the Board of Directors which, through delegation of the Shareholders' Meeting, is empowered to decide its total or partial distribution, at the time considered advisable for corporate purposes, in proportion to the respective shareholdings.

The free reserve was stated in constant currency until the end of the year.

j) Unappropriated retained earnings

Stated in constant currency until the end of the year.

k) Profit and loss accounts

Income accounts were stated in constant currency, considering the month in which they were assigned, except for: (i) charges for used assets (fixed assets depreciation and decreases, amortization of intangible assets and consumption of sundry materials), calculated according to the values of those assets in constant currency; and (ii) the participation in the results of corporations under sect. 33 of Law No. 19550, calculated by the equity method of accounting based on the financial statements of those companies at December 31, 2002, as indicated in Note 2.2.e).

l) Income tax and minimum notional income tax

The Company has not recognized any charge for income tax since a tax loss carryforward was determined, and the minimum notional income tax credit was recorded under other non-current receivables.

Minimum notional income tax is complementary to income tax; while the latter is applicable to the taxable income for the year, notional income tax is a minimum tax on the potential income generated by certain production assets at the rate of 1%. Consequently, the Company's tax payment obligation will agree with the higher of the two taxes. Subject to the resolution of the uncertainty generated by the changes in the economic context and the legal and contractual conditions under which the Company was operating, and to the result of the renegotiation of the contract, future taxable income is expected to be generated, to enable the Company to use the minimum notional income tax credit.

2.3. Comparative information

Balances at December 31, 2001 shown in these financial statements result from restating the amounts in the financial statements at that date into currency of December 31, 2002, based on the indices mentioned in Note 2.1. To disclose comparative information on a consistent

TRANSPORTADORA DE GAS DEL NORTE S.A

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
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NOTE 2 - BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND PRINCIPAL VALUATION CRITERIA (Contd.)

2.3. Comparative information (Contd.)

basis, certain reclassifications were made with respect to the financial statements at December 31, 2001.

NOTE 3 - BREAKDOWN OF MAIN BALANCE SHEET AND INCOME STATEMENT CAPTIONS

CAPTIONS	2002	2001
	$	
a) Accounts receivable – trade		
Current		
Regulated activity		
Gas transportation service		
• invoiced		
- distributors	7,510,044	16,874,341
- industries	17,657,380	4,732,104
- generators	14,996,377	1,804,963
• to be invoiced	33,860,310	43,919,356
Subtotal	74,024,111	67,330,764
Unregulated activity		
Operation and maintenance service		
• invoiced	291,576	-
• to be invoiced	2,434,888	1,644,095
Subtotal	2,726,464	1,644,095
Allowance for doubtful accounts (Exhibit E)	(963,231)	(231,842)
Allowance for doubtful accounts in foreign currencies (Note 2.2.b) and Exhibit E)	(20,123,049)	-
Total	**55,664,295**	**68,743,017**
b) Other receivables		
i) Current		
Regulated activity		
Tax credits - withholdings and collections	1,221,341	1,001,488
VAT	487,840	-
Fee advanced to the Board of Directors and Syndics	146,940	340,409
Advances to be rendered	75,879	151,604
Loans to personnel	81,566	453,158
Prepaid expenses	7,031,881	468,917
Other	2,875,695	380,392
Subtotal	11,921,142	2,795,968
Unregulated activity		
Loan to TGM	-	3,925,312
Corporation Law N° 19550, section 33 (Note 3.i))	246,926	280,670
Other	1,236,232	1,308,736
Subtotal	1,483,158	5,514,718
Allowance for doubtful accounts (Exhibit E)	(455,571)	(435,021)
Total	**12,948,729**	**7,875,665**

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NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
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NOTE 3 - BREAKDOWN OF MAIN BALANCE SHEET AND INCOME STATEMENT CAPTIONS (Contd.)

CAPTIONS	2002	2001
b) Other receivables (Contd.)		
ii) Non Current		
Regulated activity		
Loans to personnel	63,052	86,389
VAT – Reversion of tariff variations (Note 1.3.b))	4,343,543	9,478,045
Tax on minimum notional income	13,385,000	-
Turnover tax-withholding	869,260	1,967,805
Prepaid expenses	2,118,295	1,412,142
Other	11,000	24,003
Total	**20,790,150**	**12,968,384**
c) Accounts payable		
Regulated activity		
Suppliers for purchases of gas	4,913,578	14,582,747
Suppliers for purchases and other services	16,291,144	22,531,603
Total	**21,204,722**	**37,114,350**
d) Taxes		
Value Added Tax (“VAT”)	-	8,460,674
Income tax	-	14,085,200
Turnover tax	1,472,258	2,027,332
Tax on minimum notional income	13,385,000	-
VAT - withholdings and collections	721,947	1,252,397
Income tax - withholdings	1,120,100	876,886
Turnover tax-withholdings and collections	125,113	138,768
Tax on interest on financial and bank indebtedness	-	517,923
Other	30,642	66,862
Total	**16,855,060**	**27,426,042**
e) Other Liabilities		
i) Current		
Fees to Board of Directors and Syndics	167,000	340,407
Easement provision (net of prepaid easement)	1,800,000	4,451,484
Other	1,091,004	8,916,472
Total	**3,058,004**	**13,708,363**
ii) Non-current		
Easement provision	53,530	1,908,334
Total	**53,530**	**1,908,334**

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NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
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NOTE 3 - BREAKDOWN OF MAIN BALANCES SHEET AND INCOME STATEMENT CAPTIONS (Contd.)

CAPTIONS	2002	2001
	$	
f) Net revenues		
Regulated activity		
Gas transportation service		
Gas transportation service	497,876,997	562,149,241
Turnover tax	(14,308,782)	(16,921,786)
Benefit on social security contributions Decrees Nº 292-1520-814	(2,318,280)	(5,188,892)
Doubtful accounts for sales in foreign currencies	(20,905,032)	-
Subtotal gas transportation service	460,344,903	540,038,563
Unregulated activity		
Operation and maintenance service		
Operation and maintenance service	18,919,656	12,407,449
Turnover tax	(598,979)	(416,181)
Subtotal operation and maintenance service	18,320,677	11,991,268
Total	**478,665,580**	**552,029,831**
g) Other net expenses		
Net result of fixed assets written off	(10,301,114)	(18,084,744)
Reversion of PPI tariff adjustment to be invoiced - fiscal year 2000- (Note 1.3.b))	-	(23,677,703)
Recovery of contingencies	1,126,511	6,792,384
Personnel indemnities	(337,336)	(2,210,419)
Other	4,264,794	(2,666,716)
Total	**(5,247,145)**	**(39,847,198)**
h) Financial and holding results		
Generated by assets:		
Interest and restatement	3,168,494	2,986,630
Foreign exchange differences	(25,223,093)	-
Bank commissions and expenses	(923,118)	(1,023,752)
Holding results	(5,957,186)	40,984
Impairment of investments	(3,466,103)	-
Discounts granted	(5,683)	-
Result of exposure to changes in the purchasing power of the currency	(68,851,211)	-
Total	**(101,257,900)**	**2,003,862**
Generated by liabilities:		
Interest and restatement (net of interest capitalized in investments in fixed assets for $ 212,963 and $ 1,745,082 for 2002 and 2001, respectively)	(132,826,319)	(126,215,291)
Foreign exchange differences	(166,702,908)	-
Intangible asset amortization - Global Programs of Negotiable Corporate Bonds (Exhibit B)	(4,126,425)	(4,202,674)
Commissions, expenses and bank and financial taxes	(11,264,387)	(13,429,093)
Reimbursement Agreement Fee	(3,418,357)	(2,103,010)
Discounts obtained	82,470	116,371
Result of exposure to changes in the purchasing power of the currency	54,447,160	-
Total	**(263,808,766)**	**(145,833,697)**

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NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
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NOTE 3 - BREAKDOWN OF MAIN BALANCE SHEET AND INCOME STATEMENT CAPTIONS (Contd.)

