

TRANSPORTADORA DE GAS DEL NORTE S.A.

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2003 AND 2002**

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ANNUAL REPORT FOR TRANSPORTADORA DE GAS DEL NORTE S.A. AT DECEMBER 31, 2003

Introduction

To the Shareholders:

In compliance with legal provisions in force and those of the bylaws, the Board of Directors of Gas del Norte S.A. ("TGN" or "the Company") submits to the consideration of the General Shareholder's Meeting, the annual Report, Balance Sheet, Statements of changes in Shareholders' Equity and Cash Flows, Notes and Exhibits to the financial statements for the years ended December 31, 2003 and 2002.

The report of independent accountants and Surveillance Committee in relation to these financial statements are also attached.

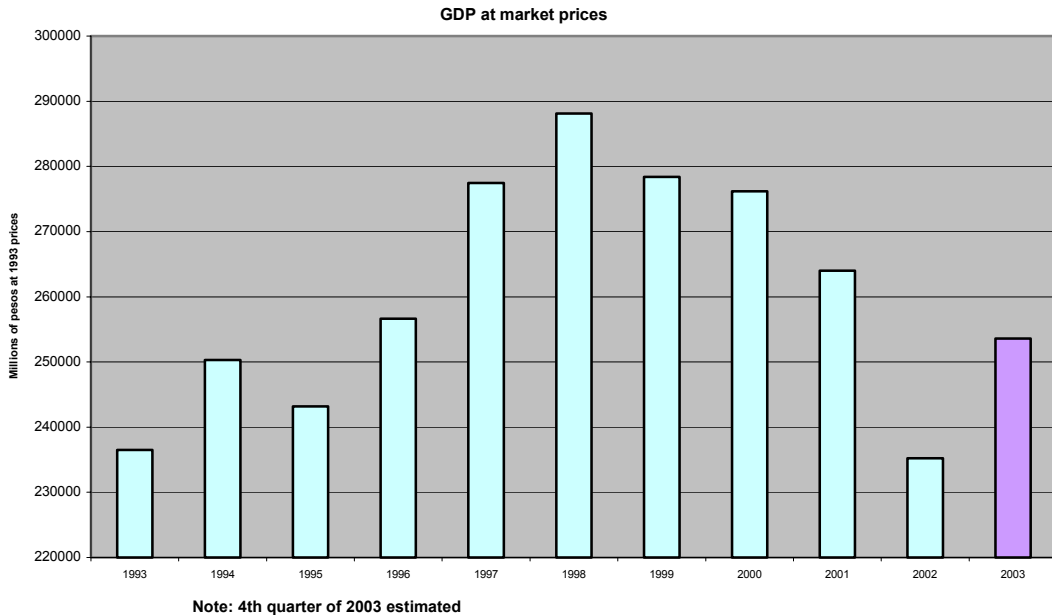
Macroeconomic context

During 2003 Argentina showed encouraging signs that it was overcoming the profound crisis that broke out at the end of 2001, giving rise to a high level of political and institutional uncertainty, a fall in output, devaluation, unilateral declaration of suspension of payments on the public debt, failure to meet contractual obligations and a growing level of social violence.

The outcome of the presidential elections and the subsequent renewal of authorities in May 2003 did not lead to changes in the political context that allowed overcoming the most critical period of 2002. The economic conditions were also benefited by a favorable international context, which affected the tax and trade accounts in a positive manner. In this context the authorities were able to slowly lift the restrictions that weighed on bank deposits, ease exchange controls and advance towards a monetary unification through the redemption of quasi-currencies.

This improvement, added to the decrease in political and institutional uncertainty, helped the improvement in public trust and therefore an increase in local demand for goods and services. Through an effective monetary policy, the authorities managed throughout the year to avoid sharp fluctuations in the value of foreign currency, stabilizing the rate of exchange at around 3 pesos per dollar. This was also influenced by the virtual lack of secondary creation of money and the low pressure for wage increases, which contributed to halt the inflationary process that began in 2002.

In short, during the year 2003 the country has been able to recover from the depressed levels of the previous year, with improvement driven mainly by domestic demand and the performance recorded by exports, backed by relative stability in the exchange rate and inflation. Nevertheless, the current level of real output continues to be considerably lower than that recorded at the end of the previous decade, an indication of the severity of the crisis. In addition, there are still no substantial improvements in relation to the solvency of the financial system. This situation hinders local credit, limiting the investment necessary to support growth.



Foreign trade recorded a large surplus with a strong growth, in both from the value of exports and imports. Export growth was closely related to the rise in international commodity prices, with particular influence in the case of certain products of an agricultural nature, which also recorded a large increase in volumes. During 2003 imports, and those of capital goods in particular, showed a recovery, added to the improvement recorded previously by intermediate input.

On the matter of the foreign debt, in August the incoming Kirchner administration was able to successfully renew the interim agreements reached with the IMF by the previous government in January 2003, avoiding a break with the IMF and any significant use of reserves. The agreement with the IMF ensured financing from multilateral lending agencies for three years, granting Argentina terms within which to carry out certain priority economic policy measures.

In the case of private creditors, at the end of September the government presented the basic elements for a defaulted sovereign debt restructuring proposal to the IMF Assembly held in Dubai. The proposal consisted of a 75% haircut on the nominal value of the debt and the non-accrual of interest from the moment of the default through to the date an agreement is reached.

Actual negotiations had not begun at the end of the year under review, and the process is expected to be extremely arduous, as the payment proposal is unprecedented in the annals of sovereign debt default.

It can therefore be seen that in spite of the progress registered in various areas, matters that will be essential to strengthen and deepen the rebuilding of the country are still pending. Among the matters pending resolution is the negotiation of the public debt; the normalization of the financial system, the solvency of which is far from ensured; the tax

reform, the enactment of a new federal participation system; and the long-delayed negotiation of the contracts with the public utility companies.

In this last matter, which is essential to the future of TGN, no actual progress has been made, affecting the Company's future, and delaying the implementation of new investment plans necessary to support effective economic recovery.

Regulatory aspects

In January 2002, the Law on Public Emergency and Reform of the Exchange Rate System (Law N°25561) 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 24076 (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, effectively freezing gas carrying prices for loaders in Argentina since then.¹

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 25561 and 23696.

Subsequently, Ministry of Economy Resolution 20 approved rules of procedure and a work program. This process, which was to be concluded by June 2002, was postponed on several occasions².

In July 2003, the Kirchner Administration took the decision to replace the Renegotiation Committee created by Decree 293/02, without progress having been made in any aspect of the negotiation, issuing Decree 311/03 setting up a Unit for the Renegotiation and Analysis of Public Utility Contracts (UNIREN) within the scope of the Ministries of Economy and Production and Federal Planning, Public Investment and Services. The purpose of this Unit is to:

- a) Carry out the renegotiation of the contracts for public works and services required by Law 25561, analyzing the existing situation and level of compliance achieved by the concession and license-holders.

¹ In May 2002, through Decree 689/02, the Executive determined that public utility natural gas carrying services for export made across national territory using gas pipelines were not covered by the emergency legislation.

² First until March 2003 (by Decree 1839/02), then until June 2003 (by Ministry of Economy Resolution No.62), and lastly until December 2004 (by Law 25,790).

- b) Sign comprehensive or partial renegotiated contracts with the public utility concession-holders and licensees, subject to approval by the Executive.
- c) Submit for approval regulations in relation to potential temporary adjustments to prices, tariffs and/or their segmentation; or contractual clauses relating to the public utility services under concession or license.
- d) Draft a Bill for the General Regulatory Framework for Public Utilities within federal jurisdiction, contemplating generic terms and conditions for all sectors, and
- e) make recommendations relating to contracts for public works and services and the operation of the corresponding services.

Furthermore, Law 25790 has laid down that the decisions adopted by the Executive in the course of the renegotiation process shall not be limited or conditioned by the stipulations contained in the regulatory frameworks governing the concession or license contracts for the respective public services. This regulation also establishes that the Executive shall submit proposals for contract renegotiation to Congress, which shall have 60 calendar days during which to issue its comments. At the end of that term, if no pronouncement has taken place, the contract shall be deemed to have been approved. If the proposal is rejected, the Executive shall be required to continue with the renegotiation of the corresponding contract.

In December 2003 the UNIREN published its proposed work schedule, planning to complete renegotiation with the Company in July 2004, leaving the rest of the year for the process of public and legislative consultation and approval by the Executive. At the date of issue of these Financial Statements, no significant progress has been made that would make it possible to consider that the July target date for signing the contract will be met. In addition, there is nothing to guarantee that the eventual outcome of the renegotiation will effectively re-establish the equilibrium of the License and provide TGN with fair compensation for the losses suffered as a consequence of the Emergency Law.

Lastly, it should be mentioned that all the actions undertaken by the Executive in 2002 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.

In this respect, subsequent to the end of the financial year, in mid-February 2004, the Executive Branch issued, by means of Decrees No. 180/04 and 181/04 a series of measures that, once regulated and implemented would affect the activities of the sectors that make up the chain of value of the gas industry – that is to say, the producers, distributors, transporters and various categories of consumers ⁽³⁾ – in an uneven manner.

³ The new regulations are explained in Note 10 “Subsequent Events” of the Notes to the Financial Statements.

Although it is premature to forecast the impact of these rules on the Company's activities, it is apparent that, in their different aspects, they incorporate significant changes in the regulatory framework, especially with respect to Government intervention in assigning the resources to invest in the activity.

Moreover, these measures make no reference to changes in the rates and margins of profit of the activities subject to regulation by the Gas Law, that is to say, transport and distribution of natural gas.

The Gas Industry in Argentina

Following two consecutive years of decline in the consumption of natural gas, 2003 recorded a significant recovery of 10.1% compared to the previous year.

The most significant increase in absolute terms took place in the industrial segment, which exceeded its previous record seen in 2000. In percentage terms, CNG consumption recorded the sharpest growth, 30.0% higher than in 2002. The explanation for this is directly related to the relative price of natural gas, increasingly cheaper than other alternative fuels, particularly following the conversion into pesos and freezing of rates. The recovery in the industrial sector, in turn driven by the low relative price of the input, was the reason behind the recovery in gas consumption by industry and thermal power station. They also influenced the low level of dispatch from the hydro-electrical powerstations.

Since the privatization of public natural gas services there has been an accumulated growth of 41% in domestic consumption, with a notable rise of 225% in the demand for gas in the form of GNC and 41% in demand by industrial customers, the highest growth in absolute terms. The other segment with strong growth in this period was that of power stations, which increased 49%. 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 – MMMm³ (billions of m³) (4)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Residential	6.9	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	1.0	1.1	1	0.9	1	1.2	1.2	1.4	1.6
Industrial	10.7	9.8	9.6	10	9.8	9.9	9.8	9.4	9.1	8.7	7.6
Power plants	8.8	7.8	8.9	10.9	10.7	8.5	8.5	8.6	5.9	5.2	5.9
G.N.C.	2.6	2.0	1.9	1.7	1.5	1.4	1.2	1.1	1	0.9	0.8
Others	0.8	0.7	0.7	0.7	0.6	0.6	0.5	0.2	0.3	0.3	0.3
Total	30.8	28.0	28.8	31.2	30.2	27.2	26.8	26.4	23.3	22.2	21.8
Index	141.3	128.3	132.1	143.2	138.5	124.8	122.9	121.1	106.9	101.8	100.0

(4) Volumes at 9300 kcal

Demand for primary energy by source (2002) [%]

	Oil	Natural Gas	Coal	Nuclear	Hydro
USA	39.0	26.2	24.2	8.1	2.5
Canada	31.1	25.1	10.6	5.9	27.2
Mexico	60.5	28.3	5.2	1.6	4.2
Total North America	39.2	26.2	21.8	7.5	5.2
Argentina	31.4	50.8	1.1	2.4	14.2
Brazil	48.1	6.9	6.8	1.9	36.3
Chile	45.2	24.7	8.4	0.0	21.8
Colombia	39.7	21.8	7.9	0.0	30.2
Venezuela	37.2	40.0	0.0	0.0	22.8
Other countries of S and C America	64.6	11.9	1.1	0.0	22.4
Total S. & Cent. America	47.9	19.7	4.0	1.0	27.4

Source: BP Statistical Review of World Energy

Gas Supply

In 2003 annual natural gas production totaled 50,138 million cubic meters, with 55.8% coming from the Neuquina Basin and 17.2% from the Noroeste Basin. This marked a new record for the country, with an increase of 9.5% compared to 2002. This increase was used both to supply export markets (Chile, Brazil and Uruguay) and the recovering domestic market.

Currently Argentina is among the countries with the largest reserves of natural gas in South America (664 MMMm³ at December 2002)⁽⁵⁾ 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. Nevertheless, there has been a significant reduction compared to the previous year, when proven reserves amounted to 764 MMMm³. As a result of this drop, the reserves horizon fell from 16.6 to 14.5 years.

The drop in proven reserves is directly related to the freeze on well-head gas rates, which reduces the volume of gas that can be viably exploited.

In spite of this, it is expected that this negative situation will be overcome in the short to medium term, if regulatory frameworks are sufficiently reasonable to make investment by the private sector viable. 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, will contribute to this, as will 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.

5 Billions of cubic meters

Natural Gas- Reserves and production at end of 2002

	Proven Reserves MMm ³	Production in 2002 MMm ³	Horizon Years	Probable Reserves MMm ³
Noroeste	129,481	7,877	16.4	44,524
Neuquina	344,567	25,551	13.5	97,180
Others	189,475	12,342	15.4	164,414
Total Argentina	663,523	45,770	14.5	306,117

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 1993 TGN has increased its gas carrying capacity by over 135% (30.9 MMm³/d). This policy has required investments for US\$ 1,051.7 million, mainly spent on the building of over 1,200 km of pipelines and 5 new compressor plants, adding over 140 thousand HP of installed power.

In addition to developing carrying capacity for export, during this year 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.

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	Totals
Gas pipelines: km added	0	0	47.5	332.4	20.0	97.7	257.4	246.6	187.1	54.7	1,243.4
Compressors: HP Added	0	0	0	23,900	6,900	83,900	0	0	0	27,840	142,540
Increase in capacity MMm ³ /d	0.2	0.3	0.2	4.1	5.7	6.4	4.1	3.5	1.9	4.5	30.9

Values at December 31, 2003

	<i>Gasoducto Norte</i>	<i>Gasoducto CO</i>	<i>O&M</i>	<i>Total</i>
<i>Km.</i>	3,328.5	2,078.0	2,598.8	8,005.3
<i>Diameter</i>	24"	30"	-	-
<i>Compressor stations</i>	9	8	2	19
<i>Thousands of HP</i>	130.77	169.40	12.2	312.37
<i>Firm contracts MMm³/d</i>	22.17	31.32	NA	53.49
<i>Year built</i>	1960	1981	1996/2000	-

Financial situation

The series of measures adopted by the Government in 2002 have substantially modified the legal and contractual conditions under which the Company carried out its activities until December 2002.

The freezing of rates, added to the devaluation of the Argentine currency in a few months to about one third of its former value until the end of 2001, led to a substantial imbalance of the financial and equity structure of TGN, which still persists.

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

Since privatization in 1992, the Company invested US\$ 1,051.7 million in the gasline network, which was financed in approximately equal parts, through (i) reinvestment of its internal cash flows (profits and amortization charges) and (ii) financial indebtedness mostly contracted on long-term repayment terms.

At December 2001 the level of indebtedness was equal to the value 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, even at times of low country risk.

Consequently, as a result of the measures by the Government at the beginning of 2002 and the accelerated devaluation in the first six months of that year, TGN was forced to opt between continuing to repay principal and interest on its financial debt or ensuring compliance with its contractual obligations as a provider of a public service in its position as a Licensee.

COMPARATIVE EQUITY STRUCTURE AT DECEMBER 31, 2003, 2002, 2001, 2000 AND 1999

(In thousands of pesos)

	Years ended on 31.12.				
	2003	2002	2001	2000	1999
<i>Current assets</i>	330	252	140	109	130
<i>Non-current assets</i>	2,538	3,044	2,692	2,754	2,536
Total Assets	2,868	3,296	2,832	2,863	2,666
<i>Current liabilities</i>	946	699	430	365	429
<i>Non-current liabilities</i>	992	1,469	1,039	1,130	893
Sub-total liabs.	1,938	2,129	1,469	1,495	1,322
<i>Shareholders' equity</i>	930	1,167	1,363	1,368	1,344
Total	2,868	3,296	2,832	2,863	2,666

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.

During the first half of 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 equity that the Company must preserve over time between creditors of equal category.

As a result, the Company paid the full amount 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 the amounts delayed is amply described in the Company's attached financial statements.

During 2003, although the peso gained in value slightly compared to the previous year, the economic equation of the Company did not recover, because of the lack of any tariff increase.

At the same time the Company began a process of discussion with 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.

Future business strategy

The Company is acting proactively in relation to the tasks needed to restore contractual conditions in the framework of the process being undertaken by the Unit for the Renegotiation and Analysis of Public Utility Contracts (UNIREN), the Enargas and the Energy Secretariat. The new framework should contain the minimum tariff and non-tariff terms necessary to ensure reinvestment, to make a recovery in the flow of investment that in the past enabled the Company to quickly overcome supply bottlenecks, in turn leading to a promising opening-up of the region's energy markets to integration.

A continued freeze on carrying rates will inevitably be reflected in a shortfall in investment, and thus in the financial inability to meet carrying capacity expansion requirements.

In the present conditions, the Company can only dedicate itself to performing as diligently as possible those operating disbursements and investments necessary to prevent deterioration of existing assets and the quality of the public service it provides.

Exceptionally, it may be possible to extend sections of the pipeline network used to carry gas for export, as this activity is subject to a tariff schedule which, unlike domestic gas carrying, reflects the economic reality of our business.

This is particularly important since, consistent with the strategic relevance that, as from 1997 the transport of gas acquired for the energy needs of neighboring countries, the Company must provide the capacity to accompany its growth. The Company has been making efforts to accompany the growth in demand in the Central region of Chile, trying to avoid a sudden interruption when providing for the growth of a region in which the Argentine natural gas has become an essential source of energy.

It continues to be a priority to accompany the increase in the penetration of the Southern region of Brazil with natural gas. To this end it is taking part in the revival of the TSB (Transportadora Sulbrasileira de Gas) project, that will extend the reach of Argentine gas from Uruguayana (today connected to the Argentine gas pipeline system) to Porto Alegre, making it possible to significantly increase the export of natural gas to the region.

Over the course of 2003, TGN has made progress with the structuring of marginal expansion to its system with third party finance, including that provided through financial trusts set up under the terms of ENARGAS Resolution 2877/2003. As a result, in December 2003 Call to Tender 5/2003 was issued for expansion to capacity, on condition that the financing of any expansion should be for account of the Bidders, or third parties wishing to volunteer the corresponding funds.

Outstanding events in 2003

Gas Transport

The impossibility of gaining access to capital markets, constant postponement of the renegotiation and adjustment of rates in the industry, and lastly the prevailing uncertainty

in relation to the timing and manner of the recovery process, were together responsible for the postponement of investment decisions in almost all productive areas of the economy.

As a result of the above, the year ended December 31, 2003 was again a year almost without investment in expansion by TGN, following many years of high rates of investment. Nevertheless, Nor Andino S.A. increased its capacity contracted with TGN on the Norte gas pipeline by 0.2 MMm³/d.

Some existing contracts suffered modifications. Central Térmica Mendoza S.A. (CTM) ceded 100 Mm³/d of its capacity to Ecogas Cuyo S.A. for the period from 5/1/2003 to 04/30/2004.

In addition, the firm transport contract with Gas Natural Ban S.A. for 461 Mm³/d in the Greater Buenos Aires region, which was to fall due on July 1 was reallocated by the ENARGAS, leaving 341 Mm³/d for Gas Natural Ban and 120 Mm³/d for GasNEA S.A..

As a result, the carrying capacity contracted from TGN at December 31, 2003 totals 53.49 MMm³/d, showing growth of 0.6% compared to the capacity existing at the start of the year. Of this total 36.8 MMm³/d (68.8%) is used to meet demand from Argentine customers, while 16.69 MMm³/d (31.2%) supplies demand for natural gas in Chile, Uruguay and Brazil.

Operation and maintenance of Third Party Pipelines

The Operation and Maintenance contracts in force in the previous year were maintained, except for the contract linking TGN to GasAndes S.A.

Regarding this case, it should be noted that in June 2002, ENARGAS authorized GasAndes to operate and maintain the GasAndes gas pipeline through its technical operator Total. 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.

In the case of the NorAndino gas pipeline, the Argentine section of which is operated and maintained by TGN, the introduction of a new maintenance program since the end of 2002 has resulted in a more effective service in line with the characteristics of the segment, making it possible to ensure more reliable and safer operation.

In addition, related companies Comgas Andina S.A. and Coperg. S.A. continue to provide operation and maintenance services abroad, operating gas pipeline systems in different regions of Chile (for Gas Pacifico and NorAndino) and Brazil (for the TSB gas pipeline).

Operation of the Transport system

Steady growth in the demand for gas had a strong impact on the operation of TGN during 2003. Following an increase in demand of 4.7% between 2001 and 2002, during the current year TGN transported a volume of gas of 16,656 MMm³, 12.5% more than in 2002.

This growth in volume was due to a strong rise in demand during winter and spring. In addition, given the lack of gas in the Norte Basin in the winter, this increase was met using carrying capacity from the Centro-Oeste pipeline, recording growth of 15.6% compared to 2002.

This increase in demand led to various records being set in the system, both in relation to total deliveries, the interruptible service and the injection into the Centro Oeste gas pipeline.

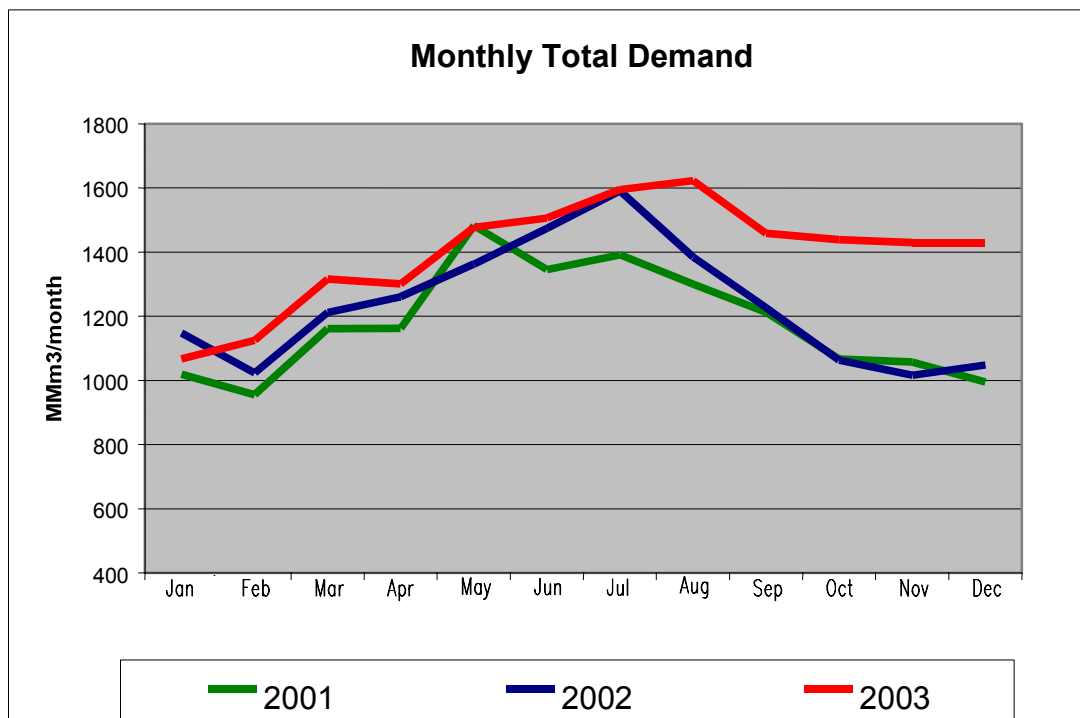
Some figures on transport

Capacity contracted :	53,5 MMm ³ /day
Annual delivery :	16,172 MMm ³
Annual injection:	16,656MMm ³
Exports :	3,594 MMm ³
Interruptible transport :	667 MMm ³

Daily Records – MMm³/day

Injection Centro Oeste :	35,0
Deliveries :	57,6
Interruptible:	8,0

Sales of TI and ED services were sold for \$10.6 million, thanks to a resistant and highly reliable operation by the Company's compressors.



The operation of the Norte gas pipeline was affected by the availability of gas at the injection point, the bottleneck in the system during the winter. This shortfall was partly

covered by transport and ED services with gas injected in Neuquen for consumption in the Tucumán sub-zone.

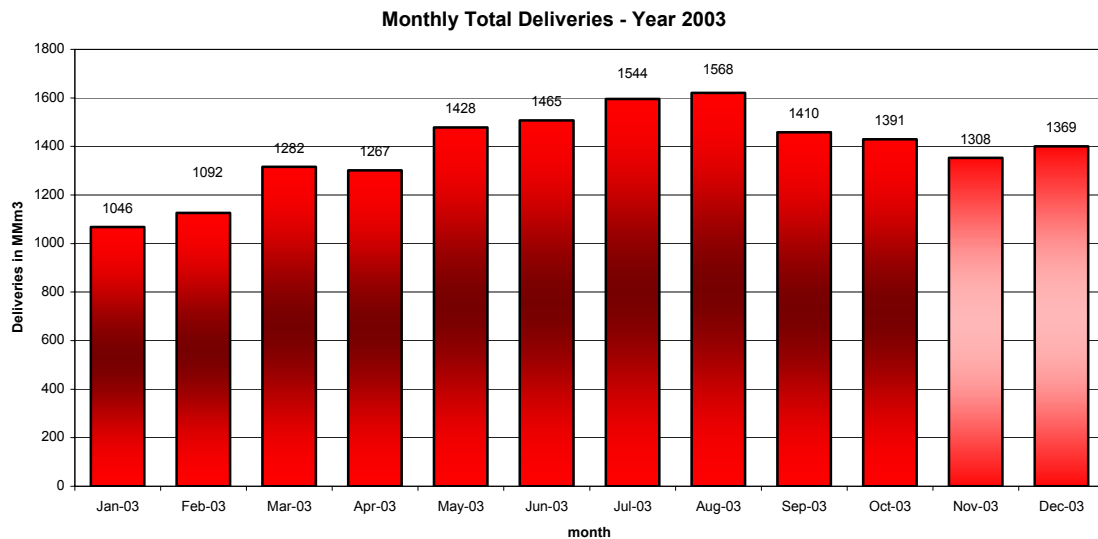
Notable events have included the increase in carrying requirements based on :

- Full operation of the YPF-Mega treatment plant, reducing the calorific strength of the gas injected, increasing the commitment in terms of the volumes to be transported.
- Economic recovery, in the form of increases in both industrial and residential demand, with an especially large increase in consumption by CNG service stations.
- A general shortage of water for use in electricity generation (in both Argentina and Chile) and growth in demand for electricity, leading to a higher demand for gas than in previous years.

It should be noted that of the total volume delivered, 23% corresponded to exports to the neighboring countries of Chile, Brazil and Uruguay. Compared to previous years, there has been a notable increase in consumption by power stations in Santiago, Chile.

On the other hand, demand from AES-Uruguayana has remained low.

Work to improve reliability, carried out prior to the high season for carrying demand, included the exchange of compressors at Puelén and General Baldissera, optimizing the operation of the two plants, and the testing of the branch feeding Mendoza, which enabled an increase in the maximum operating pressure from 63 kPa to 67.4 kPa, providing us with additional flexibility in the operation of that segment.



Integrity and maintenance management

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 2003:

- To minimize the risk from stress corrosion cracking (SCC), 106 exploratory excavations were made at the outlets for various compressor plants and hydrostatic testing at the Campo Durán and Tucumán plants, which led to the replacement of the affected pipeline.
- For a better control of risk, 1,557 km of pipeline was inspected, with the replacement of 2,807 meters of pipeline affected by defects or where inappropriate reinforcing had been installed.
- To reduce the possibility of incidents affecting the pipelines, 8 rived crossings were reconditioned and 10 areas of major erosion were repaired on the Gasoducto Norte pipeline. similar action was taken at 18 points on the Gasoducto NorAndino. In addition, 45 minor erosion problems were corrected on the Gasoducto Norte.
- Improvements were made to the cathodic protection systems on the pipeline including the installation of 3 new stations and the partial reconditioning of 15 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.
- In Tartagal, province of Salta, a housing complex built by TGN was inaugurated, allowing the eradication of 40 homes in the vicinity of the Gasoducto Norte.
- 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 and take corrective measures.
- A new integrity plan was defined for equipment that will take into account not only their structural condition but also their performance and reliability.
- Hazop (Risk Operations) studies were performed at 4 compressor plants with recommendations being made for design improvements and corrective measures.
- Overhauls were carried out of 4 motor-driven compressors and 9 turbine driven compressors (including two Solar Mars 100 compressors at the Puelén and La Mora plants).
- To increase the reliability and availability of carrying capacity, two spare Solar modules were acquired, one Taurus T-70 and one Mars-100.
- The survey of conditions and performance of equipment was intensified, so as to be able to provide a more reliable response to the demanding new gas-carrying scenarios.
- A continuous surveillance services was introduced in relation to the Gasoducto NorAndino, consisting in the monitoring of critical sectors, to prevent possible incidents during the rainy season. Camp-sites were installed at strategic points in the high country.
- Three major accident drills were held, dealing with pipeline breakage on the Pacifico and Mercosur gas pipelines and a fire at the La Mora plant.

Technology, systems and communications management

Activities and IT projects in 2003 were focused mainly on returning to the path of technological updating, tending to preserve the level of service and the investments made by the Company. In addition, the most important challenge has been to undertake this renewal while keeping costs at levels similar to those of the previous year.

Main activities on the matter of technological renewal of hardware were as follows:

- purchase and start-up of a new central storage system for disks, change of SAP servers
- expansion to maximum capacity of the main servers for the SCADA system
- migration of servers at the contingency center at B.M. Pacheco.