CAPTIONS	2002	2001
	$	
i) Balances and transactions with Corporations Law N° 19550, section 33		
As of December 31, 2002 and 2001, the following balances were held with Corporations Law N° 19550, section 33:		
Other receivables (Note 3.b)i)):		
Comgas Andina S.A.	185,627	267,032
Companhia operadora de Rio Grande Do Sul	55,049	-
Gasinvest S.A.	6,250	13,638
Total	**246,926**	**280,670**
At the end of the years ended on December 31, 2002 and 2001, the following transactions were carried out with corporations under sect. 33 of Law No. 19550:		
Other net expenses:		
Gasinvest S.A. (Profit)	27,445	54,553

NOTE 4 - INFORMATION BY BUSINESS SEGMENT

The following table shows additional information on the statement of income and main balance sheet items of the Company at December 31, 2002 and 2001, segregated by business segment:

(in thousands of pesos)

Year ended December 31, 2002	Domestic market	Export market	Other	Total
Income from revenues	266,186	194,159	18,321	478,666
Operating, selling and administrative expenses (before depreciation and amortization)	(152,937)	(22,360)	(3,579)	(178,876)
Depreciation and amortization	(103,436)	(25,729)	(127)	(129,292)
Other net expenses	(4,198)	(1,044)	(5)	(5,247)
Result from investment in subsidiaries	-	-	1,320	1,320
Financial and holding results	(292,053)	(72,648)	(366)	(365,067)
Net result for the year	**(286,438)**	**72,378**	**15,564**	**(198,496)**
Fixed assets	2,383,640	592,930	2,980	2,979,550
Accounts receivables-trade	23,513	29,425	2,726	55,664
Financial debt	1,598,115	397,530	1,998	1,997,643
Other net assets and liabilities	129,202	32,139	161	161,502
Shareholders' equity	938,240	256,964	3,869	1,199,073
Volumes delivered (MM m3/year)	11,544	3,293	-	14,837

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NOTE 4 - INFORMATION BY BUSINESS SEGMENT (Cont.)

(in thousands of pesos)

Year ended on December 31, 2001	Domestic market	Export market	Other	Total
Income from revenues	427,468	112,571	11,991	552,030
Operating, selling and administrative expenses (before depreciation and amortization)	(136,984)	(18,865)	(4,742)	(160,591)
Depreciation and amortization	(85,874)	(21,094)	(107)	(107,075)
Other net expenses	(31,721)	(8,110)	(16)	(39,847)
Result from investment in subsidiaries			332	332
Financial and holding results	(115,351)	(28,334)	(144)	(143,829)
Result before income tax	**57,538**	**36,168**	**7,314**	**101,020**
Income tax	(24,039)	(15,112)	(2,560)	(41,711)
Net result for the year	**33,499**	**21,056**	**4,754**	**59,309**
Fixed assets	2,094,700	514,533	2,612	2,611,845
Accounts receivable-net	55,277	11,822	1,644	68,743
Financial debt	1,055,756	259,332	1,316	1,316,404
Other net assets and liabilities	26,775	6,577	33	33,385
Shareholders' equity	1,120,996	273,600	2,973	1,397,569
Volumes delivered (MM m3/year)	11,006	3,420		14,426

NOTE 5 - NON-CURRENT INVESTMENTS

On April 19, 2001, the Company subscribed bonds under the Program of Medium Term Foreign Bonds of the Argentine Republic amounting to US$ 2 million, subject to the following terms and conditions: i) term: 3 years; ii) amortization: 5 equal and consecutive installments, the first of which will fall due on the last day of the second year; iii) interest rate: the average value published during the last 30 calendar days immediately preceding the beginning of each interest period of the survey rate published by the Argentine Central Bank plus an annual nominal margin of 4.95%; iv) interest will be collected on a monthly basis.

The Company decided to value its holding of bonds at the US dollar purchasing exchange rate in effect at December 31, 2002 since, in accordance with the issuance terms and conditions, any amount of unpaid principal or interest can be applied to the settlement of national tax obligations, as from the moment in which those tax debts are claimable. This possibility was suspended for ninety days as from September 6, 2002 by Decree No. 1657/02 of the National Executive Branch published in the Official Gazette on that date.

At the end of the mentioned term, Decree No. 2243/02 extended the suspension for another 90 days and established a bidding mechanism for the application of unpaid principal and interest on the Bonds to the settlement of tax obligations. By Resolutions Nos. 7/03 and 13/03 the Ministry of Economy regulated the form of instrumenting the bids.

On December 31, 2002 the balance of principal plus interest receivable amounts to US$ 2,098,951 or $ 6,863,569 of which $ 3,924,000 were recorded as non-current for principal and $ 323,569 for interest, and $ 2,616,000 as current, in accordance with the original terms and conditions of the bonds. The Company estimates that the recoverable value of these investments is lower than acquisition value, and therefore $ 3,466,103 were recorded as an allowance for impairment (EXHIBITS D and E).

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NOTE 6 - FINANCIAL DEBT

The detail of financial debt is as follows:

	Interest rate	2002	2001
	%	$	
i) Current			
Global Program of Negotiable Corporate Bonds of US$ 300 MM			
Series III	(1)	85,841,553	28,017,357
Series IV	(2)	38,980,606	25,103,860
Series V	(3)	40,974,025	20,265
Series VII	(4)	20,333,530	8,939,453
Global Program of Negotiable Corporate Bonds of US$ 320 MM			
Debt with IFC			
Series I	(5)	13,912,767	3,502,631
Series II	(6)	113,800,306	29,829,427
Series III	(7)	9,698,565	1,939,594
Series IV	(8)	8,367,314	1,673,335
Series VI	(9)	44,562,579	11,680,779
Commissions to be paid		-	436,420
Convertibility Risk Insured Bonds-Interest to be paid	(10)	22,095,148	18,414,500
Loan agreements	(11)	177,712,604	156,065,506
Import finance	(12)	3,128,616	1,430,491
Total		**579,407,613**	**287,053,618**
ii) Non - current			
Global Program of Negotiable Corporate Bonds of US$ 300 MM			
Series III	(1)	42,125,000	54,552,500
Series V	(3)	40,440,000	52,370,400
Series VII	(4)	-	4,364,200
Global Program of Negotiable Corporate Bonds of US$ 320 MM			
Debt with IFC			
Series I	(5)	45,003,535	32,917,147
Series II	(6)	299,159,569	225,966,235
Series III	(7)	26,149,122	19,040,245
Serie IV	(8)	22,560,273	16,427,002
Series VI	(9)	117,146,627	88,485,159
Convertibility Risk Insured Bonds	(10)	589,750,000	381,867,500
Loan agreements	(11)	235,900,000	152,747,000
Import finance	(12)	-	612,766
Total		**1,418,234,126**	**1,029,350,154**

Nominal annual rates :

(1) Rate of interest: 2002 = 5.25% y 2001 = 5.35%
(2) Rate of interest : 2002 = 3.47% y 2001 = 5.13%
(3) Rate of interest : 2002 = 3.67% y 2001 = 5.13%
(4) Rate of interest : 2002 = 3.29% y 2001 = 4.96%
(5) Rate of interest : 2002 y 2001 = 9.52%
(6) Rate of interest : 2002 y 2001 = 9.45%
(7) Rate of interest: 2002 y 2001 = 10.66%
(8) Rate of interest : 2002 y 2001 = 10.66%
(9) Rate of interest : 2002 y 2001 = 9.45%
(10) Weight average rate of interest: 2002 = 11.20% y 2001= 11.20%
(11) Weight average rate of interest: 2002 = 6.60% y 2001 = 9.61%
(12) Weight average rate of interest: 2002 = 2.13% y 2001 = 3.68%

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
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NOTE 6 - FINANCIAL DEBT (Contd.)