From the point of view of software, the most important project for renewal and upgrading was the migration to the SAP system originally installed in 1999. In addition to the improved functionality linked to the new R/3 version, the successful implementation of Enterprise 4.7 will ensure TGN has application software support through to 2009.

In the communications area, actions included:

- full review and adjustment of the trunk radio link system on the north and south segments, enabling the attaining of quality parameters comparable to international standards for the service provided by telecommunications companies.
- extending of the radio link system to B.M. Orán (NorAndino), thus improving the service for communication from the base at the same time as reducing the cost of communications.

Information technology services were also provided to third parties, generating income for over US\$ 230,000, while costs remained almost constant compared to 2002 (+5%).

Quality, Safety, Hygiene and the Environment

TGN has continued to develop programs to achieve a safe environment for its personnel, the community, its assets and those of others, and to protect natural resources. To this end:

- Special resources were dedicated to measuring and controlling gaseous emission, minimizing the impact on the environment from the installations, thus complying with ENARGAS Resolution 1192.
- An Environmental Management Manual began to be developed following international guidelines for environmental management in the gas carrying business.

- The campaign for the prevention of traffic accidents was extended with the performance of reaction conduct tests for personnel driving vehicles. there were no significant accidents during the year.
- The first distance training programs were successfully held on Safe Work Permits and Defensive Driving.
- Continuing with the Program for Monitoring Industrial Hygiene, measurement of contaminants has taken place at all our compressor plants, this information being used to coordinate with Occupational Health regarding clinical examinations of personnel.
- A considerable boost was given to preventive measures by contractors, by means of specific meetings with senior managers of the leading suppliers and inspectors, reinforcing inspection on jobs by TGN specialists.
- At Headquarters over 100 preliminary meetings have been held, with a notable improvement in the Safety Programs prepared by contractors, the fruit of constant follow-up and raining in this area. 150 people have been evaluated for the granting of Safe Work Permits, and 120 for the Detection of Gases.
- The Company's safety program has been extended to families in the regions, by means of an event held in General Alvear, Mendoza, used to extend the safety and hygiene message to the homes of TGN personnel and the local community.
- The Company has participated on a regular basis at the CEADS meetings in relation to matters concerning the environment and sustainable development, at both country and international level. For the annual seminar of this council, a case was presented entitled "Comprehensive Management of Risks in Sensitive Areas."
- The Company received a special invitation to present its paper "Prevention of Risks on a High Country Gas Pipeline" at the "Workshop on Safety and Occupational Health and the Sustainability of the Oil and Gas Industry", it being very well received.
- The Company has been an active participant on the IAPG technical consulting committee in relation to the development of NAG 153 on improved environmental practices.
- It took part on the Safety Committee, preparing a paper that was submitted at the 2003 Congress.
- At the invitation of the Argentine Foreign Ministry, as part of the Agreement between the Argentine Fund for Cooperation and the Higher Institute of Safety of Ecuador, during December a Seminar was delivered in Quito on Safety, Industrial Hygiene and the Environment in the Oil and Gas Industry.

Development of our Human Resources

Training

The incorporation of new information technology has required the forming of more professional work teams that adopt fluid coordination mechanisms.

The growing demand for interdisciplinary group interaction in the work environment, added to the need to incorporate knowledge that prior to the devaluation was acquired abroad, have made it essential for efforts to be intensified in the areas of training and organizational development.

Programs and activities have been carried out with objectives and designs in accordance with specific technical and organizational requirements, including:

- Training of specialists in Hot Tap, working with a dynamic that articulates the transmission of knowledge and the gradual acquiring of very specific skills, tending to the formation of cognitive capacities with a comprehensive approach.
- An Operations Workshop, where work was carried out with a group dynamic on the resolving of simulated problems, thus integrating the development of general competencies (teamwork, communication, group dynamics) as a learning methodology for specific competencies (dynamics of fluids, commercial and regulatory aspects of gas carrying. etc.).
- Training in Condition Analysis, with the aim of developing predictive techniques and their maximum potential in the maintenance chain. This program transversally affects different sectors of the formal organization, beginning with the specialists in maintenance planning and continuing in 2004 with the training of the related plant personnel, covering all those involved in the processes.
- Preparing of papers by young professionals joining the Company during the year, based on research into a specific topic and concluding with a group discussion and analysis of results, has required teamwork, debating and communications skills, leading to a process of collective learning.

The educational strategies introduced provided support for the on-the-job learning processes, covering group and organizational aspects.

In accordance with the policy of recent years, and in some cases working with professionals and external institutions, actions have continued for the training of compressor plant technicians and specialists in anti-corrosion techniques, with courses being delivered that provided NACE qualifications.

In the field of Safety, Hygiene and the Environment, a Rescue program was held at all plants, aimed in particular at the members of the rescue brigades, with the forming of specialists in the regions through the holding of courses for Safety Experts.

Furthermore, during the year content and material was designed for the distance learning course for permit for Safe Work and Defensive Driving. These course were held in all regions in the interior of the country, as well as for headquarters staff, and received a very positive evaluation.

All these activities took up a total of 26,600 training hours, covering 90% of all personnel. ⁽¹⁾

(1) This being the percentage relation between the number of different employees receiving training during the year and the average annual number of employees in the Company.

Community relations

The fact that TGN is a company that is present across the length and breadth of Argentina has had a decisive impact on its identity and actions as regards its relations with the community.

These relations are based on respect for different customs and ways of life, in some cases ancestral, and the responsibility derived from such respect, by not ignoring the reality that surrounds a business with features such as those of TGN.

Each TGN work post close to the gas pipeline is not isolated from its social context, as our employees mostly form part of the nucleus of each community and share the same sense of belonging.

As a result, TGN assigns priority to the following three areas of projects that concern sustainable proposals by the communities themselves:

Educational projects

The purpose of these projects is to build and strengthen social networks from school, integrating the company to the dynamics of social development.

Reach: 4,000 persons

Escuela de Lamadrid (Prov.of Tucumán/ 1996-to date)

Work continued on the introduction of a school Dining-room Project and a Pilot Production Program, an undertaking that considers the possibility of generating an activity with future employment potential for former pupils.

Jardín Fundamind (Capital Federal- 1996-to date)

Development of a Social Educational Project in relation to a Kindergarten for 20 children. Food program and School for Parents.

“Reading is Fundamental” Project (City of Santa Fe 2003-Escuela Simón Bolívar No. 1258))

Rebuilding of the School Library following floods and opening of reading corners. 3167 books were provided for 467 students and 35 teachers.

Community Development and Management Projects

The aim is to promote human and institutional resources by means of the participation of the population in the improvement of the level and quality of life in communities.

Reach: 10,000 persons

Family and Community Organic Market Gardens (Prov.of Jujuy-2000-to date)

A joint project with the Warmi Sayajsunqo Women’s Association. Development of undertakings based on 300 family and community market gardens. Participation in the

building of a multi-purpose community hall and in the continuity of the market garden project, defining the stages to be followed in the coming period.

Nazareth Home for Children at Risk (Prov.of Jujuy 2000-to date)

Social project for children at risk, day-care center where their social, educational, nutritional and health needs are attended to.

Northern Rehabilitation Center (Prov.of Córdoba-2002-to date)

Continuity in the support for learning activities and rehabilitation of disabled children and adolescents.

Tiempo de Vivir Senior Citizen's Center(Capital Federal 1996-to date)

Social activities for a retiree's center.

"Hogar de Guadalupe" Training of entrepreneurial teams (Prov.of Jujuy 2003)

Training of adolescents at risk in participatory employment projects, leading to a proposal for production.

Providing of vehicles and equipment for civil associations, social institutions and schools located in the areas where the Company operates.

Corporate Volunteering Projects

Objective

To put into social practice the interest of Company employees in participating in development initiatives for the solution of the various problems in their communities, by means of specific actions and projects with a mid to long-term scope.

Reach: 5,700 persons

This methodology has been implemented in the community since 2001, and is considered a key factor in the development of projects in which the principal actors are the Company's employees.

Projects carried out in 2003:

- Center for Children's Sports (Catriel. Prov.of Río Negro).
- Doctors at Altitude (Prov.of Tucumán).
- IT Consulting (Jesús María, Prov.of Córdoba).
- School Clothing Escuelas J. J. Paso and R. Gutiérrez (Ferreira, Prov.of Córdoba).
- El Arca Home (Moreno Prov.of Bs. As.).
- School Market Gardens (Prov.of de Salta).
- "Bernardino Rivadavia" Kindergarten (Deán Funes, Prov.of Córdoba).
- Special School 2065 (Carcarañá, Prov.of Santa Fe).
- Community Dining-room (Concordia, Prov.of Entre Ríos).
- Medical Clinic at Asociación de Bomberos Voluntarios (Aldea Brasileira, Prov.of Entre Ríos).
- Paper recycling (Sede-Deán Funes).

Remuneration policy

The Company's remuneration policy for management personnel establishes a fixed basic monthly remuneration and a variable bonus payable annually. While the fixed portion is established according to the level of responsibility inherent to the position,

bearing in mind market values, variable remuneration is linked to the objectives defined at the beginning of the year and their compliance during the period.

The Company has no policy establishing options or any other similar plans for its personnel.

Decision-taking processes and internal control system

- *Decision-taking*

A Board made up of eleven full directors and the same number of alternate directors is responsible for the directing and administration of the Company, with a mandate for one year as from the moment of appointment by the Shareholders' Meeting.

Gasinvest, the parent company of TGN has the right to appoint a majority of the full and alternate directors. The shareholders of Gasinvest have entered into a Shareholders' Agreement with the aim of regulating certain aspects in relation to its indirect interest in TGN.

Under the terms of the Shareholders' Agreement, CGC and Techint have the right to appoint two directors each, while Total and Petronas, acting together, have the right to appoint a further three. In addition, CGC and Techint have the right to appoint one syndic each, and Total and Petronas together have the right to appoint one syndic.

In addition, the agreement lays down that the Chairman of the Board should be designated at the proposal of CGC, the General Manager should be nominated by Techint, and the Operations Manager should be proposed by Total. The Operations Manager reports to the General Manager and is responsible for the operation of the gas carrying assets.

The Shareholders' Agreement establishes that the following actions and decisions must have the unanimous approval of CGC, Techint and Total (which as a whole are called the Managing Companies)

- (i) amendments to the by-laws or other equivalent TGN documents,
- (ii) any consolidation or merger of TGN with another Company,
- (iii) adoption of activity, investment, yearly financial or budgetary plans, and any amendment to them,
- (iv) increase or decrease of TGN's Board of Directors and/or any other committee of the Company,
- (v) issuing or redemption of TGN shares,
- (vi) dissolution, liquidation or bankruptcy proceedings of TGN,
- (vii) declaration or payment of dividends or any other distribution by TGN that is not consistent with the dividend policy established in the activity plan,
- (viii) any TGN investment in another company,
- (ix) entering into any contract in which TGN is party and which involves total payments or the purchase or sale by TGN of assets which, at carrying value, exceed US\$ 3.0 million in one or more transactions within a six-month period,
- (x) any substantial change in TGN management, and
- (xi) selection of TGN's independent auditor.

The Shareholders' Agreement establishes the creation of an Executive Committee made up by the President of the Board, the General Manager and the Manager of Operations. It is the duty of the Executive Committee to first analyze the matters to be resolved by CGC, Techint and Total in line with the Shareholders' Agreement.

The internal control of the governance of the Company is the responsibility of the Surveillance Committee formed by three full syndics and three alternate syndics.

The Surveillance Committee is in session with the presence of an absolute majority of its members, and decisions are taken by the majority vote of those present, regardless of the rights corresponding to the dissident syndic. Surveillance Committee members have the duty and the right to attend the Board and Shareholders' Meetings, summon them, require the inclusion of matters on the agenda, and in general supervise all the Company's affairs and its compliance with Laws and by-laws.

Independent external auditors are appointed by the Shareholders' Annual Meeting and are responsible for auditing and certifying the Company's accounting documentation. Decree 677/01 and National Securities Commission General Resolution 400/02 have set new requirements to be fulfilled by those acting as external auditors of companies under the control of the National Securities Commission and by the companies that appoint them, to guarantee their independence and professional aptitude.

- *Internal Control*

TGN has developed a regulatory framework aimed at ensuring the correct approval and recording of all transactions performed, the safeguarding of assets and compliance with the law by means of a reasonable segregation of duties. There are controls to ensure the validity and integrity of the recording of operations that enable the Company to count on a reliable information system that observes the basic principles of internal control.

The Internal Audit Management reporting to an Audit Committee, formed by some of the Company's directors, has as its mission the continuous evaluation of the internal control system. All observations made by the Auditors in relation to the safeguarding of assets, compliance with the law, information systems and operating performance count on corrective actions plans and an adequate follow-up, contributing to the updating and continuous improvement of the Company's control environment.

Remuneration of Directors, proposal for the distribution of results by the Board and dividend policy.

The Shareholder's Meeting is responsible for approving the remuneration of the Board after the end of the fiscal year, in accordance with the Commercial Company's Law and the National Securities Commission.

In accordance with the vote taken by the Shareholders' Meeting on April 4, 2003, to date payment of \$258,750 has been made as fee advances to directors for technical and administrative tasks corresponding to the year ended December 31, 2003, an amount within the limit of \$ 572,000 authorized by the mentioned Shareholders' Meeting.

Additionally, as established by the provisions of the National Securities Commission, a provision of \$ 343,760 has been recorded and charged to results for these fees.

The Board of Directors recommends and submits to the consideration of the Ordinary General Shareholders' Meeting for its approval, the full allocation as unallocated losses of the \$ 237,531,187 loss that arises from the Company's results for the financial year ended December 31, 2003.

In view of the financial situation that the Company is undergoing and the impact caused by the conversion into pesos and freezing of the tariff remunerating the domestic gas carrying service it provides, matters dealt with in detail in both this annual report and the notes to the Financial Statements ended December 31, 2003, the Board has decided not to distribute dividends, making use of the powers allowing it to allocate the reserve set up for that purpose.

Buenos Aires, March 8, 2004

Board of Directors
Jorge Valdez Rojas
Chairman

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

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, 2003.**

The net result for the year ended December 31, 2003 was a loss of \$ 237.5 million, which compared to the loss of \$ 195.7 million in the previous year, for a net variation between the two years of an additional loss of \$ 41.8 million. These variations took place as a result of the following:

- i) lower net revenues by an amount of \$ 78.9 million
- ii) lower costs of operating, administration and selling expenses by \$ 52.7 million
- iii) lower financial and holding results including the result of exposure to changes in the purchasing power of the currency by \$ 165.8 million,
- iv) a greater loss in other net expenses of \$ 3.2 million,
- v) a loss of \$ 277.9 million for foreign exchange differences capitalized in fixed assets - written off -and
- vi) greater deferred tax credit amounting to \$ 99.7 million.

Since January 1, 2002 and in line with Resolution No. 3/02 issued by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("C.P.C.E.C.A.B.A"), Pronouncement No. 240/02 of the Argentine Federation of Professional Councils in Economic Sciences ("F.A.C.P.C.E.") and Resolution No. 415 of CNV, recognition of the effects of inflation on the financial statements has been resumed. The financial statements are stated in constant currency on the basis of fluctuations of the Domestic Wholesale General Level Price Index ("IPIIM") published by the National Institute of Statistics and Census ("INDEC") with respect to the index established as base, which is December 2001.