Global Program of Medium Term Negotiable Corporate Bonds -US$ 300,000,000

The amounts and conditions of the series issued under this Global Program are as follows:

Series	Date of Issue	Placing agent	Amount in US$ million	Principal payments	Interest payments	Annual interest rate
III	10.31.1996	Santander	50.0	4 annual installments of US$ 12.5 million each as from fifth year	Semi-annually on outstanding principal	180 days LIBO plus 3.125%
IV	06.26.1997	Santander	46.0	4 annual installments of US$ 11.5 million each as from second year	Semi-annually on outstanding principal	180 days LIBO plus 1% per 1 and 2 years; plus 1.25% per 3 and 4 years; plus 1.5% per 5 year
V	06.26.1997	Santander	24.0	2 annual installments of US$ 12.0 million each as from sixth year	Semi-annually on outstanding principal	Same as above plus 180 days LIBO plus 1.70% per 6 and 7 years
VI	03.04.1998	Nassau Branch of BankBoston N.A., Supervielle Société Générale y BEAL	40.0	A single payment due on third year	Semi-annually on outstanding principal	180 days LIBO plus spread ranging between 0.75% through 1.5%
VII	03.04.1998	Nassau Branch of BankBoston N.A., Supervielle Société Générale y BEAL	20.0	Ten equal semi-annually installments	Semi-annually on outstanding principal	180 days LIBO plus spread ranging between 0.75% through 1.5%
Total			**180.0**			

On January 15, 1999 the Extraordinary Shareholders' Meeting approved the creation of a Global Program for the issue and reissue of ordinary non-convertible Negotiable Corporate Bonds with ordinary guarantee for an amount of up to US$ 300 million or its equivalent in other currencies. The Program is to have a duration of five years as from authorization by the CNV.

On December 2, 1999, the CNV, through the Resolution No. 13135, authorized TGN to set up a Global Program for the issue of ordinary non-convertible Corporate Bonds for a par value in US$ 300 million or its equivalent in other currencies

The net proceeds of these loans were appropriated to financing investments in fixed assets.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
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NOTE 6- FINANCIAL DEBT (Contd.)

Global Program of Negotiable Corporate Bonds either Non-convertible or Convertible into ordinary shares in the medium term -US$ 320,000,000

On February 21, 1996, the Shareholders' Ordinary and Extraordinary Meeting decided to set up a Global Program for the issue of simple obligations or obligations convertible into ordinary shares, for up to a maximum outstanding amount equivalent to US$ 250 million, establishing that the issue of convertible negotiable obligations under this Global Program was not to exceed 21,052,632 notes.

The Shareholders' Extraordinary meeting held on May 17, 1996 increased the maximum outstanding amount under the authorized Global Program to US$ 320 million. This Program was authorized through Certificate No. 120/96 issued by the Board of Issuing Companies of the CNV.

Within the framework of this Global Program, on August 1, 1996 the Company entered into a Negotiable Obligation Purchase agreement with the International Finance Corporation ("IFC"), a World Bank organization, whereby IFC acquired ordinary negotiable obligations for US$ 235 million par value and negotiable obligations convertible into Class A and B shares for US$ 20 million par value. The net proceeds were appropriated to financing the Company's Investment Plan for the 1995-1997 three-year period.

According to the resolution of the Board of Directors dated July 23, 1996, on August 1, 1996 the Company issued five series of negotiable obligations for a total nominal value of US$ 195,552,632. On the above date of issue, series I, II, III, IV and VI for a nominal value of US$ 194,500,000 were underwritten by the IFC at 100% of their nominal value. Series V for a nominal value of US$ 1,052,632, which corresponded to notes convertible into Class C shares, was suspended by board of directors' minute dated September 18, 1996 due to absence of potential subscribers to the Employee Stock Ownership Program.

Based on the resolution of the Board of Directors adopted on September 18, 1996, the Company issued a sixth series of negotiable obligations for a total nominal value of US$ 60,500,000 which was underwritten by the IFC at 100% of its nominal value.

The main characteristics of the program being as follows:

Serie	Date	Type of negotiable bonds	Suscriber	Amount in US$ millions	Years		Annual nominal rate %
					Term	Grace on principal	
I	08.01.96	Ordinary	IFC	20.0	13	3	9.52
II	08.01.96	Ordinary	IFC	154.5	12	2	9.45
III	08.01.96	Convertible into Class A shares	IFC	10.7	13	4	10.66
IV	08.01.96	Convertible into Class B shares	IFC	9.3	13	4	10.66
VI	09.18.96	Ordinary	IFC	60.5	12	2	9.45
		Total		255.0			

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
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NOTE 6- FINANCIAL DEBT (Contd.)

Global Program of Negotiable Corporate Bonds either Non-convertible or Convertible into ordinary shares in the medium term -US$ 320,000,000 (Contd.)

Based on current laws, the Company has reviewed the contract entered into with the International Finance Corporation and concluded that the debt with that multilateral credit organization is subject to Argentine legislation. Consequently, in accordance with the provisions of Decree No. 214/02 mentioned in Note 1.2, this liability originally stated in U.S. dollars was considered to have been pesified in the quarterly balance sheets of June and September 2002. However, in accordance with Decree No. 53/03, this obligation is included within those falling under section 1 of Decree No. 410/02, and therefore it is considered to be stated in its original currency for purposes of this balance sheet.

The Company paid the maturities of negotiable obligations series III and IV entered into with IFC corresponding to December 2001 on day 28 of that month. The Company used the letter of credit opened with ING Bank to pay IFC Series I, II and VI when due.

In accordance with the reimbursement agreement entered into with that bank, on January 2, 2002 TGN deposited the corresponding pesos in guarantee at the rate of US$ 1 = $ 1 in effect before the devaluation of the peso. According to that contract, this contribution is not taken as a replenishment of the Letter of Credit; upon maturity of the letter of credit, however, the funds will be deducted from the debt with ING.

Payment corresponding to IFC series I, II and VI which fell due on January 23, 2002 was made through the Letter of Credit mentioned in the previous paragraph, using up the liquidity reserves that TGN was required to maintain.

On May 15 an agreement was signed with ING to convert the funds deposited in the guarantee account to dollars, thus avoiding a potential devaluation of this contribution due to future fluctuations in the exchange rate.

After expiry of the letter of credit, in accordance with the reimbursement agreement dated July 1996 and the Escrow Agreement dated January 2, 2002, on July 29, 2002 ING applied the funds in the escrow account to the partial reimbursement of funds used for the letter of credit. On December 31, 2002 the debt with ING amounts to US$ 5.3 millon including principal and accrued interest (LIBO rate + 4%).

Convertibility Risk Insured Bonds

On May 11, 2000, the Ordinary Shareholders' Meeting approved the issue of Ordinary, non-convertible secured Corporate Bonds qualifying as *''obligaciones negociables''* under the terms of Law 23576 and its regulatory decree for a principal value of up to US$ 200 million.

On July 25, 2000 the Company placed bonds for US$ 175 million at a quotation value of US$ 99.64 each US$ 100 and a net value of US$ 174,373,500, with final repayment in 12 years and 8 years of grace on principal, bearing interest at a fixed rate of 10.875% payable semi-annually, plus 0.325% annually by insurance of politic risk.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
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NOTE 6- FINANCIAL DEBT (Contd.)

Convertibility Risk Insured Bonds (Contd.)

The bond was purchased by Merrill Lynch Capital Services, which transferred it to a financial trust, issuer of CRIBs (*Convertibility Risk Insured Bonds*), i.e., bonds insured against non-convertibility and non-transferability risk. The underwriter was Overseas Private Investment Corporation (OPIC), a U.S. government agency.

The purchasers of CRIBs were mostly U.S. insurance companies and Argentine AFJP's (Pension Fund Administrators).

The funds provided by this loan were used to settle obligations under short and long-term loans obtained in fiscal year 2000 to finance investments in assets exclusively related to the gas transportation system.

On January 25, 2002, the Company had to pay US$ 9,515,625 corresponding to interest and US$ 284,375 to political risk insurance on CRIBs. The portion corresponding to interest was paid through a letter of credit opened with Scotiabank Quilmes. As these funds were not paid back, the Company owes US$ 9,515,625 to Scotiabank Quilmes. TGN considers that this debt was converted into pesos, as it is subject to Decree No. 214/02 as a result of the implementation mechanism. The political risk insurance premium issued by OPIC was paid under the terms specified in the OPIC contract, as well as that expiring on July 25, 2002.

On July 25, 2002, the Company paid interest amounting to US$ 9,515,625. Payment was made using the balance of the Letter of Credit issued by Scotiabank Quilmes amounting to US$ 519,875, and the remaining US$ 8,995,750 was settled with own Company resources. Accordingly, TGN made use of US$ 10,035,500 of the Letter of Credit that the CRIBs held as liquidity reserve.

Others long- term loan agreements

On December 28, 2000, the Company entered into a syndicated loan agreement with a group of banks led by Bank of America, BankBoston and Banco Francés-BBV subject to the following basic terms and conditions:

(i) Amount: US$ 70 million, in two tranches of US$ 35 million each; (ii) Maturities: one tranche in 2004 and the other in 2005; both fully repayable upon maturity, (iii) Interest: Libor + 2.50% annually for the first tranche and Libor + 3.00% annually for the second tranche, payable quarterly. They do not include 1.30% annually for politic risk insurance. The funds provided by this loan was applied to financing investments in assets exclusively related to gas transportation.

Cash receipts for US$ 60 million were recorded at that date and US$ 10 million on March 7, 2001.

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NOTE 6- FINANCIAL DEBT (Contd.)

Overdue unpaid obligations

At December 31, 2002, the Company holds financial debts in US dollars amounting to US$ 570.0 million and in Argentine pesos amounting to $ 76.9 million (of which US$ 149.1 million and $ 76.9 million were recognized as current and US$ 420.8 million as non-current). At the date of issue of these financial statements, TGN has not yet paid US$ 89.9 million and $ 76.9 million.

As the Company is in the process of renegotiating the conditions and structure of its financial debt, penalties corresponding to the infringements mentioned in the previous paragraphs have been estimated and recognized as a higher charge in the contingencies for the year (Exhibit E).

Interest payment

To preserve the going concern criterion and ensure an equitable treatment to be given to all its financial creditors, the Company has started negotiations with them to reach a provisional agreement that governs their relationships until new conditions arise which enable it to make a final proposal for a financing structure. To this end, the Company will pay interest accrued up to July 31, 2002. On November 13, 2002 the Company decided to pay interest accrued between July 31, 2002 and October 31, 2002, up to a maximum provisional rate of 3.5% p.a. In addition, on February 3, 2003 the Company decided to pay interest accrued between October 31, 2002 and January 31, 2003, again applying a maximum provisional rate of 3.5% p.a. At the closing of these financial statements, the procedures to make the corresponding payment were still in process. The terms for payment of future interest will be established subject to the interim agreement to be entered into in the coming months.

NOTE 7 - CAPITAL STOCK AND DIVIDENDS

7.1. Capital stock

Capital stock transactions as from commencement of operations are summarized as follows:

	Date	US$	Registration in the Superintendency of Corporations			
			Date	No.	Book	Volume
Incorporation of the Company	11.24.92	12,000	12.01.92	11667	112	A
Capitalization of irrevocable contribution:	12.28.92	267,255,155	03.07.94	1894	114	A
	03.25.94	84,232,030	06.09.94	5589	115	A
Total		**351,499,185**				

NOTE 7 - CAPITAL STOCK AND DIVIDENDS (Contd.)

7.2. Limitation on the transferring of the Company's shares

The Pliego and the Transfer Agreement impose certain restrictions on the transfer of Company's shares held by Gasinvest and the transfer of shares of the latter held by its shareholders.

In accordance with such restrictions, Gasinvest S.A. shall not reduce its participation in the Company's capital and votes to less than 51% ("Control Package") without prior approval by ENARGAS.

ENARGAS shall approve the transfer of the Control Package only if such transfer: (i) is made in block or if as a result therefrom, the new owner holds all Class A ordinary shares outstanding; (ii) does not affect the quality of gas transportation services provided by the Company; (iii) the Technical Operator, or any substitute therefore which may be accepted by ENARGAS, holds at least 10% of ordinary shares outstanding of the new owner and has entered into a Technical Assistance Agreement with the Company.

Any transfer or assignment or any other act leading to a decrease below 51% in the participation of original ordinary shareholders in the capital of Gasinvest S.A., including any shortfall in the subscription by those shareholders of any capital increase in Gasinvest S.A., requires prior approval by ENARGAS.

The foregoing restrictions do not apply to transfers between parties belonging to the same economic group as specified in the Pliego.

7.3. Restrictions on the distribution of profits

In accordance with Argentine Law No. 19550 and by-laws, 5% of the net income for the year must be transferred to the Company's Legal reserve, until it reaches 20% of subscribed capital.

In accordance with certain long-term financing contracts, the Company shall not declare or pay dividends, distribute shares or redeem or otherwise acquire own capital or options on that capital if (i) an event of non-compliance or potential event of non-compliance takes place (ii) the coverage coefficient on the payment of long-term debt is lower than 1.2 or (iii) the total liabilities to shareholders' equity ratio is higher than 1.2.

Furthermore, should any of the events summarized in points (i), (ii) or (iii) above occur, the Company would be precluded from paying the annual Technical Assistance Fees under the Technical Assistance Contract entered into with the Technical Operator, for any amount in excess of US$ 1 million.

NOTE 8 - CONTINGENCIES AND LEGAL MATTERS

8.1. Stamp tax - Salta and Neuquén - Contracts prior to Takeover date

In November 1998, the Tax Bureau of the Province of Salta claimed payment from TGN of approximately $ 4.7 million corresponding to omitted stamp tax on the firm transportation contract entered into between the Company and Gasnor S.A. before Take-Over. As a result of the actions iniciated in October 1997, the Tax Authority of the Province of Neuquén filed a claim against TGN for the payment of approximately $ 73.3 million (including principal, interest and fines) corresponding to the stamp tax on the firm transportation contracts signed between the Company and Gas Natural BAN S.A., Litoral Gas S.A., Distribuidora de Gas Cuyana S.A. and Distribuidora de Gas del Centro S.A before the Take-Over date.