On March 25, 2003, the National Executive Branch issued Decree No. 664/04 establishing that the financial statements for years ending as from that date must be stated in nominal currency without incorporating adjustment for inflation. This Decree was regulated for the CNV environment by General Resolution No. 441/03 dated April 8, 2003. As established by this resolution, these financial statements have been stated in constant currency up to March 1, 2003.

As indicated in Note 2.4. to the financial statements, this criterion adopted by the CNV is not considered to be according to the professional accounting standards prevailing in the Autonomous City of Buenos Aires which require that the rules for adjustment for inflation be continued until October 1, 2003. As from that date, and by means of Resolution MD No. 041/03 of the C.P.C.E.C.A.B.A. it was also suspended in its jurisdiction. The estimated effect of unrecognized inflation from March 1 through September 30, 2003 was as follows: decrease of assets for \$ 52 million and decrease in Shareholders' Equity for \$ 52 million, which includes the effect of the decrease in the results of the year amounting to \$ 27 million (loss).

In year 2002 there were special circumstances that should be considered when studying the financial statements of that year. For example, there was a significant and uneven increase in the different economic indicators, such as: the rate of exchange, Domestic Wholesale General Level Price Index (used to restate the financial statements of that year) and specific indicators for the goods and services of the Company's own activities.

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****I) ANALYSIS OF RESULTS AND THE FINANCIAL SITUATION (Contd.)**

- Net income for the year ended December 31, 2003 (Contd.)**

The C.P.C.E.C.A.B.A approved Technical Pronouncements Nos. 16, 17, 18, 19 and 20 of the F.A.C.P.C.E., that establish new general and specific standards of valuation and disclosure. These new regulations are encompassed in the project of harmonization of professional accounting standards prevailing in Argentina with International Accounting Standards and are mandatory for the Company as from the financial year that began on January 1, 2003. These standards were adopted by the CNV through General Resolution No. 434/03, with a few exceptions.

- Result**

(In millions of pesos)

	Years ended 12.31					
	2003	2002	Variation \$	2001	2000	1999
<i>Income from revenues</i>						
<i>Gas transportation service</i>						
	417.1	501.4	(84.3)	566.0	568.7	505.4
<i>Doubtful accounts in foreign currency and other restatements</i>	(15.7)	(21.1)	5.4	-	-	-
<i>Benefit on social security contribution Decrees N° 292, 1520 and 814</i>	(1.7)	(2.3)	0.6	(5.2)	(6.5)	(5.5)
<i>Subtotal gas transportation service</i>	399.7	478.0	(78.3)	560.8	562.2	499.9
<i>Operation and maintenance service</i>	18.4	19.0	(0.6)	12.5	10.8	4.8
<i>Subtotal operation and maintenance service</i>	18.4	19.0	(0.6)	12.5	10.8	4.8
<i>Net revenues</i>	418.1	497.0	(78.9)	573.3	573.0	504.7
<i>Operating costs</i>						
<i>Operating and maintenance costs</i>	(118.0)	(125.1)	7.1	(123.5)	(136.5)	(98.8)
<i>Fixed assets depreciation</i>	(102.0)	(122.0)	20.0	(99.8)	(85.3)	(81.2)
<i>Intangible assets amortization</i>	(5.2)	(5.4)	0.2	(5.5)	(5.7)	(1.7)
<i>Sub-total</i>	(225.2)	(252.5)	27.3	(228.8)	(227.5)	(181.7)
<i>Gross profit</i>	192.9	244.5	(51.6)	344.5	345.5	323.0
<i>Administrative and selling expenses</i>	(47.4)	(72.8)	25.4	(58.2)	(61.2)	(47.5)
<i>Operating income</i>	145.5	171.7	(26.2)	286.3	284.3	275.5
<i>Result from investments in other companies</i>	1.3	1.3	-	0.3	0.3	0.1
<i>Financial and holding results including the result of exposure to changes in the purchasing power of the currency</i>	(186.1)	(351.9)	165.8	(144.8)	(134.9)	(105.0)
<i>Foreign exchange differences capitalized in fixed assets – written off</i>	(277.9)	-	(277.9)	-	-	-
<i>Other net expenses</i>	(8.5)	(5.3)	(3.2)	(40.1)	(26.1)	(15.5)
<i>(Loss) income of the year before tax</i>	(325.7)	(184.2)	(141.5)	101.7	123.6	155.1
<i>Income Tax</i>	-	-	-	(41.7)	(37.0)	(50.2)
<i>Income Tax (1)</i>	88.2	(11.5)	99.7	(44.3)	-	-
<i>Net (Loss) income of the year</i>	(237.5)	(195.7)	(41.8)	15.7	86.6	104.9
<i>Profit before financial and holding results, written off of foreign exchange differences capitalized in fixed assets, depreciation, amortization and income tax.</i>	245.5	295.1	(49.6)	351.8	349.5	343.0

(1) Calculated according to the deferred tax method described in Note 2.5.I) to the Company's attached financial statements.

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****I) ANALYSIS OF RESULTS AND THE FINANCIAL SITUATION (Contd.)**

	12.31.2003	12.31.2002	12.31.2001	12.31.2000	12.31.1999
Total Assets (in millions of \$)	2.868	3.296	2.832	2.863	2.666
Total Liabilities (in millions of \$)	1.938	2.129	1.469	1.495	1.322
Shareholders' equity (in millions of \$)	930	1.167	1.363	1.368	1.344
Shareholders' equity/Total liabilities	0.48	0.55	0.93	0.92	1.02

The preceding information at December 31, 2000 and 1999 has not been adjusted to include retroactive adjustments of prior years mentioned in Note 2.1. to the financial statements.

The following paragraphs describe the reasons for the main variations in TGN's results and some economic and financial indicators will be disclosed relating to the Company's Shareholders' Equity.

- *Income from revenues*

The following table summarizes net revenues by type of service for the years ended December 31, 2003, 2002, 2001, 2000 and 1999:

(In millions of pesos)

Type of service	Years ended on 12.31.									
	2003	%	2002	%	2001	%	2000	%	1999	%
Gas transportation	399.7	95.6	478.0	96.2	560.8	97.8	562.2	98.1	499.9	99.0
Gas pipeline operation and maintenance	18.4	4.4	19.0	3.8	12.5	2.2	10.8	1.9	4.8	1.0
Total net revenues	418.1	100.0	497.0	100.0	573.3	100.0	573.0	100.0	504.7	100.0

Gas transportation service

The natural gas transportation business accounted for net revenues at December 31, 2003 of \$ 399.7 million, which compared to the \$ 478.0 million of the previous year have implied a net reduction of \$ 78.3 million.

The differences between the two years are due to the combination of the following variations:

- i) a decrease of \$ 79.0 million because the price level on the domestic market remained stable for the two years in which there was an important restatement of the revenues in 2002,
- ii) an increase of \$ 10.0 million resulting from the variations in the "PPI" applied to export revenues,
- iii) a decrease of \$ 16.8 million as a result of the reduction in the rates of exchange for recording invoicing for exports,
- iv) an increase of \$ 1.5 million due to new firm transportation contracts,
- v) a decrease of \$ 5.4 million in the doubtful accounts in foreign currency and other restatements since the indicators used for restating the financial statements were higher in 2002 than in 2003, and

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002*****I) ANALYSIS OF RESULTS AND THE FINANCIAL SITUATION (Contd.)*****• *Income from sales******- Gas transportation service (Contd.)***

- vi) a decrease of \$ 0.6 million in the benefit on social security contributions corresponding to Decrees Nos. 292, 1520 and 814, as all the indicators used for restatement of the financial statements were higher in 2002 than in 2003.

The impossibility of gaining access to capital markets, constant postponement of the renegotiations and adjustment of rates in the industry, and lastly the prevailing uncertainty in relation to the timing and manner of the recovery process, were together responsible for the postponement of investment decisions in almost all productive areas of the economy.

As a result of the above, the year ended December 31, 2003 was again a year almost without investment in expansion by TGN, following many years of high rates of investment. Nevertheless, Nor Andino S.A. increased its capacity contracted with TGN on the Norte gas pipeline by 0.2 MM cubic meters/d.

Some existing contracts suffered modifications. Central Térmica Mendoza S.A. (CTM) ceded 100 M cubic meters/d of its capacity to Ecogas Cuyo S.A. for the period from May 1st, 2003 to April 30, 2004.

In addition, the firm transport contract with Gas Natural Ban S.A. for 461 M cubic meters/d in the Greater Buenos Aires region, which was to fall due on July 1 was reallocated by the ENARGAS, leaving 341 M cubic meters/d for Gas Natural Ban and 120 M cubic meters/d for GasNEA S.A..

As a result, the carrying capacity contracted from TGN at December 31, 2003 totals 53.49 MM cubic meters/d, showing growth of 0.6% compared to the capacity existing at the start of the year. Of this total 36.8 MM cubic meters/d (68.8%) is used to meet demand from Argentine customers, while 16.69 MM cubic meters/d (31.2%) supplies demand for natural gas in Chile, Uruguay and Brazil

- Gas pipeline operation and maintenance

The Operation and Maintenance contracts in force in the previous year were maintained, except for the contract linking TGN to GasAndes S.A. Regarding this case, it should be noted that in June 2002, ENARGAS authorized GasAndes to operate and maintain the GasAndes gas pipeline through its technical operator Total. 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.

In the case of the NorAndino gas pipeline, the Argentine section of which is operated and maintained by TGN, the introduction of a new maintenance program since the end of 2002 has resulted in a more effective service in line with the characteristics of the segment, making it possible to ensure more reliable and safer operation. In addition, related companies Comgas Andina S.A. and Coperg. S.A. continue to provide operation and maintenance services abroad, operating gas pipeline systems in different regions of Chile (for Gas Pacifico and NorAndino) and Brazil (for the TSB gas pipeline).

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****I) ANALYSIS OF RESULTS AND THE FINANCIAL SITUATION (Contd.)**

- **Operating costs**

The breakdown of the operating costs in the past five years are summarized below:

(In millions of pesos)

	Years ended on 12.31.									
	2003	%	2002	%	2001	%	2000	%	1999	%
<i>Fees for professional services</i>	0.8	0.4	0.7	0.3	4.1	1.8	3.7	1.6	3.1	1.7
<i>Personnel costs</i>	20.3	9.0	21.8	8.6	35.7	15.6	39.6	17.4	32.3	17.8
<i>Fees for technical services</i>	5.9	2.6	3.3	1.3	4.3	1.9	18.0	7.9	18.0	9.9
<i>Foreign staff residence</i>	2.0	0.9	3.7	1.5	3.1	1.4	5.5	2.4	3.3	1.8
<i>Sundry materials</i>	10.9	4.8	15.1	6.0	9.7	4.2	13.0	5.7	10.4	5.7
<i>Excess gas use and basins exchange</i>	0.7	0.3	0.3	0.1	0.4	0.2	3.7	1.6	3.1	1.7
<i>Maintenance and repair of fixed assets</i>	39.9	17.7	33.4	13.2	35.7	15.6	27.5	12.1	10.8	5.9
<i>Communications, freight and transportation, staff travel and agency expenses</i>	6.1	2.7	6.0	2.4	8.2	3.6	11.7	5.1	7.1	3.9
<i>Insurance</i>	7.7	3.4	10.1	4.0	5.1	2.2	3.9	1.7	1.4	0.8
<i>Rental and office supplies</i>	1.4	0.6	1.9	0.8	2.8	1.2	3.5	1.5	1.1	0.6
<i>Easements</i>	11.9	5.3	2.3	0.9	4.5	2.0	3.8	1.7	3.7	2.1
<i>Taxes, rates and contributions</i>	0.4	0.2	0.6	0.2	1.1	0.5	0.9	0.4	1.3	0.7
<i>Fixed assets depreciation</i>	102.0	45.3	122.1	48.4	99.8	43.6	85.3	37.6	81.2	44.7
<i>Intangible assets amortization</i>	5.2	2.3	5.4	2.1	5.5	2.4	5.7	2.5	1.7	0.9
<i>Obsolescence of material and spares</i>	2.2	1.0	12.2	4.8	7.4	3.2	0.7	0.3	-	-
<i>Slow moving material and spares</i>	6.9	3.1	13.1	5.2	-	-	-	-	-	-
<i>Others</i>	0.9	0.4	0.5	0.2	1.4	0.6	1.0	0.5	3.2	1.8
<i>Total</i>	225.2	100.0	252.5	100.0	228.8	100.0	227.5	100.0	181.7	100.0
<i>% of Operating costs on net revenues</i>	53.9%		50.8%		39.9%		39.7%		36.0%	

The most important variations between 2003 and 2002 were:

- i) A decrease of \$ 1.5 million in *Personnel Costs*, with higher costs in 2003 being partially compensated by a salary increase granted by the Company at the end of last year, with the effect of the restatement of the comparative year using higher coefficients than those of the current year;
- ii) An increase of \$ 2.6 million in *Fees for technical services* due to the renewal of the corresponding contract in 2003 in different terms to those prevailing in the previous year (incorporation of advisory services in the technical audit area);
- iii) A decrease of \$ 1.7 million in *Foreign staff residence* expenses due in part to a decrease in foreign personnel headcount assigned by the technical operator and in part to the restatement of the comparative year using higher indicators than those in 2003;
- iv) A net decrease of \$ 4.2 million in *Sundry Materials*, produced by the restatement of consumption for the comparative year using a higher coefficient than the current year, and with the opposite sign, by the increase in price of materials purchased and by the increase in general maintenance work;

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****I) ANALYSIS OF RESULTS AND THE FINANCIAL SITUATION (Contd.)****• Operating Costs (Contd.)**

- v) An increase of \$ 6.5 million in *Maintenance and repair of fixed assets*, due mainly to the following work: repair of the Northern Gasline, end of maintenance work programmed at river crossings and performance of hydraulic tests at various points on the line, passing of the equipment to detect corrosion in the gaslines according to regular maintenance plans, additional expenses on continuous surveillance services and monitoring of the geological and hydrological critical points, the replacement of valves, reinforcement of the cathodic protection systems, soil mapping studies, hydromorphological studies of rivers, barymetric survey of riverbeds, etc.;
- vi) A decrease of \$ 2.4 million in *Insurance*, due exclusively to the difference in the restatement coefficients that affected each year;
- vii) An increase of \$ 9.6 million in the accrual of *Easements* as a result of the increases established by the Joint Resolutions Nos. 195 and 409 of the Energy Secretariat on the value of the easement rates owed by the Company until December 31, 2003;
- viii) A decrease of \$ 20.1 million in *Fixed assets depreciation*, which were produced in large measure by having computed at December 31, 2003 the depreciation of exchange differences capitalized in the balance of fixed assets. This depreciation amounted to \$ 18.2 million. As described in Note 2.5.d) to the attached financial statements, TGN resolved to decapitalize these exchange differences and charge them to results at March 31, 2003;
- ix) A decrease of \$ 10.0 million in *Obsolescence of consumption material and spares* which in each year represents the cost of the left-overs and materials classified by TGN as obsolete and retired from stock; and
- x) A variation of \$ 6.2 million in the setting up of the allowance for *Slow-moving of consumption material and spares*, which represents the lower recovery value of certain items in stock that have denoted a low turnover in recent years. At the closing of 2002 \$ 13.1 million had already been classified under this heading, and new charges were added in 2003 amounting to \$ 6.9 million, totaling \$ 20.0 million.