Based on a tax indemnity clause of the Transfer Contract, the Company notified GdE (and subsequently, the Standardization Subsecretariat of the Ministry of Economy of the Nation, which replaced the latter after its liquidation) the claims made by Salta and Neuquén. The National State has rejected the tax claim filed by Salta and Neuquén and has assumed express responsibility for the possible tax credits to which the provinces could be entitled in this connection.

It should be noted that in November 2002, TGN was notified of Decree No. 2128 issued by the interim governor of Salta, as a result of which the appeal filed by TGN was approved and the tax claim was dismissed.

8.2. Stamp tax - Salta and Neuquén - Contracts subsequent to Takeover date

As a result of proceedings carried out in November 1998, the tax authorities of the Province of Neuquén claimed payment of $ 143.5 million from the Company (including principal, interest and fines calculated at February 2001) corresponding to stamp tax on transportation contracts signed after take over. In April 1999 the tax authorities of the Province of Salta claimed payment of stamp tax debt from TGN corresponding to one of the transportation agreements entered into by the Company after take over amounting to approximately $ 1.2 million.

Based on consultation with tax experts recognized in the field, the Company has challenged both claims by rejecting the existence of a taxable transaction, based on the fact that the mentioned transportation contacts have been entered into by mail including a clause of implicit acceptance, and do not fall within the definition of “instruments” of the respective Fiscal Codes.

In addition, in January 1999, ENARGAS filed an opinion with the Ministry of Economy of the Nation relating to the tax treatment applicable to the contracts signed by the licensees of transportation and distribution in the jurisdiction of Neuquén. In this opinion, ENARGAS concludes that Neuquen’s tax claims (i) are illegitimate, because they involve an interjurisdictional federal public utility, (ii) impact negatively on the natural gas industry, thus losing competitiveness due to their distortional effects on the prices, and (iii) have serious effects on the Company’s net worth. Furthermore, within the framework of legal actions filed by third parties, the National State - through the Energy Secretariat, has filed an appeal with the National Supreme Court of Justice questioning the legitimacy of the provincial tax claim.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
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NOTE 8 - CONTINGENCIES AND LEGAL MATTERS (Contd.)

8.3. Stamp Tax - Neuquén - Capital Increase

In April 1998 the tax authorities of the Province of Neuquén claimed payment of stamp tax on Minute of Shareholders' meeting No. 1 held on December 28, 1992, which established a capital stock increase in compliance with the provisions of the Transfer Contract entered into with the National Government and GdE, amounting to approximately $ 1.9 million (including principal, interest and fine).

The Company has denied the existence of a taxable transaction in the jurisdiction of Neuquén and, according to the tax indemnity clause of the Transfer Contract, notified such claim to the National State.

8.4. Certainty declaratory action

In connection with the tax claims filed by the provinces of Neuquén and Salta mentioned in paragraphs 8.1, 8.2 and 8.3 above, TGN filed two declaratory judgement actions, one against the province of Neuquén on April 16, 2001 and the other against the province of Salta on May 15, 2001, both in the original jurisdiction of the Supreme Court of Justice. Those actions seek declaration of illegality of certain stamp taxes determined by the tax authorities in the above provinces. TGN requested and obtained issue of injunctions that prevent the provinces of Neuquén and Salta from carrying out proceedings against TGN to collect the amounts claimed.

8.5. Tax on Economic Activities (Turnover Tax) - Province of Salta

On April 26, 2002 the Provincial Tax Authorities of Salta calculated the tax obligation for the periods from 1996 to 2001 amounting to $ 1.3 million corresponding to principal plus $ 1.4 million corresponding to interest calculated as of May 31, 2002. This obligation is determined on the market value of withheld gas. On June 5, 2002 TGN rejected the tax claim on grounds that withheld gas does not form part of the consideration for the gas transportation service and, therefore, it should not be computed in the calculation of the taxable basis. On July 30, 2002, TGN was notified of Resolution No. 868/02 of the General Tax Bureau, dismissing its claim and ratifying the estimation of principal and interest for $ 2.8 million calculated as of July 31, 2002. The Company filed an appeal before the Treasury Department.

8.6. Stamp tax -La Pampa- Contracts entered into before and after take-over

On May 30, 2002 the Provincial Tax Authorities of La Pampa notified TGN of the determination of stamp tax on certain transportation contracts entered into by TGN and Metrogas S.A. Distribuidora de Gas Cuyana S.A. and Gas Natural BAN S.A. between 1992 and 2001, amounting to $ 7.7 million of principal (no interest determined). Based on the provisions of section 11.2. of the Transfer Contract, TGN notified the *Dirección Nacional de Normalización Patrimonial* about the requirement made by the provincial tax authorities. On June 25, 2002 TGN answered notice rejecting the tax authorities' claim on grounds of lack of taxable contracts signed in that jurisdiction. On July 5, 2002, after being notified of administrative proceedings, TGN presented additional grounds claiming defects in procedures and the statute-barring of taxes claimed in connection with certain contracts, and requested the intervention of the National Government.

NOTE 8 - CONTINGENCIES AND LEGAL MATTERS (Contd.)

8.7. Stamp tax- Santiago del Estero- Contracts entered into before take-over

In December 2002 the Tax Authorities of the Province of Santiago del Estero served notice of the assessment of stamp tax amounting to $ 3.4 million on the firm transportation contract entered into between the Company and Gasnor S.A. before take-over. Based on a tax indemnity clause in the Transfer contract, the Company notified that requirement to the Subsecretariat of Financial Normalization of the Ministry of Economy. Furthermore, the tax claim was rejected.

8.8. Las Mesitas accident

In October 1999 the ENARGAS imposed twelve fines on TGN for a cumulative amount of $5.6 million, considering that the Company incurred in an incorrect operation of a parallel gas pipeline of 16" that caused a severe accident at Las Mesitas, in the province of Salta. TGN contends that the accident, which was an isolated case, was entirely due to an event beyond its control since the parallel pipe was being operated below the approved and prudent operating limits of resistance according to information held by TGN.

Based on consultations from well-known specialists relating to administrative claims, the Company filed an appeal against the penalties based on grounds that ENARGAS had applied criteria lacking administrative precedent, exceeding the maximum penalty permitted by the License, as the incident was treated as the addition of simultaneous events which in a significant number of cases are not related to the cause giving rise to it. By Resolution 479 dated October 8, 2002 issued by the Ministry of Economy, 10 fines were confirmed amounting to $ 5.1 million. The Company will file an appeal against that ruling.

8.9. Rescision of the firm transportation contract entered into with AES Paraná S.C.A.

In February 2003, after an unsuccessful period of negotiation, the Company was forced to request rescision of the firm transportation contract entered into in July 1999 with AES Paraná S.C.A. due to excessive onerouness. The Company requested suspension of its effects as long as the causes of force majeure preventing fulfillment of Company obligations under that contract continue to exist. In spite of the limited progress achieved in the negotiation, the Company hopes an equitable agreement for both parties will be reached.

NOTE 9 - SUBSEQUENT EVENTS

Subsequently to December 31, 2002 no other events, situations or circumstances have taken place which might have a significant incidence on the equity, economic or financial situation of the Company other than those mentioned in Notes 1.2., 1.3.b) and 8.9.