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****I) ANALYSIS OF RESULTS AND THE FINANCIAL SITUATION (Contd.)**

- **Administrative and selling expenses**

The breakdown of administration and selling expenses for the five most recent years is as follows:

(in millions of pesos)

	Years ended 12.31.									
	2003	%	2002	%	2001	%	2000	%	1999	%
Personnel costs	11.8	24.9	11.2	15.4	18.6	32.0	17.1	27.9	15.0	31.6
Fixed assets depreciation	1.6	3.4	1.5	2.1	1.2	2.1	0.6	1.0	0.6	1.3
Fees for professional services	2.9	6.1	2.4	3.3	3.8	6.5	8.0	13.1	3.9	8.2
Taxes, rates and contributions	15.5	32.7	17.7	24.3	23.7	40.7	21.7	35.4	20.7	43.6
Communications, freight and transportation of staff, travel and agency expenses	1.0	2.1	1.1	1.5	1.7	2.9	3.5	5.7	2.6	5.5
Maintenance and repairs of fixed assets	1.4	3.0	1.6	2.2	2.6	4.5	2.0	3.3	0.9	1.9
Rental and office supplies	0.8	1.7	1.0	1.4	2.1	3.6	2.4	3.9	2.6	5.5
Intangible assets amortization	1.1	2.3	1.1	1.5	1.1	1.9	1.1	1.8	0.4	0.8
Doubtful accounts	0.7	1.5	1.8	2.5	0.7	1.2	-	-	-	-
Lawsuits and other expenses	10.3	21.7	33.3	45.7	2.5	4.3	4.4	7.2	0.4	0.8
Fees for Directors	-	-	0.1	0.1	0.2	0.3	0.4	0.7	0.4	0.8
Fees for technical and administrative tasks	0.3	0.6	-	-	-	-	-	-	-	-
Total	47.4	100.0	72.8	100.0	58.2	100.0	61.2	100.0	47.5	100.0
% administrative and selling expenses on net revenues	11.3		14.6		10.1		10.7		9.4	

Administrative and selling expenses remained at similar levels in 2003 and 2002, except for:

- I. A decrease of \$ 1.1 million in *Doubtful accounts* that affected the balances of trade receivables and other doubtful receivables according to the estimates made by the Company each year; and
- II. A decrease of \$ 23.0 million in *Lawsuits and other expenses* as a result of having recorded in each year the new claims that are included in the Company's provision for contingencies, which are described in Note 9 to the financial statements.

- **Other net expenses**

(In millions of pesos)

	Years ended on 12.31.				
	2003	2002	2001	2000	1999
Fixed asset written off	(10.2)	(10.4)	(18.1)	(20.7)	(7.4)
Reversion of PPI tariff adjustment to be invoiced, year 2000	-	-	(23.9)	-	-
Recovery of contingencies	0.7	1.1	6.8	-	-
Personnel indemnities	(0.5)	(0.3)	(2.2)	(4.8)	(1.6)
Other income	1.5	4.3	(2.7)	(0.6)	(6.5)
Total	(8.5)	(5.3)	(40.1)	(26.1)	(15.5)

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****I) ANALYSIS OF RESULTS AND THE FINANCIAL SITUATION (Contd.)**

- **Financial and holding results including the result of exposure to changes in the purchasing power of the currency. Foreign exchange differences capitalized in fixed assets – written off -**

Detailed below is the breakdown of Financial and holding results including the result of exposure to changes in the purchasing power of the currency corresponding to the years ended December 31, 2003, 2002, 2001, 2000 and 1999:

(In millions of pesos)

	Years ended on 12.31.				
	2003	2002	2001	2000	1999
Interest and restatement of liabilities	(164.2)	(133.8)	(128.8)	(125.3)	(92.2)
Exchange differences generated by liabilities	45.7	(675.6)	-	-	-
Foreign exchange differences capitalized in fixed assets	-	507.8	-	-	-
Bank and financial commissions, charges and taxes	(7.7)	(11.3)	(13.4)	(19.1)	(12.9)
Reimbursement agreement fee	(4.0)	(3.4)	(2.2)	(2.4)	(2.7)
Intangible asset amortization – Global Programs of Negotiable corporate Bonds	(25.0)	(4.2)	(4.1)	(6.1)	(2.7)
Result from transaction with derivatives	-	-	-	7.0	-
Holding results	0.3	(6.0)	-	-	(0.2)
Interest, restatement and expenses generated by assets	0.5	2.3	3.7	11.0	5.7
Recovery of provisions due to changes in quotation of investments	(1.1)	(3.5)	-	-	-
Discounts obtained	0.1	-	-	-	-
Exchange differences generated by assets	(25.6)	(25.4)	-	-	-
Result of discount of non-current assets at present value	(5.1)	(8.3)	-	-	-
Result of exposure to changes in the purchasing power of currency	-	9.5	-	-	-
Total	(186.1)	(351.9)	(144.8)	(134.9)	(105.0)

The most outstanding aspects of the changes in the financial results are:

- A gain of \$ 45.7 million was recorded at December 31, 2003 for *Exchange differences generated by liabilities* as a result of the changes in the dollar rate of exchange below the 2002 values on liability balances in this foreign currency. For the same reason, assets in dollars led to a \$ 25.6 million loss in *Exchange differences generated by assets* in 2003. The balances in foreign currency at December 31, 2003 and 2002 are disclosed in Exhibit G of the Company's attached financial statements.

Charges for exchange differences had their heaviest negative impact during 2002 in which a total \$ 675.6 million was allocated to liability balances and \$ 25.4 million to asset balances, both for exchange losses, due to the exposure of these balances to increasingly higher exchange rates which reached \$ 3.80 and \$ 3.74 per dollar at June 30 and September 30, 2002.

However, as can be seen from the above table, the most important portion of the effects of the devaluation was recorded in the comparative year according to Resolution MD No. 3 of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires, which allowed the exchange differences arising from liabilities at January 6, 2002 that financed the purchase, production or construction of such fixed assets to be capitalized in the balance

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****I) ANALYSIS OF RESULTS AND THE FINANCIAL SITUATION (Contd.)**

- ***Financial and holding results including in the result of exposure to changes in the purchasing power of the currency. Foreign exchange differences capitalized in fixed assets - written off - (Contd.)***

of fixed assets. At December 31, 2002 this capitalization amounted to \$ 507.8 million (Exhibit A).

In 2003, the Company recorded *Foreign exchange differences capitalized in fixed assets - written off* -amounting to \$ 277.9 million, corresponding to the carrying value of these exchange differences at March 31, 2003 (Note 2.5.d.), as it was understood that within the framework of the provisions of Decree No. 664/03 and as established by General Resolution No. 441/03 issued by the CNV (elimination of the adjustment for inflation in the financial statements), such exchange differences would not be absorbed in the future through recognition of variations in the purchasing power of the currency. This decapitalization is disclosed in a separate line in the Statement of Income of the Company's attached financial statements;

- ii) *Interest and restatements generated by liabilities* disclose a net increase of \$ 30.4 million broken down into: a) interest accrued in 2003 and 2002 is mostly in foreign currency (dollars) with a similar level in both years. The Reference Stabilization Index (CER) which is applied to debts in pesos had an impact of \$ 21.3 million in 2002 and decreased noticeably in 2003 to \$ 2.9 million. The interest as well as the accrued restatements in 2002 are stated in real terms, that is to say, net of gain for disclosure to the change in the purchasing power of the currency; and (b) in 2003 penalties corresponding to the default of the foreign debts mentioned in Note 7 to the Company's attached financial statements amounting to US\$ 5.2 million (\$ 15 million);
- iii) The recording in 2003 of a \$ 5.1 million loss resulting from the valuation of certain long-term assets at discounted values, according to the guidelines established by the new accounting standards mentioned in Note 2 to the Company's financial statements. At the closing of the previous year, these discounts represented \$ 8.3 million;
- iv) The recording during the comparative year of a \$ 6.0 million loss for *Holding results* (generated by assets) on the balances of Other Assets and in certain investments;
- v) The inclusion in 2002 of a \$ 9.5 million gain for *Result of exposure to changes in the purchasing power of currency* calculated on the balances of monetary assets and liabilities; and
- vi) The recording in 2003 and 2002 of a loss of \$ 1.1 million and \$ 3.5 million in the *Recovery of provisions due to changes in quotation of investment* caption to disclose the reduction in the technical value of the Bonds in the Argentine Medium-Term Foreign Bills Program.

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****I) ANALYSIS OF RESULTS AND THE FINANCIAL SITUATION (Contd.)**

- **Summary of the Statement of Cash Flows**

(In millions of pesos)

	Years ended on 12.31.				
	2003	2002	2001	2000	1999
Net (loss) income of the year	(237.5)	(195.7)	15.7	86.6	104.9
Adjustments to arrive to cash new flow arising from operating activities	496.9	533.9	330.7	260.1	197.2
Subtotal	259.4	338.2	346.4	346.7	302.1
Net changes in assets and liabilities	(31.1)	(63.6)	(4.1)	(48.7)	59.3
Cash generated by operating activities	228.3	274.6	342.3	298.0	361.4
Acquisition of fixed assets	(72.0)	(40.0)	(81.1)	(339.7)	(300.9)
Dividends collected	-	-	-	(2.2)	(14.6)
(Increase) decrease in other investments	(186.7)	0.5	(4.4)	-	-
Net cash used in investment activities	(258.7)	(39.5)	(85.5)	(341.9)	(315.5)
New short-term loans	6.9	41.6	1,359.8	1,066.8	378.8
New long-term loans	-	-	21.9	846.0	45.1
Payment of short-term loans	-	(3.7)	(1,290.2)	(1,095.4)	(288.7)
Payment of long-term loans	-	(3.3)	(149.7)	(614.4)	(71.4)
Interest paid on loans	(76.7)	(146.5)	(131.2)	(116.2)	(89.0)
Decrease in customers advances	(1.6)	(5.7)	-	-	(3.3)
Increase in intangible assets	-	-	(0.4)	(20.0)	(1.8)
Dividends collected	-	-	(19.8)	(43.9)	-
Dividends to be distributed	-	-	-	(19.8)	-
Payment of personnel profit-sharing bonus	-	-	(0.1)	(0.2)	(0.2)
Cash (used to) generated by financing activities	(71.4)	(117.6)	(209.7)	2.9	(30.5)
Net (decrease) Increase in cash	(101.8)	117.5	47.1	(41.0)	15.4
Cash at the beginning of the year	170.2	52.7	5.6	46.6	31.2
Cash at the end of the year	68.4	170.2	52.7	5.6	46.6

II) CONTINGENCIES AND LEGAL MATTERS – OUTSTANDING EVENTS DURING 2003**- Tax on economic activities (Turnover tax) – Province of Salta**

On April 26, 2002 the Provincial Tax Bureau of Salta officially assessed obligations arising from this tax for years 1996 to 2001, in the amount of \$ 1.3 million in principal plus \$ 1.4 million in interest calculated as at May 31, 2002. This obligation has been determined on the market value of the so-called "retained gas". After several administrative proceedings, on January 18, 2004 the Provincial Government enacted Decree No. 118 confirming the tax assessment thus exhausting all administrative proceedings. TGN has resolved to bring legal action, after paying the amount assessed which amounts to \$ 3.2 for the tax plus accessories.

- Rescission of the firm transportation contract entered into with AES Paraná S.C.A.

In February 2003, following a fruitless negotiation process to fairly reconcile the interests involved, the Company was obliged to demand the rescinding of the firm transportation contract. The claim was filed with the National Gas Regulator in accordance with the powers granted to it by section 66 of Law 24076.

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.

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****II) CONTINGENCIES AND LEGAL MATTERS – OUTSTANDING EVENTS DURING 2003 (Contd.)****- Rescinding of the firm transportation contract with AES Paraná S.C.A. (Contd.)**

AES Paraná answered the claim in May 2003, opposing its advancement with the allegation that TGN had acted negligently by omitting to adopt the steps required to ensure the availability of the necessary resources to cover its obligations assumed in the transportation contract. AES Paraná seems to have counterclaimed for damages that the lack of firm transportation would cause. They also question the competence of ENARGAS to rule in this case. Notification was given to TGN, and on August 5, 2003 TGN replied to the jurisdictional plea, upholding ENARGAS's ability under Section 66 of Law No. 24076 to hear the dispute.

- Municipality of Aguaray – rates on commercial, industrial and service activities.

In July 2003, the Municipality of Aguaray, Province of Salta, notified TGN, claiming payment of \$ 4.6 million for the "Tax on Commercial, Industrial and Services activities" and its interest, plus \$ 3.3 million in fines for supposed tax fraud. Regardless of the administrative appeal for reconsideration that was filed on September 29, 2003, TGN filed a declaratory action of certainty with the Federal Court No. 1 of Salta, in which it argued the legality of the tax. Furthermore, the Company requested a temporary restraining order that was granted on October 1, 2003.

- Negotiable Obligations Programs

At the end of the year, the Company received information requirements from the AFIP referring to the interest corresponding to the Negotiable Obligations programs placed through public offering. Specifically, the intention of the Tax Authorities was to verify compliance with the requirements that the return paid to the holders of these negotiable obligations should enjoy the benefits granted by Section 36 bis of Law No. 23576, which according to the Company have been fully complied with.

III) BUSINESS PROSPECTS**- Future business strategy**

The Company is acting proactively in relation to the tasks needed to restore contractual conditions in the framework of the process being undertaken by the Unit for the Renegotiation and Analysis of Public Utility Contracts (UNIREN), the ENARGAS and the Energy Secretariat. The new framework should contain the minimum tariff and non-tariff terms necessary to ensure reinvestment, to make a recovery in the flow of investment that in the past enabled the Company to quickly overcome supply bottlenecks, in turn leading to a promising opening-up of the region's energy markets to integration.

A continued freeze on carrying rates will inevitably be reflected in a shortfall in investment, and thus in the financial inability to meet carrying capacity expansion requirements.

In the present conditions, the Company can only dedicate itself to performing as diligently as possible those operating disbursements and investments necessary to prevent deterioration of existing assets and the quality of the public service it provides.

Exceptionally, it may be possible to extend sections of the pipeline network used to carry gas for export, as this activity is subject to a tariff schedule which, unlike domestic gas carrying, reflects the economic reality of our business.

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****III) BUSINESS PROSPECTS (Contd.)****- Future business strategy (Contd.)**

This will be particularly important in view of the increasing strategic relevance since 1997 of gas carrying to meet the energy needs of neighboring countries. The Company assigns great importance to being able to match this growth, and has been making efforts to meet growing demand from the central region of Chile, attempting to avoid any sudden interruption in the ability to satisfy the growth of a region where Argentine natural gas has become an essential source of energy.

Priority will also be assigned to developing the penetration of natural gas into the south of Brazil. To this end it is taking part in the revival of the TSB (Transportadora Sulbrasileira de Gas) project, that will extend the reach of Argentine gas from Uruguayana (today connected to the Argentine gas pipeline system) to Porto Alegre, making it possible to significantly increase the export of natural gas to the region.

Over the course of 2003, TGN has made progress with the structuring of marginal expansion to its system with third party finance, including that provided through financial trusts set up under the terms of ENARGAS Resolution 2877/2003. As a result, in December 2003 Call to Tender 5/2003 was issued for expansion to capacity, on condition that the financing of any expansion should be for account of the Bidders, or third parties wishing to volunteer the corresponding funds.

IV) COMPARATIVE BALANCE SHEET STRUCTURE AT DECEMBER 31, 2003, 2002, 2001, 2000 AND 1999

(In millions of pesos)

	Years ended on 12.31.				
	2003	2002	2001	2000	1999
<i>Current assets</i>	330	252	140	109	130
<i>Non-current assets</i>	2,538	3,044	2,692	2,754	2,536
<i>Total</i>	2,868	3,296	2,832	2,863	2,666
<i>Current liabilities</i>	946	669	430	365	429
<i>Non-current liabilities</i>	992	1,460	1,039	1,130	893
<i>Subtotal</i>	1,938	2,129	1,469	1,495	1,322
<i>Shareholders' equity</i>	930	1,167	1,363	1,368	1,344
<i>Total</i>	2,868	3,296	2,832	2,863	2,666

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002****V) COMPARATIVE INCOME STRUCTURE FOR THE YEARS ENDED DECEMBER 31, 2003, 2002, 2001, 2000 AND 1999**

(In millions of pesos)

	Years ended on 12.31.				
	2003	2002	2001	2000	1999
Operating result	145.5	171.7	286.3	284.3	275.5
Financial result	(186.1)	(351.9)	(144.8)	(134.9)	(105.0)
Foreign exchange differences capitalized in fixed assets – written-off	(277.9)	-	-	-	-
Result from investment in other companies	1.3	1.3	0.3	0.3	0.1
Other net expenses	(8.5)	(5.3)	(40.1)	(26.1)	(15.5)
Net result before tax	(325.7)	(184.2)	101.7	123.6	155.1
Income tax	-	-	(41.7)	(37.0)	(50.2)
Income tax (1)	88.2	(11.5)	(44.3)	-	-
Net result of the year	(237.5)	(195.7)	15.7	86.6	104.9

(1) Calculated with the deferred tax method described in Note 2.5.1) to the Company's attached financial statements.

The information in Chapters IV and V above at December 31, 2000 and 1999 has not been adjusted to include the retroactive adjustments of prior years mentioned in Note 2.1. to the financial statements.

VI) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2003, 2002, 2001, 2000 AND 1999Volume invoiced in millions of m³

According to the type of carrying agreement

	Years ended on 12.31.				
	2003	2002	2001	2000	1999
Firm	15,688	14,104	13,997	13,471	12,632
Interruptible, exchange and shifting	1,286	733	429	586	645
Total	16,974	14,837	14,426	14,057	13,277

According to source

	Years ended on 12.31.				
	2003	2002	2001	2000	1999
Norte Gas pipeline	6,757	6,368	6,286	5,664	5,359
Centro-Oeste Gas pipeline	10,217	8,469	8,140	8,392	7,918
Total	16,974	14,837	14,426	14,056	13,277

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TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

VII) COMPARATIVE RATIOS AT DECEMBER 31, 2003, 2002, 2001, 2000 AND 1999

	Years ended on 12.31.				
	2003	2002	2001	2000	1999
<i>Current liquidity</i>	0.35	0.38	0.33	0.30	0.30
<i>Solvency</i>	0.48	0.55	0.93	0.92	1.02
<i>Ordinary pre-tax return</i>	(0.28)	(0.14)	0.08	0.10	0.13
<i>Capital freezing</i>	0.88	0.92	0.95	0.96	0.95

Buenos Aires, March 8, 2004

Board of Directors
Jorge Valdez Rojas
Chairman

The independent auditors' report dated March 8, 2004 has been issued as a separate document.

INDEPENDENT AUDITORS' REPORT

To the President and Directors of
Transportadora de Gas del Norte S.A.
Don Bosco 3672 – 3rd floor
Buenos Aires

1. Identification of the financial statements subject to examination

We have examined the balance sheets of Transportadora de Gas del Norte S.A. at December 31, 2003 and 2002, and the related statements of income and of cash flows for the years then ended and the statement of changes in shareholders' equity for the year ended on December 31, 2003 with the complementary notes and exhibits.

These financial statements are the responsibility of the Company's Board of Directors in exercising their exclusive functions. Our responsibility is to issue a report on such financial statements based on our audit with scope indicated in point 2.

2. Scope of our work

We conducted our audits in accordance with auditing standards in effect in Argentina. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and to form an opinion about the reasonableness of the relevant information contained in those financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. Comments prior to our opinion

a) As mentioned in Note 2.1 to the financial statements, as from the current year the Company has applied new valuation and disclosure standards approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires and the National Securities Commission, which has implied the recognition of adjustments to prior years' results, reclassifications and adaptation of the comparative information.

b) The Company prepared its financial statements applying valuation and restatement criteria established by the National Securities Commission which, as explained in Notes 2.4 and 2.5.1) differ in certain aspects from the accounting standards in effect in the Autonomous

City of Buenos Aires, in connection with the discount of the value of assets and liabilities generated by application of the deferred tax method, and the discontinuation of adjustments for inflation as from March 1, 2003, which effects are shown in the mentioned notes.

c) As mentioned in Note 1 to the financial statements, as a result of the economic crisis in Argentina the Government issued some measures which had an effect mainly in the year 2002. The events related to changes in the economic context and the legal and contractual conditions under which the Company's business is developed have had a significant adverse effect on its financial and equity position and on its results. The impact generated by all these measures adopted to date by the National Government on the financial situation of the Company at December 31, 2003 was calculated according to the evaluations and estimates made by Management at the date of preparing the financial statements, which could differ from actual results, and those differences could be significant. Furthermore, changes in current regulations and laws may imply that future results could differ from the evaluations and estimates made at the date of preparation of the financial statements, and those differences, whether positive or negative, could be significant. In addition, as the Law on Public Emergency and Exchange System Reform authorizes the Executive Branch to renegotiate tariffs and since at the date of issue of this report the result of that renegotiation is unknown, there is uncertainty as to the generation of future cash flows enabling settlement of liabilities, recovery of non-current assets such as fixed assets amounting to \$ 2,441.0 million, other non-current receivables for \$ 30.9 million, and deferred income tax for \$ 56.6. Furthermore, as indicated in Note 9 to the financial statements, the Company has brought legal actions and initiated contractual controversies for significant amounts, the outcome of which cannot be determined so far due to its complexity and progress achieved. Consequently, the financial statements of the Company may not include all adjustments and/or reclassifications that might be generated if the situations described above are not resolved in favor of continuing the Company's operations as going concern. In addition, the future evolution of the economic crisis may require that the Government modify some measures adopted or issue additional regulations. Therefore, the financial statements of the Company must be read in the light of these uncertain circumstances.

d) At December 31, 2003, the Company holds financial debts in US dollars amounting to US\$ 597.9 million and in Argentine pesos amounting to \$ 85.3 million (at December 31, 2002 amounting to US\$ 570.0 million and \$ 77.4 million); of which US\$ 263.1 million and \$ 85.3 million were recognized as current and US\$ 334.8 million as non-current (at December 31, 2002, US\$ 149.1 million and \$ 77.4 million as current and US\$ 420.8 as million as non-current).

As mentioned in Note 1, the Company's Board of Directors decided to suspend payments of principal on its financial debt and part of payments corresponding to interest as a result of the macroeconomic situation in Argentina. Furthermore, the Company failed to comply with some covenants in relation to certain financial liabilities.

At the date of issue of this report, the Company has failed to pay principal amounting to US\$ 128.0 million and \$ 66.7 million and interest for US\$ 35.9 million and \$ 0.9 million. Consequently, its financial creditors could consider all receivables past due and request accelerated settlement of amounts due, which are shown in the attached financial statements classified into current and non-current, in accordance with the original terms of the loans. Furthermore, as mentioned in Note 1.4 to the

accompanying financial statements, holders of negotiable obligations brought a claim and obtained a preliminary attachment to secure collection of amounts due from the Company corresponding to principal and interest plus costs; in addition, these holders brought a claim for summary collection.

- e) As mentioned in Note 2.5.d. and as established by MD Resolution 3/2002 of the Professional Council in Economic Sciences of the City of Buenos Aires and Resolution No. 398 of the National Securities Commission, during the year ended on December 31, 2002 the Company capitalized certain negative exchange differences (net of the effect of inflation and amortization) related to financing of fixed assets. Those capitalized exchange differences should be absorbed by future adjustments for inflation to be made by the Company. The Company considers that within the framework of the provisions of Decree No. 664/03 and General Resolution No. 441/03 of the National Securities Commission (elimination of the adjustment for inflation in the financial statements), those exchange differences will not be able to be absorbed in the future as corresponding to recognition of changes in the purchasing power of the currency. Consequently, the net book value of exchange differences capitalized through March 31, 2003 for \$ 277.9 million has been reversed and charged to income statement for fiscal year 2003.

4. Opinion

In our opinion, except for the deviation from the professional accounting standards mentioned in point 3, clause b) and the disclosure of non-current liabilities mentioned in point 3, clause d) and subject to the effect on the financial statements from possible adjustments and reclassification, if any, that might be required upon the resolution of the situations described in point 3 clause c), the financial statements of Transportadora de Gas del Norte S.A. present fairly in all material respects its financial position at December 31, 2003 and 2002, the results of its operations and its cash flows for the years then ended and the changes in its shareholders' equity for the year ended December 31, 2003, in conformity with professional accounting standards in effect in Argentina (in the jurisdiction of the Autonomous City of Buenos Aires)

5. Special information required by current regulations (for the year ended on December 31, 2003)

- a) The financial statements of Transportadora de Gas del Norte S.A. arise from accounting records carried in all formal respects in conformity with legal requirements, which maintain the security and integrity conditions based on which they were authorized by the National Securities Commission;
- b) The financial statements have been transcribed to the Inventory and Balance Sheet book.
- c) The financial statements mentioned in point 1 of this report are disclosed in conformity with Law No. 19550 and the pertinent resolutions of the National Securities Commission.

- d) As part of our examination, we have read the Summary of Activities and the additional information to the notes to the financial statements required by section 68 of the Buenos Aires Stock Exchange Regulations on which, as regards those matters that are within our competence, we have no observations to make other than those mentioned in point 3., except for the fact that the information at December 31, 2000 and 1999 included in points I, IV, V and VII of the summary of activity has not been adjusted to include the retroactive adjustments for previous years mentioned in Note 2.1. to the financial statements.
- e) At December 31, 2003 the debt of Transportadora de Gas del Norte S.A. accrued in favor of the Integrated Retirement and Survivors' Benefit System according to the accounting records amounted to \$ 916,881.47, none of which was claimable at that date.

Autonomous City of Buenos Aires, March 8, 2004

DELOITTE & Co. S.R.L.

(Partner)

PRICE WATERHOUSE & CO.

(Partner)

TRANSPORTADORA DE GAS DEL NORTE S.A.**BALANCE SHEETS** as of December 31, 2003 and 2002 (Note 2)

(Stated in constant currency)

(In pesos)

	12.31.03	12.31.02
	\$	
ASSETS		
<i>CURRENT ASSETS</i>		
Cash and banks	18,259,275	15,665,954
Short term investments (Exhibit D)	239,203,130	156,689,405
Accounts receivable - trade (Note 3.a))	54,320,265	56,053,945
Other receivables (Note 3.b)i))	17,033,315	13,039,370
Intangible assets (Exhibit B)	1,453,566	10,383,203
Total current assets	330,269,551	251,831,877
<i>NON-CURRENT ASSETS</i>		
Other receivables (Note 3.b)ii))	30,967,338	12,622,922
Deferred income tax (Note 2.5.l))	56,579,215	-
Fixed assets (Exhibit A)	2,441,013,750	3,000,407,311
Long term investments in other companies (Exhibit C)	3,191,138	1,989,659
Other investments (Exhibit D)	-	1,303,984
Intangible assets (Exhibit B)	-	22,324,251
Other assets - Gas in pipelines	5,640,776	5,319,781
Total non-current assets	2,537,392,217	3,043,967,908
Total assets	2,867,661,768	3,295,799,785
<i>LIABILITIES</i>		
CURRENT LIABILITIES		
Accounts payable (Note 3.c))	26,977,052	21,353,155
Loans (Note 7.i))	856,078,490	583,463,466
Salaries and social security charges	2,989,728	2,752,925
Taxes (Note 3.d))	10,332,524	16,973,045
Customers' advances	-	1,648,644
Other liabilities (Note 3.e)i))	1,848,130	3,079,410
Total liabilities	898,225,924	629,270,645
Provisions (Note 9 and Exhibit E)	47,636,477	39,159,541
Total current liabilities	945,862,401	668,430,186
<i>NON-CURRENT LIABILITIES</i>		
Loans (Note 7.ii))	981,063,784	1,428,161,765
Deferred income tax (Note 2.5.i))	-	31,835,358
Other liabilities (Note 3.e)ii))	10,948,199	53,905
Total non-current liabilities	992,011,983	1,460,051,028
Total liabilities	1,937,874,384	2,128,481,214
SHAREHOLDERS' EQUITY (as respective statements)	929,787,384	1,167,318,571
<i>Total</i>	2,867,661,768	3,295,799,785

The accompanying Notes 1 to 10 and Exhibits A, B, C, D, E, G, H and I are an integral part of these statements.

Jorge Valdez Rojas
Chairman

TRANSPORTADORA DE GAS DEL NORTE S.A.**STATEMENTS OF INCOME** for the years ended December 31, 2003 and 2002 (Note 2)
(Stated in constant currency)
(In pesos)

	12.31.03	12.31.02
	\$	
Net revenues (Note 3.f))	418,157,488	497,028,354
Operating costs (Exhibit H)	(225,214,852)	(252,475,812)
Gross profit	192,942,636	244,552,542
Selling expenses (Exhibit H)	(14,649,079)	(18,410,538)
Administrative expenses (Exhibit H)	(32,771,432)	(54,450,689)
Operating income	145,522,125	171,691,315
Result from investments in other companies	1,265,851	1,329,333
Financial and holding results including the result of exposure to changes in the purchasing power of the currency:		
Generated by assets (Note 3.g)-Exhibit H)	(31,469,465)	(110,279,464)
Generated by liabilities (Note 3.g)-Exhibit H)	(154,600,272)	(241,672,524)
Foreign exchange differences capitalized in fixed assets - written-off (Note 2.5.d))	(277,942,499)	-
Other net expenses (Note 3.h))	(8,500,203)	(5,283,875)
Net loss before tax	(325,724,463)	(184,215,215)
Income tax (Note 2.5.l))	88,193,276	(11,545,697)
Net loss of the year	(237,531,187)	(195,760,912)
Results per ordinary share:		
Net loss per basic share (Note 4)	(0.6758)	(0.5569)
Net loss per diluted share (Note 4)	(0.6357)	(0.5166)

The accompanying Notes 1 to 10 and Exhibits A, B, C, D, E, G, H and I are an integral part of these statements.