Jorge Valdez Rojas
President

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TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
(In pesos)

FIXED ASSETS

EXHIBIT A

Caption	2002												2001
	Original values					Depreciation							
	At the beginning of the year	Increases	Decreases	Transfers	At the end of the year	Accumulated at the beginning of the year	For the year		Decreases	Transfers	Accumulated at the end of the year	Net book value	Net book value
							%	Amount					
Land	3,175,959	-	-	-	3,175,959	-	-	-	-	-	-	3,175,959	3,175,959
Building and civil constructions	74,420,280	-	(8,956)	203,803	74,615,127	9,573,588	2	1.490.656	(1,642)	-	11,062,602	63,552,525	64,846,692
Building installations	738,964	-	-	988,312	1,727,276	123,629	4	50.225	-	-	173,854	1,553,422	615,335
Gas Pipeline	1,887,258,329	-	(2,335,079)	16,610,312	1,901,533,562	246,424,204	3.33 y 2.22	52.175.023	(268,259)	(99,711)	298,231,257	1,603,302,305	1,640,834,125
High-pressure branch lines	17,696,449	-	-	-	17,696,449	3,469,214	3.33 y 2.22	396.333	-	-	3,865,547	13,830,902	14,227,235
Compressor Plants	732,300,617	3,527,720	(1,032,215)	16,177,078	750,973,200	119,324,226	4	33.279.351	(291,455)	102,938	152,415,060	598,558,140	612,976,391
High pressure regulation and/or measurement stations	61,844,941	-	(1,010,277)	2,321,938	63,156,602	14,728,728	5	3.446.712	(253,126)	-	17,922,314	45,234,288	47,116,213
Other technical installations	48,993,166	-	(1,358,743)	1,863,178	49,497,601	9,816,666	6.67	2.730.213	(303,028)	45,235	12,289,086	37,208,515	39,176,500
Machinery, equipment and tools	19,555,609	99,785	(394,408)	297,407	19,558,393	12,947,486	10. 20 y 50	1.839.945	(226,606)	(30,152)	14,530,673	5,027,720	6,608,123
Systems and telecommunications system	60,134,000	45,712	(32,875)	3,593,156	63,739,993	13,455,032	10 y 20	5.764.133	(28,330)	(123,812)	19,067,023	44,672,970	46,678,968
Vehicles	16,674,613	-	(1,954,526)	1,972,066	16,692,153	10,599,673	20	2.400.262	(1,716,370)	-	11,283,565	5,408,588	6,074,940
Furniture and fixtures	8,595,113	19,524	(2,365)	231,845	8,844,117	6,431,489	10	365.792	(812)	74	6,796,543	2,047,574	2,163,624
Goods held at third parties	6,772,442	-	-	(377,908)	6,394,534	1,528,941	12.5	806.251	-	105,428	2,440,620	3,953,914	5,243,501
Work in process	48,352,419	25,470,635	(13,061,547)	(42,133,624)	18,627,883	-	-	-	-	-	-	18,627,883	48,352,419
Foreing exchange differences	-	504,303,713	-	-	504,303,713	-	3.57	18.010.847	-	-	18,010,847	486,292,866	-
Materials and spare parts	73,183,189	8,339,382	(22,420,722)	-	59,101,849	-	-	-	-	-	-	59,101,849	73,183,189
Provision for slow-moving spares and materials	-	-	(13,000,000)	-	(13,000,000)	-	-	-	-	-	-	(13,000,000)	-
Advances to suppliers	571,472	2,238,848	(61,719)	(1,747,563)	1,001,038	-	-	-	-	-	-	1,001,038	571,472
Total	**3,060,267,562**	**544,045,319**	**(56,673,432)**	**-**	**3,547,639,449**	**448,422,876**		**122.755.743**	**(3,089,628)**	**-**	**568,088,991**	**2,979,550,458**	**2,611,844,686**

Jorge Valdez Rojas
President

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TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
(In pesos)

INTANGIBLE ASSETS **EXHIBIT B**

Caption	2002							2001
	Original values			Amortization				
	At the beginnig of the year	Transfers	At the end of the year	Accumulated at the beginning of the year	For the year	Accumulated at the end of the year	Net book value	Net book value
CURRENT								
Corrosive detection in the gas pipeline	6,618,279	2,823,367	9,441,646	3,794,912	2,823,367	6,618,279	2,823,367	2,823,367
Integral repair of turbines	2,221,749	591,236	2,812,985	1,278,510	943,239	2,221,749	591,236	943,239
Integrated System of administration and maintenance	6,232,499	2,769,999	9,002,498	3,462,500	2,769,999	6,232,499	2,769,999	2,769,999
Expenses relating to the constitution of Global Programs of Negotiable Corporate Bonds	19,260,943	4,050,178	23,311,121	15,058,271	(1) 4,126,425	19,184,696	4,126,425	4,202,672
Total	**34,333,470**	**10,234,780**	**44,568,250**	**23,594,193**	**10,663,030**	**34,257,223**	**10,311,027**	**10,739,277**
NON CURRENT								
Corrosive detection in the gas pipeline	7,985,696	(2,823,367)	5,162,329	3,718,868	-	3,718,868	1,443,461	4,266,828
Integral repair of turbines	1,597,044	(591,236)	1,005,808	1,005,808	-	1,005,808	-	591,236
Integrated System of administration and maintenance	4,847,498	(2,769,999)	2,077,499	2,077,499	-	2,077,499	-	2,769,999
Expenses relating to the constitution of Global Programs of Negotiable Corporate Bonds	35,347,500	(4,050,178)	31,297,322	10,571,716	-	10,571,716	20,725,606	24,775,784
Total	**49,777,738**	**(10,234,780)**	**39,542,958**	**17,373,891**	**-**	**17,373,891**	**22,169,067**	**32,403,847**
Total	**84,111,208**	**-**	**84,111,208**	**40,968,084**	**10,663,030**	**51,631,114**	**32,480,094**	**43,143,124**

(1) Charged to Financial and holding results, generated by liabilities

Jorge Valdez Rojas
President

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TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of December 31, 2002 and 2001
(In pesos)

INVESTMENTS AND PARTICIPATION IN OTHER COMPANIES

EXHIBIT C

Issuer and characteristics of shares	Class	Par value	Amount	Cost value	Book value		Information on the issuer							
								Latest financial statements						
					12.31.02	12.31.01	Principal acivity	Date	Capital stock and capital adjustment	Legal reserve	Voluntary reserve for future dividens	Unappropriated retained earnings	Shareholders' equity	Percentage of direct holding
				$										%
NON-CURRENT INVESTMENTS														
Investments in other companies														
Corporations Law No. 19550, section 33														
Comgas Andina S.A.	Ordinary	(1) $ch 1 per share	490	244.600	1.904.616	642.347	Providing of gas pipeline operation and maintenance services.	12.31.02	61.159	-	-	3.825.810	3.886.969	49,0000
Companhia Operadora de Rio Grande do Sul	Ordinary	(2) R$ 1 per share	49	55	71.212	75.108	Providing of gas pipeline operation and maintenance services.	12.31.02	91	-	-	145.237	145.328	49,0000
Total				244.655	1.975.828	717.455								

(1) Chilean pesos
(2) Reales

Jorge Valdez Rojas
President

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TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001
(In pesos)

OTHER INVESTMENTS **EXHIBIT D**

Captions	2002							2001
	Balances at the beginning of the year	Movements of the year					Balances at the end of the year	Balances at the end of the year
		Net Increases	Transfers	Accrued interest (1)	Result of exposure to changes in the purchasing power of the currency	Net accrued exchange difference		
Current investments								
Mutual investments funds in $	-	6,032,203	-	241,709	281,119	-	6,555,031	-
Mutual investments funds in US$	-	174,487,066	-	327,972	(13,614,826)	(14,257,585)	146,942,627	
Program of Mideum-Term Foreing Bonds								
Term deposits:								
Principal	-	-	4,389,641	-	(145,641)	(320,000)	3,924,000	-
Accrued interest	42,352	(427,626)	-	791,694	(29,921)	(52,930)	323,569	42,352
Allowance for impairment of investments	-	(2,145,023)	-	-	-	-	(2,145,023)	
Total	**42,352**	**177,946,620**	**4,389,641**	**1,361,375**	**(13,509,269)**	**(14,630,515)**	**155,600,204**	**42,352**
Non current investments								
Program of Medium - Term Foreing Bonds								
Term deposits:								
Principal	4,359,836		(4,389,641)	-	(2,214,195)	4,860,000	2,616,000	4,359,836
Allowance for impairment of investments	-	(1,321,080)	-	-	-	-	(1,321,080)	-
Total	**4,359,836**	**(1,321,080)**	**(4,389,641)**	**-**	**(2,214,195)**	**4,860,000**	**1,294,920**	**4,359,836**
Total	**4,402,188**	**176,625,540**	**-**	**1,361,375**	**(15,723,464)**	**(9,770,515)**	**156,895,124**	**4,402,188**

(1) Charged to Financial and holding results - generated by assets - interest

Jorge Valdez Rojas
President

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TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS for the years ended December 31, 2002 and 2001

(In pesos)

SETTLEMENT RESERVES **EXHIBIT E**

Caption	2002				2001
	Balances at the beginning of the year	Increases	Effects of restatements	Balances at the end of the year	Balances at the end of the year
Deducted of Assets					
Current					
Allowance for impairment of investments					
Bonds under medium-term external bill program	-	2,145,023 (1)	-	2,145,023	-
Allowances for doubtful accounts					
Accounts receivable - trade	231,842	1,553,067 (2)	(821,678)	963,231	231,842
Allowance for doubtful accounts in foreing currencies		23,572,991 (3)	(3,449,942)	20,123,049	-
Other receivables	435,021	256,654 (2)	(236,104)	455,571	435,021
Subtotal	**666,863**	**27,527,735**	**(4,507,724)**	**23,686,874**	**666,863**
Non Current					
Allowance for impairment of investments					
Bonds under medium-term external bill program	-	1,321,080 (1)	-	1,321,080	-
Fixed assets					
Provision for slow-moving spares and material	-	13,000,000 (5)	-	13,000,000	-
Subtotal	**-**	**14,321,080**	**-**	**14,321,080**	**-**
Total allowances deducted from assets	**666,863**	**41,848,815**	**(4,507,724)**	**38,007,954**	**666,863**
Included in Liabilities					
Reserves					
For labor, civil and contentious-administrative lawsuits	6,111,798	36,323,511 (4)	(3,547,979)	38,887,330	6,111,798
Total reserves included in liabilities	**6,111,798**	**36,323,511**	**(3,547,979)**	**38,887,330**	**6,111,798**
Total	**6,778,661**	**78,172,326**	**(8,055,703)**	**76,895,284**	**6,778,661**

(1) Charged to financial and holding results generated by assets - Impairment of investments
(2) Charged to Selling expenses-Doubtful accounts (Exhibit H) $ 1,809,721
(3) Charged to net revenues (Nota 3.f)) por $ 20,905,032 and Other receivables, VAT - net position for $ 2,667,959
(4) Includes $ 4,000,000 of Other Liabilities.
(5) EXHIBIT H

Jorge Valdez Rojas
President

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TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of December 31, 2002 and 2001

ASSETS AND LIABILITIES IN FOREING CURRENCY **Exhibit G**

	2002				2001		
	Foreing currency class and amounts		Exchange rate	Amount in $	Foreing currency class and amounts		Amount in $
				$			$
ASSETS							
CURRENT ASSETS							
CASH AND BANKS							
Petty cash	US$	9,412	3.2700	30,777	US$	7,121	15,523
Banks	US$	503,235	3.2700	1,645,578	US$	12,755,771	27,806,533
				1,676,355			27,822,056
SHORT-TERM INVESTMENTS							
Deposits abroad	US$	44,936,583	3.2700	146,942,627		-	-
Program of Medium-Term Foreing Bonds	US$	1,298,951	3.2700	4,247,569	US$	19,428	42,352
				151,190,196			42,352
ACCOUNT RECEIVABLE-TRADE							
Regulated activity	US$	9,977,570	3.2700	32,626,654	US$	5,423,331	11,822,417
Unregulated activities	US$	790,074	3.2700	2,583,542	US$	754,200	1,644,095
				35,210,196			13,466,512
OTHER RECEIVABLES							
Prepaid expenses	US$	-	-	-	US$	102,476	223,390
Other receivables	R$	58,847	0.9362	55,093		-	-
	US$	402,669	3.2700	1,316,728	US$	522,668	1,139,373
				-	LE	81,657	257,226
				1,371,821			1,619,989
Total current assets				**189,448,568**			**42,950,909**
NON-CURRENT ASSETS							
OTHER RECEIVABLES							
Prepaid expenses	US$	647,797	3.2700	2,118,295	US$	647,797	1,412,144
				2,118,295			1,412,144
LONG-TERM INVESTMENTS							
Program of Medium-Term Foreing Bonds	US$	800,000	3.2700	2,616,000	US$	2,000,000	4,359,836
Comgas Andina	$ ch	426,661,011	0.0045	1,904,615	$ ch	206,142,074	642,347
COPERG	R$	76,065	0.9362	71,212	R$	97,508	75,108
				4,591,827			5,077,291
Total non-current assets				**6,710,122**			**6,489,435**
Total assets				**196,158,690**			**49,440,344**
LIABILITIES							
CURRENT LIABILITIES							
ACCOUNTS PAYABLE							
Suppliers for purchases and other services	US$	1,827,858	3.3700	6,159,881	US$	3,325,823	7,257,278
				-	DM	28,696	28,773
				-	LE	219,117	691,861
				6,159,881			7,977,912
CARRIED FORWARD				6,159,881			7,977,912

US$: United States dollars
$ ch : Chilean pesos
LE : Pouds sterling
R$:Reales
DM: Deutsche marks

TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of December 31, 2002 and 2001

ASSETS AND LIABILITIES IN FOREING CURRENCY (Contd.) — Anexo G

	2002				2001		
	Foreing currency class and amounts		Exchange rate	Amount in $	Foreing currency class and amounts		Amount in $
				$			$
BROUGHT FORWARD				6,159,881			7,977,912
FINANCIAL DEBT							
Global Program of Negotiable Corporate Bonds – US$ 300 MM	US$	55,231,369	3.3700	186,129,714	US$	28,450,087	62,080,935
Global Program of Negotiable Corporate Bonds – US$ 320 MM	US$	56,481,166	3.3700	190,341,531	US$	22,283,931	48,625,766
Commissions payable		-		-	US$	200,000	436,420
Convertibility Risk Insured Bonds - Interest -	US$	6,556,424	3.3700	22,095,148	US$	8,438,889	18,414,500
Loan agreements	US$	29,923,907	3.3700	100,843,567	US$	71,520,786	156,065,507
Import finance	US$	928,373	3.3700	3,128,616	US$	655,557	1,430,491
				502,538,576			287,053,619
OTHER LIABILITIES							
Other		-		-	US$	358,752	782,833
				-			782,833
CUSTOMERS' ADVANCES	US$	485,811	3.3700	1,637,184	US$	2,750,000	6,000,775
				1,637,184			6,000,775
Total current liabilities				**510,335,641**			**301,815,139**
NON-CURRENT LIABILITIES							
FINANCIAL DEBT							
Global Program of Negotiable Corporate Bonds – US$ 300 MM	US$	24,500,000	3.3700	82,565,000	US$	51,000,000	111,287,100
Global Program of Negotiable Corporate Bonds – US$ 320 MM	US$	151,340,987	3.3700	510,019,126	US$	175,443,741	382,835,787
Convertibility Risk Insured Bonds	US$	175,000,000	3.3700	589,750,000	US$	175,000,000	381,867,500
Loan agreements	US$	70,000,000	3.3700	235,900,000	US$	70,000,000	152,747,000
Import finance				-	US$	280,815	612,766
				1,418,234,126			1,029,350,153
Customers'advances		-		-	US$	329,158	718,256
Total non-current liabilities				**1,418,234,126**			**1,030,068,409**
Total liabilities				**1,928,569,767**			**1,331,883,548**

US$: United State dollars

Jorge Valdez Rojas
President

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TRANSPORTADORA DE GAS DEL NORTE S.A.