Jorge Valdez Rojas
Chairman

FREE TRANSLATION FROM THE ORIGINAL PAPERS PREPARED IN SPANISH FOR PUBLICATION IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY for the years ended December 31, 2003 and 2002

(Note 2)

(Stated in constant currency)

(In pesos)

Caption	Shareholders' contributions			Legal reserve	Voluntary reserve for future dividends	Inappropriate retained earnings	Total shareholders' equity 12.31.03	Total shareholders' equity 12.31.02
	Capital stock	Adjustment to capital	Total					
	\$							
Balances at the beginning of the year	351,499,185	506,052,842	857,552,027	46,205,452	125,587,542	178,121,667	1,207,466,688	1,407,352,048
Adjustment of balances at the beginning of the year (Note 2.1)	-	-	-	-	-	(40,148,117)	(40,148,117)	(44,272,565)
Adjusted balances at the beginning of year	351,499,185	506,052,842	857,552,027	46,205,452	125,587,542	137,973,550	1,167,318,571	1,363,079,483
Net loss of the year	-	-	-	-	-	(237,531,187)	(237,531,187)	(195,760,912)
Balances at the end of the year	351,499,185	506,052,842	857,552,027	46,205,452	125,587,542	(99,557,637)	929,787,384	1,167,318,571

The accompanying Notes 1 to 10 and Exhibits A, B, C, D, E, G, H and I are an integral part of these statements.

Jorge Valdez Rojas
Chairman

The independent auditors' report dated March 8, 2004 is issued as a separate document.

TRANSPORTADORA DE GAS DEL NORTE S.A.**STATEMENTS OF CASH FLOWS** for the years ended December 31, 2003 and 2002 (Note 2)

(Stated in constant currency)

(In pesos)

CHANGES IN CASH

	12.31.03	12.31.02
	\$	
Cash at the beginning of the year	170,238,095	52,696,086
Cash at the end of the year (Note 3.j.)	68,458,526	170,238,095
Net (Decrease) Increase in cash	(101,779,569)	117,542,009

CAUSES OF CHANGES IN CASH*OPERATING ACTIVITIES*

Net loss of the year	(237,531,187)	(195,760,912)
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Adjustments to arrive to cash net flow arising from operating activities

Income tax	(88,193,276)	11,545,697
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Fixed assets depreciation	103,504,299	123,615,033
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Intangible assets amortization	6,227,893	6,582,361
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Residual value of fixed assets written off	14,682,638	18,290,224
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Consumption of spare parts	11,504,174	22,577,667
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Increase in allowances and provisions (net of recoveries)	36,278,281	78,719,532
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Intangible assets amortization - Global Negotiable Obligations Program (Exhibit B)	4,067,181	4,155,310
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Residual value of intangible assets written off	20,958,814	-
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Foreign exchange differences capitalized in fixed assets - written off (Note 2.5.d))	277,942,499	-
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Accrued interest and restatement (Note 3.g))	164,233,981	133,756,103
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Financial and holding results net of the result of exposure to changes in the purchasing power of the currency	(52,950,269)	136,167,191
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Result from investments in other companies	(1,265,851)	(1,329,333)
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Subtotal	259,459,177	338,318,873
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Net changes in operating assets and liabilities:

Increase in accounts receivable - trade	(16,390,075)	(7,830,146)
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Increase in other receivables	(22,811,750)	(13,005,788)
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Increase (Decrease) in accounts payable	5,623,897	(16,020,995)
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Increase (Decrease) in salaries and social security charges	236,803	(3,552,082)
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Decrease in taxes	(6,640,521)	(10,644,979)
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Increase (Decrease) in other liabilities	9,663,014	(12,592,699)
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Decrease in provisions	(744,405)	-
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Net cash from operating activities

	228,396,140	274,672,184
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INVESTMENT ACTIVITIES

Acquisition of fixed assets	(72,052,422)	(40,019,797)
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(Increase) Decrease in other investments	(186,705,400)	430,619
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Dividends collected	25,402	62,196
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Contributions of capital in related companies	-	(45)
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Net cash used in investment activities	(258,732,420)	(39,527,027)
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Carried forward	(30,336,280)	235,145,157
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TRANSPORTADORA DE GAS DEL NORTE S.A.**STATEMENTS OF CASH FLOWS** for the years ended December 31, 2003 and 2002 (Note 2)

(Contd.)

(Stated in constant currency)

(In pesos)

	12.31.03	12.31.02
	<u>\$</u>	
CAUSES OF CHANGES IN CASH (Contd.)		
Brought forward	(30,336,280)	235,145,157
FINANCING ACTIVITIES		
New short-term loans	6,853,130	41,569,592
Payment of short-term loans	(39,523)	(3,652,058)
Payment of long-term loans	-	(3,333,665)
Interest paid on loans	(76,608,252)	(146,456,696)
Decrease in customers' advances	(1,648,644)	(5,730,321)
Net cash used in financing activities	(71,443,289)	(117,603,148)
Net (Decrease) Increase in cash	(101,779,569)	117,542,009

The accompanying Notes 1 to 10 and Exhibits A, B, C, D, E, G, H and I are an integral part of these statements.

Jorge Valdez Rojas
Chairman

The independent auditors' report dated March 8, 2004 is issued as a separate document.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(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 No. 23.696 and No. 24.076 ("The Gas Act") and Executive Decree No. 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 holder of a license ("the License") for the providing of the public service for the carrying of natural gas, under which it is granted the exclusive right to exploit the two gas pipelines it owns in the North and Center-West 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 context and its impact on the Company's economic and financial position

During 2003 Argentina showed encouraging signs that it was overcoming the profound crisis that broke out at the end of 2001, giving rise to a high level of political and institutional uncertainty, a fall in output, devaluation, unilateral declaration of suspension of payments on the public debt, failure to meet contractual obligations and a growing level of social violence.

Although the outcome of the presidential elections and the consequent change of president in May 2003 did not lead to alterations to the economic policies introduced in order to overcome the most critical periods of 2002, the economy benefited from a favorable international context, with a positive impact on fiscal and foreign trade accounts. In this context, the authorities were able to gradually relax the restrictions weighing on bank deposits, as well as exchange controls, progressing towards monetary reunification by means of the redemption of quasi-currencies.

The above, added to the reduced political and institutional uncertainty, led to an improvement in confidence levels and a consequent rise in domestic consumption of goods and services. Through the adoption of an effective monetary policy, the authorities succeeded over the course of the year in avoiding sharp fluctuations in the value of the currency, allowing the exchange rate to stabilize at a level of close to 3 pesos per dollar. This situation was aided by the virtual absence of any secondary monetary creation and low pressure for wage increases that contributed to halt the inflationary process that had begun to be experienced in 2002.

In short, during 2003 the country has been able to recover from the depressed levels of the previous year, with improvement driven mainly by domestic demand and the performance recorded by exports, backed by relative stability in the exchange rate and inflation. Nevertheless, the current level of real output continues to be considerably lower than that recorded at the end of the previous decade, an indication of the severity of the crisis.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

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

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

In addition, there are still no substantial improvements in relation to the solvency of the financial system. This situation has hindered the growth of domestic credit, restricting the sustainability of future investment growth.

It can therefore be seen that in spite of the progress registered in various areas, matters that will be essential to strengthen and deepen the rebuilding of the country are still pending. These include the renegotiation of public debt, the return to normal of the financial system, the solvency of which is still far from having been secured, and the long-overdue renegotiation of public utility contracts.

This latter matter, essential to the future of TGN, records no concrete progress, conditioning the future of the Company, delaying the execution of new investment programs that might help to support real economic recovery.

During 2002 there was a significant and uneven increase in the various economic indicators, such as the exchange rate, the domestic wholesale price index (used for the restatement of prior year financial statements) and specific indexes of goods and services related to the Company, so the financial statements must be construed taking these circumstances into consideration.

Among the most significant effects of the economic and financial situation described on the operations of the Company, we would mention:

- j) With respect to the mechanism for setting Company tariffs and regardless of the provisions in the original contractual framework, such as is detailed in Note 1.3., Law on public emergency No. 25561 established the pesification of the tariffs at the rate of exchange of \$ 1 = US\$ 1, determining that the peso values will prevail on the date of enforcement of the Law and revocation of the six-monthly adjustment mechanism based on the Producer Price Index (PPI) explained in the same note.

In addition, the Emergency Law No. 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 safety of the systems and (v) the companies' utilities.

The Executive issued Decree 293 charging the Ministry of Economy with the renegotiation of contracts. To this end a Renegotiation Committee for Contracts and Public Services was created by section 20 of Law 25561 to advise and assist the Ministry. This Committee was to be kept permanently informed of the state of the renegotiation process, and was to issue its opinion on the agreements reached.

On July 3, 2003 the National Executive Branch issued Decree 311 setting up a Unit for the Renegotiation and Analysis of Public Utility Contracts (UNIREN) within the scope of the Ministries of Economy and Production and Federal Planning, Public Investment and Services, to advise and assist in the process of renegotiation of the contracts for public works and services established by Law No.25561. One of the

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

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

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

roles of the new Unit is to: *“submit for approval regulations in relation to potential temporary adjustments to prices, tariffs and/or their segmentation; or contractual clauses relating to the public utility services under concession or license.”*

Additionally, Law No. 25790 (published in the Official Gazette on October 22, 2003) extended the period for renegotiating the public utilities contracts until December 2004.

In spite of the above, so far no significant progress has been made on the renegotiation of the License. the Company cannot determine the way the process will develop in future, nor the time it will take.

- II) The change in the economic context and the legal and contractual conditions in which the Company has been acting, as well as the state of the renegotiation of its License, give rise to uncertainty as to the generation of cash flows in future that will enable it to repay its liabilities, recover non-current assets, ensure the future development of its business and the preservation of the Company as a going concern.
- III) As a result of the financial imbalance created by the prevailing economic measures, the Board of the Company 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 (Law 24076) and section 10 of Law 25561; (ii) it could continue to operate as a going concern; and (iii) equality of treatment could be provided to all its creditors.
- IV) As a consequence, the Company was obliged to postpone the payment of certain financial liabilities for a total amount of \$ 547.7 million (principal, interest and commissions) (Note 7 and Exhibit I).

Furthermore, as a result of the circumstances described, the Company has defaulted on a series of covenants that had been committed to in relation to certain financial liabilities.

In view of these events of default, the Company's financial creditors could consider all the terms to maturity established to have lapsed, requesting the accelerated settlement of their credits, which the Company has disclosed in the financial statements as current and non-current, on the basis of the original terms agreed.

During 2002 the Company made contact with the creditors of these liabilities to agree on the terms of a standstill to prevent the enforcement of the acceleration clauses, allowing the Company to begin negotiations with the Government to rebuild its flow of funds, in order to ensure the normal fulfillment of its financial liabilities. Although the agreement was not formally entered into, the standstill has effectively taken place.

The Company is currently holding conversations with its creditors in order to reach a long-term agreement concerning the restructuring of its financial debt and in that framework has been accumulating financial liquidity in significant amounts, although

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(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.)

substantially lower than the aggregate of its unpaid obligations. The final allocation must form part of the restructuring agreement. Although Company Management understands that there are possible alternatives, it is not possible to ensure that they will be successful in implementing them.

The impacts generated by the measures adopted to date by the Government on the equity and financial position of the Company at December 31, 2003 have been calculated according to the evaluations and estimates made by management at the date of preparation of its financial statements

The future development of the economic crisis might require that the Government modify some measures adopted or issue additional regulations. However, actual results could differ from the evaluations and estimates made at the date preparing these financial statements and these differences could be significant.

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.

However, the circumstances mentioned in Note 1.2 cannot determine that Regulatory framework is not going to experience additional changes to those already implemented by article 8° of the Law No. 25561.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

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

1.3. Regulatory framework (Contd.)

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.

Tariffs are subject until expiry of the License to:

- i) adjustments derived from the five-yearly review to be performed by ENARGAS affecting, as far as possible, the "X" efficiency and "K" investments factors, where "X" reduces the tariff as counterpart of efficiency increases and "K" increases it to encourage unprofitable investments;
- ii) non-recurrent adjustments to reflect variations in the costs resulting from changes to tax regulations (except in the case of changes in income tax); and
- iii) unscheduled adjustments as a result of other objective and justifiable causes at the discretion of ENARGAS.

As mentioned above, Law No. 25561 pesified and froze the public utility rates, including those corresponding to the services of transport and distribution of natural gas on the local market and eliminated the twice-yearly adjustments resulting from the fluctuations in the PPI.

This situation has led to the suspension of the process of the Second Five-yearly Tariff Review which was being carried out, according to which the new rates for the five-year period 2003-2007 were to be determined (as established by Resolution No. 38/2002 of the Ministry of Economy).

- Suspension of adjustments using PPI

In 2000, the Company and the remaining licensees for natural gas network transportation and distribution agreed with the National Government the deferral of the tariff adjustment by the PPI between January 1, 2001 and June 30, 2002. Those agreements, which had been ratified by Decree No. 669/00 and implemented by ENARGAS resolutions, were suspended by a precautionary measure issued by a Federal Court in August 2000, at the request of the Ombudsman.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)**1.3. Regulatory framework (Contd.)****b) Tariffs (Contd.)***- Suspension of adjustments using PPI (Contd.)*

Based on the provisions of the Agreement entered into on July 17, 2000 and subsequently ratified by Decree No. 669/00, TGN had accrued the amounts corresponding to the deferred tariff variations until September 30, 2001. Considering the above injunction, to which must added the fact that in January 2002 the PPI was revoked, as established by Law No. 25561, the Company considers that the possibility of collecting, through the adjustment of future tariffs, the amount corresponding to unapplied tariff variations is remote, so TGN – without implying any waiver of its rights to collect the accrued amounts – decided to adopt a prudent position which consisted in reversing in 2001 the effect of income from sales duly recognized and initiate actions for recovery for \$ 4.3 million of VAT paid, with an estimated value at December 31, 2003 and 2002 of \$ 2.8 million and \$ 2.6 million, respectively. (Note 3.b.ii)

c) Restricted assets

- The large majority of the assets transferred by GdE, mainly those included in the Gaslines, High Pressure Branches, Compression Plants and Regulations and/or Pressure Measurement Stations (Exhibit A) captions, have been defined by the License as “essential for providing the service licensed”. In line with the License, the Company must repair and maintain the essential assets, together with their improvements and expansion, according to certain standards set out in the License. The Company cannot in any way dispose of essential assets, pledge them, lease or loan them, or give them any use other than the providing of carrying services, without the prior approval of ENARGAS.
- In May 1999 TGN lodged a lawsuit against the Under Secretariat of Equity Normalization and the General Notary Public of the Nation, in order to obtain the title deeds to certain properties that was transferred to TGN by GdE. The claim is for the purpose of legally determining the term within which the defendants must publicly notarize the properties transferred and if they fail to do so, the presiding Judge must notarize the title deeds for them. Although the case was about to be resolved at the end of 2001, because of the accumulation of cases involving the government freezing of bank accounts and successive rulings issued by the National Court of Appeals for Administrative Litigation, the terms for handing down a ruling has been postponed.

According to the Transfer Contract, all real estate must be registered in the name of TGN within two years of taking possession.

1.4. Other restricted assets

- In July 2003, the Company was notified that two holders of negotiable obligations issued by the Company had requested and obtained from the National Court of Original Jurisdiction in Commercial Matters a preliminary attachment amounting to US\$ 620,482 for principal plus US\$ 120,000 estimated to cover interest and costs, which was paid with 20% of the invoicing owed by certain customers to TGN.