INFORMATION REQUIRED BY SECT. 64. SUB SECT. I .b) OF LAW No. 19550 for the years ended December 31 2002 and 2001

EXHIBIT H

Rubros	Total 12.31.02	Regulated activity	Unregulated activity	Total	Selling expenses	Administrative expenses	Financial and holding results	Investments in fixed assets	Total 12.31.01
					$				
Administrators, Board of Directors and Syndics'fee	197,818	-	-	-	-	197,818	-	-	340,408
Fees for professional services	3,195,134	711,330	7,805	719,135	114,584	2,253,982	-	107,433	8,586,376
Wages and other personnel benefits	28,835,676	17,008,189	976,080	17,984,269	646,817	9,264,251	-	940,339	48,661,286
Social security contributions	4,768,281	3,350,152	178,942	3,529,094	101,834	1,137,353	-	-	7,004,820
Fees for technical services	3,280,540	3,280,540	-	3,280,540	-	-	-	-	4,364,200
Foreing staff residence	3,762,168	3,703,231	-	3,703,231	-	-	-	58,937	3,074,856
Sundry materials	15,556,289	14,481,547	502,357	14,983,904	-	133,013	-	439,372	10,042,808
Excess gas use and basins exchange	335,336	335,336	-	335,336	-	-	-	-	344,833
Third party services and suppliers	5,418,608	3,994,689	486,747	4,481,436	15,906	656,878	-	264,388	9,198,165
Maintenance and repair of fixed assets	32,500,028	28,466,695	240,810	28,707,505	-	899,415	-	2,893,108	31,361,257
Travel and agency expenses	5,762,283	4,047,291	607,075	4,654,366	140,900	587,831	-	379,186	6,914,331
Freight and transportation of staff	565,353	449,665	22,751	472,416	-	44,170	-	48,767	1,224,088
Communications	1,352,659	719,237	197,049	916,286	23,545	324,323	-	88,505	2,043,504
Insurance	10,155,967	10,045,135	-	10,045,135	-	110,832	-	-	5,380,738
Office supplies	1,393,014	563,050	39,324	602,374	20,624	686,247	-	83,769	2,219,396
Rentals	1,656,119	952,693	300,103	1,252,796	14,748	265,992	-	122,583	2,743,207
Easements	2,282,526	2,282,526	-	2,282,526	-	-	-	-	4,476,569
Taxes, rates and contributions	3,052,204	548,852	14,617	563,469	2,179	2,486,421	-	135	7,014,258
Financial results generated by assets	101,257,900	-	-	-	-	-	101,257,900	-	(2,003,862)
Financial results generated by liabilities	764,199,017	-	-	-	-	-	259,682,341	(1) 504,516,676	143,376,105
Fixed assets depreciation	122,755,743	121,089,784	121,211	121,210,995	231,712	1,313,036	-	-	100,539,053
Intangible assets amortization	10,663,030	5,406,897	5,412	5,412,309	222,245	902,051	4,126,425	-	10,739,279
Fixed assets expenses	3,643,139	92,790	-	92,790	-	800	-	3,549,549	7,261,392
Doubt accounts	1,809,721	-	-	-	1,809,721	-	-	-	666,863
Lawsuits	32,323,511	-	-	-	-	32,323,511	-	-	992,666
Obsolescence of consumption material and spares	12,144,833	12,144,833	-	12,144,833	-	-	-	-	7,289,913
Slow-moving consumption material and spares	13,000,000	13,000,000	-	13,000,000	-	-	-	-	-
Others	860,895	340,709	5,313	346,022	29,984	484,260	-	629	2,694,960
Total at 12.31.02	**1,186,727,792**	**247,015,171**	**3,705,596**	**250,720,767**	**3,374,799**	**54,072,184**	**365,066,666**	**513,493,376**	**-**
Total at 12.31.01	**-**	**222,370,080**	**4,846,884**	**227,216,964**	**9,032,228**	**31,416,552**	**143,829,835**	**15,055,890**	**426,551,469**

(1) Includes $ 504,303,713 of exchange differences and $ 212,963 of interest capitalized en fixed assets (Exhibit A)

Jorge Valdez Rojas
President

The report of independent accountants dated March 4, 2003 is issued as a separate document

TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of December 31, 2002 and 2001
(Stated in constant currency)

TERMS AND GUIDELINES FOR THE RESTATEMENT OF INVESTMENTS, RECEIVABLES AND LIABILITIES

EXHIBIT I

	2002			
	Investments (1)	**Accounts receivable -trade (2)**	**Financial Debt**	**Other liabilities (3)**
	$			
a) Past due				
12.31.2001	-	732,241	-	-
03.31.2002	-	2,468,784	123,388,735	-
06.30.2002	-	11,769,790	63,790,736	-
09.30.2002	-	9,716,308	41,953,496	-
12.31.2002	-	13,565,598	150,694,141	-
				-
b) Without due date	-	15,761,112	-	1,258,004
c) Total due				
03.31.2003	153,821,227	36,087,288	54,119,684	29,775,754
06.30.2003	1,308,000	25,811	61,757,537	14,085,000
09.30.2003	1,308,000	15,907	20,542,081	208,000
12.31.2003	1,308,000	12,036	63,161,203	162,000
12.31.2004	2,616,000	20,762,953	289,843,357	53,530
12.31.2005	-	27,197	216,315,136	-
12.31.2006	-	-	107,915,277	-
12.31.2007	-	-	118,821,184	-
12.31.2008	-	-	148,685,348	-
12.31.2009	-	-	143,487,157	-
12.31.2010	-	-	131,055,555	-
12.31.2011	-	-	131,055,556	-
12.31.2012	-	-	131,055,556	-
Total 2002	**160,361,227**	**110,945,025**	**1,997,641,739**	**45,542,288**
a) Balances subject to adjustment	-	3,690,888	74,359,625	-
b) Balances not subject to adjustment	160,361,227	107,254,137	1,923,282,114	45,542,288
Total 2002	**160,361,227**	**110,945,025**	**1,997,641,739**	**45,542,288**
a) Interest bearing balances	160,037,658	144,618	1,923,976,207	842,500
b) Non-interest bearing balances	323,569	110,800,407	73,665,532	44,699,788
Total 2002	**160,361,227**	**110,945,025**	**1,997,641,739**	**45,542,288**

(1) Except investments and participations in subsidiaries and provisions
(2) Includes accounts receivables - trade and other receivables, except its allowances for doubtful accounts.
(3) Includes all non- financial debts, except Reserves.

Jorge Valdez Rojas
President

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