TRANSPORTADORA DE GAS DEL NORTE S.A.**NOTES TO THE FINANCIAL STATEMENTS** for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)**1.4. Other restricted assets (Contd.)**

The Company allocated the amount corresponding to the attachment as capital in the "Other Receivables" caption - Note 3.b.ii), at its estimated discounted value that amounts to \$ 1,666,389 at December 31, 2003, while interest and legal costs were charged to results for the year. Subsequent to the attachment, these holders also brought a claim for summary collection, within the terms set out by law, to which the Company alleged lack of validity of the deed based on non-compliance by the plaintiff with certain requirements established in the Trust Contract that stipulates the terms and conditions of the negotiable obligations foreclosed.

The Company has decided to act as speedily as possible in this situation and in light of possible legal actions that can occur in the future, so as to safeguard the interests of all the financial creditors, thus preventing any hindrance in the negotiations with such creditors. The Company has decided to fully exercise its right to defense in order to not affect its normal activities.

- On September 26, 2003 the Company's Board of Directors resolved to authorize the setting up of a trust governed by Bahamian laws (the "Trust") for a period of six months, to which the Company will transfer all its liquid reserves during such period. It was established that the beneficiaries of the Trust be the Company and its financial creditors (defined as the holders of Debt Securities issued by TGN on or prior to June 30, 2003). At expiry, the funds in trust will revert to TGN's equity.

During the life of the Trust, the trust assets will be invested by the Trustee in U.S. Government Bonds or assigned to other investments in highly liquid assets in U.S. dollars placed with leading commercial banks that are classified as "Investment Grade" by an international agency. Furthermore, the Trustee may apply the trust assets to benefit the Company and/or its financial creditors. TGN considers that this temporary measure that it has adopted within the framework of the Company's efforts to privately agree on a restructuring of the Company's liabilities and to safeguard the rights of its creditors, will reasonably contribute to this objective.

During October 2003 TGN transferred reserves of accumulated liquidity amounting to US\$ 65 million at that date to the Trust.

At December 31, 2003 the balance of these assets amounts to \$ 187,474,320 in principal plus accrued interest (Annex D).

The Company's Board of Directors resolved on March 8, 2004 to extend the period of this trust until the end of the 2004 financial year.

1.5. 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

TRANSPORTADORA DE GAS DEL NORTE S.A.**NOTES TO THE FINANCIAL STATEMENTS** for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

operates environmentally safe facilities in compliance with federal, regional and ENARGAS environmental standards and regulations.

NOTE 2 - ACCOUNTING STANDARDS

Below are the most relevant accounting standards used by the Company to prepare these financial statements, which were applied on a consistent basis with those for the previous year.

2.1. Issue of new technical pronouncements

The Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("C.P.C.E.C.A.B.A.") approved Technical Pronouncements No. 16 "Conceptual framework of the professional accounting standards"; No. 17: "Professional accounting standards: development of matters of general application", No. 18: "Professional accounting standards: development of certain matters of specific application", No. 19 "Changes to Technical Pronouncements No. 4, 5, 6, 8, 9, 11 and 14", and No. 20 "Financial derivatives and hedging operations" through Resolutions CD 238/01, CD 243/01, CD 261/01, CD 262/01 and CD 187/02, respectively. The mentioned technical pronouncements and amendments are applicable to years commenced on July 1, 2002, except for Technical Pronouncement No. 20, which is applicable to years commenced as from January 1, 2003.

Furthermore, by General Resolution No. 434/03 the National Securities Commission ("C.N.V.") has adopted the mentioned Technical Pronouncements, incorporating certain amendments, establishing that they are applicable to the years commenced as from January 1, 2003.

Additionally, the C.P.C.E.C.A.B.A. approved Technical Pronouncement No. 21 "Equity Method – consolidation of financial statements – information to disclose on related parties" through Resolution M.D. No. 5/2003. This Technical Pronouncement and the modifications incorporated became effective for financial years that begin as from April 1, 2003. However, the National Securities Commission (CNV) has not adopted it at the date of issuing these financial statements.

The main changes introduced by the new technical pronouncements, which have had significant effects on the financial statements of the Company are as follows:

- i) Valuation of non-current receivables at their discounted values.
- ii) Obligatory requirement of applying the deferred tax method for recognition of income tax.
- iii) Incorporation of new disclosure requirements, including disclosures by segment, earnings/losses per share and the comparative information to be presented.

The detail of the adjustments to results of prior years that arose from the application of the new accounting standards is explained in the following table:

Items	Effect on accumulated earnings at the beginning of the year	
	\$-	
- Deferred income tax (liability)	(31,835,358)	(44,272,565)
- Valuation of non-current receivables at discounted values (versus nominal tax value)	(8,312,759)	-
Total	(40,148,117)	(44,272,565)

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 2 - ACCOUNTING STANDARDS (Contd.)

2.2. Preparation and presentation of the financial statements

These financial statements are stated in Argentine pesos and were prepared in accordance with accounting disclosure and valuation standards contained in the Technical Pronouncements issued by the Argentine Federation of Professional Councils in Economic Sciences, approved with certain amendments by the C.P.C.E.C.A.B.A. in accordance with the resolutions issued by the National Securities Commission.

Furthermore, the Company has adopted ENARGAS Resolution No. 1660 dated March 31, 2000, amended by Resolution No. 1903 dated September 18, 2000, which regulate certain valuation and disclosure criteria for the entire regulated natural gas transportation and distribution activity. Those criteria are similar to current accounting standards.

2.3. Accounting estimates

The preparation of financial statements at a certain date requires Company Management to make estimates and evaluations that affect the amount of the assets and liabilities recorded and the contingent assets and liabilities at that date, as well as the income and expenditures recorded during the year. Company Management makes estimates in order to calculate at any given time, the allowance for bad debts, the recoverable value of assets, the charge for Income Tax and provisions for contingencies. Actual results could differ from the evaluations and estimates made at the date of preparing these financial statements.

2.4. Recognition of the effects of inflation

The financial statements have been prepared in constant units of currency, reflecting the overall effects of inflation until August 31, 1995. As from that date and in accordance with professional accounting standards and the requirements of the control authorities, restatement of financial statements was discontinued until December 31, 2001. According to the provisions of Technical Pronouncement No. 3/02 of the C.P.C.E.C.A.B.A. and Resolution No. 415 of the C.N.V., dated July 25, 2002, as from January 1, 2002, recognition has been resumed of the effects of inflation, considering that the accounting measurements, restated for the changes in the purchasing power of the currency as well as those with date of origin between such date and December 31, 2001, are stated in the currency of the latter date.

On March 25, 2003 the Executive Branch enacted Decree No. 664/03 establishing that financial statements for years ending after that date must be stated in nominal currency, without incorporating the adjustment for inflation. Therefore, and according to Resolution No. 441/03 issued by the CNV on April 8, 2003 the Company discontinued the restatement of financial statements as from March 1, 2003, whereas according to the prevailing accounting standards in the Autonomous City of Buenos Aires, application of adjustment for inflation rules should be continued until October 1,

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

2003. As from that date, and by means of Resolution MD No. 041/03, the C.P.C.E.C.A.B.A also provided the discontinuation in its jurisdiction. The estimated effect of unrecognized inflation between March 1 and September 30, 2003 was as follows: decrease of assets for \$ 52 million and decrease in Shareholders' Equity for \$ 52 million, which includes the effect of the decrease in the results of the year amounting to \$ 27 million (loss).

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 2 - ACCOUNTING STANDARDS (Contd.)

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

The index used for restating the items in these financial statements is the domestic wholesale price index published by the National Institute of Statistics and Census ("IPIIM").

2.5. Principal valuation criteria

a) Items denominated in Argentine currency

Cash and banks, investments, receivables, liabilities and provisions

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

b) Items denominated in foreign currency

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

They have been valued at the corresponding exchange rate plus interest accrued, through each period or year-end, where applicable. The balances are shown in Exhibit G. The resulting exchange differences were charged to the financial results of the year.

The Company has set up an allowance for certain trade accounts receivable invoiced in foreign currency and/or with indexation clauses which are in the process of negotiation. At December 31, 2003 and 2002 the allowance amounted to \$ 38.2 million and \$ 20.3 million, respectively.

c) Intangible assets

Valued at the cost of incorporation stated in constant currency as indicated in Note 2.4. and shown net of the corresponding accumulated amortization.

Additionally, the period of deferral of the expenses for setting up the Global Negotiable Obligations Program is associated to the expiry of the series issued and the allocation of the amortization charges is charged to Financial Results generated by Liabilities.

Considering that the Company is negotiating the restructuring of the debt with the representatives of the holders of these negotiable obligations, which means a change in debtor and in any case, the terms and conditions originally established will be substantially altered, the Company has decided to amortize all the carrying value of the intangible assets relating to the setting up of these Global Negotiable Obligations Programs at December 31, 2003 in the amount of \$ 21 million (Exhibit B and Note 3.g.).

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 2 - ACCOUNTING STANDARDS (Contd.)

2.5. Principal valuation criteria (Contd.)

c) Intangible assets (Contd.)

The book value of the intangible assets does not exceed recoverable value.

d) Fixed assets

The original global value adopted in relation to assets transferred at the beginning of the 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 as indicated in Note 2.4.; their evolution is shown in Exhibit A.

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, permitted 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 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 restatement of the accounting values in constant currency.

The Company considers that within the framework of Decree N° 664/03 and the provisions of General Resolution No. 441/03 of the CNV (elimination of the adjustment for inflation of the financial statements), those exchange differences will not be able to be absorbed in the future as corresponding to recognition of changes in the purchasing power of the currency. Therefore, \$ 277.9 million has been recorded, corresponding to the carrying value of these exchange differences recorded up to March 31, 2003, net of those generated during the quarter January - March 2003 period (decrease in the exchange rate), as charges to results of the current year.

Considering the economic and financial projections prepared by the Company on the basis of its best estimate according to the guidelines set out in Note 2.3. and the resolution of the uncertainties mentioned in Note 1.2., the carrying value of the fixed assets, taken as a whole, does not exceed its recovery value.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 2 - ACCOUNTING STANDARDS (Contd.)

2.5. 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 through each period or year end; net of the provision for impairment necessary to reflect its recoverable value (Note 6).

The investments in subsidiaries COMGAS and COPERG are recorded using the equity method of accounting based on their financial statements as of December 31, 2003 and 2002. (Exhibit C).

The accounting standards used by the related companies to prepare its financial statements are similar, in all significant aspects, to those used by the Company.

The Company is not aware of any events modifying the equity, financial situation or the results of related companies at December 31, 2003 having taken place as from the date of approval of their respective financial statements, having a significant impact on the valuation of investments at that date, which have not been accounted for.

The criteria established in Technical Pronouncements No. 5 and No. 18 issued by the Argentine Federation of Professional Councils in Economic Sciences and adopted by the C.P.C.E.C.A.B.A. has been used to determine the equity method.

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".

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

g) Capital stock and adjustment to capital

Stated in constant currency as indicated in Note 2.4. The account "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 "*Adjustment to capital*", making up the shareholders' equity.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 2 - ACCOUNTING STANDARDS (Contd.)

2.5. Principal valuation criteria (Contd.)

h) Legal reserve

Stated in constant currency as indicated in Note 2.4.

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.

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.

This reserve has been stated in constant currency as indicated in Note 2.4.

j) Inappropriate retained earnings

Stated in constant currency as indicated in Note 2.4.

k) Profit and loss accounts

Income accounts have been stated in constant currency as indicated in Note 2.4, 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, as indicated in Note 2.5.e).

The financial results generated by assets and liabilities, restated in constant currency, are disclosed in real terms, that is to say, net of the effect of inflation, computed up to March 1, 2003.

l) Income tax

As from the current year, the new prevailing accounting standards (Note 2.1.) require the recording of Income Tax through the deferred tax method. This means the recognition in the balance sheet, under the form of net assets and liabilities for "deferred tax", of the temporary differences that arise between the accounting and tax valuation in those accounts that have different criteria.

TRANSPORTADORA DE GAS DEL NORTE S.A.**NOTES TO THE FINANCIAL STATEMENTS** for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 2 - ACCOUNTING STANDARDS (Contd.)**2.5. Principal valuation criteria (Contd.)****I) Income tax (Contd.)**

Additionally, the differences between the two years with net tax balances thus calculated are included in the last line of the Income Statement under the caption "Income Tax".

The actual realization of the deferred tax assets and liabilities over time will depend on the existence of taxable profits during the years in which the temporary differences become deductible.

Due to a specific situation in the Company, characterized by (i) the tax loss carry-forward generated in 2002 (which represents a deferred tax asset of considerable significance) and (ii) the uncertainty regarding the generation of profits in the coming years, in the calculation of deferred tax, the projections of future taxable gains have been taken into consideration, thereby setting up an allowance for the impossibility of using part of the tax loss carry-forward prior to its lapsing. The projections have become the basis for the best estimate, according to the guidelines set out in Note 2.3., and considering the resolution of the uncertainties mentioned in Note 1.2. referring to the changes in the Argentine economic context and the legal and contractual conditions of the Company. The carrying value of the assets for deferred tax does not exceed its recovery value.

Additionally, as established by the regulations of the National Securities Commission (CNV) the assets and liabilities for deferred taxes are stated in nominal values. This criterion does not reflect prevailing accounting standards in the Autonomous City of Buenos Aires, which require that such balances be stated in net current values discounted at representative interest rates. If the above discount had been applied, the asset balance of deferred tax at December 31, 2002 would have amounted to approximately \$ 36.6 million.

The following tables set out (i) the breakdown of the balances of the accounts that make up the temporary differences and the determination of net balances at the end of the current year and the prior year, and (ii) the consequent changes that determine the impact on results:

	12.31.03	12.31.02
Composition of the deferred tax assets and liabilities:		
Accounts receivable-Trade (bad debts)	13,775,174	7,224,512
Other receivable (bad debts)	2,098,061	3,034,713
Investments	-	(8,835)
Fixed assets (foreign exchange differences capitalized, useful life)	(8,957,529)	(182,443,546)
Intangible assets (amortization)	(231,756)	(5,246,143)
Other assets	(125,291)	(331,227)
Salaries and social securities charges	-	4,113
Provisions (lawsuits)	16,672,767	13,705,839
Other liabilities	120,316	-
Deferred exchange differences (for devaluation January 2002)	46,917,385	62,873,647
Tax loss carry-forward	278,962,315	364,052,362
Provision on tax loss carry-forward and other temporary differences	(292,652,227)	(294,700,793)
Net total deferred tax assets (liabilities)	56,579,215	(31,835,358)

	12.31.03	12.31.02
Evolution of the deferred tax:		
Balances at the beginning of the year-deferred tax liabilities	(31,835,358)	(44,272,565)
Adjustment for inflation	221,297	23,982,904
Evolution of the year (as per statement of income)	88,193,276	(11,545,697)
Balances at the end of the year-deferred tax assets (liabilities)	56,579,215	(31,835,358)

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NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

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NOTE 2 - ACCOUNTING STANDARDS (Contd.)**2.5. Principal valuation criteria (Contd.)****l) Income tax (Contd.)**

The reconciliation between the tax determined by applying the tax rate to the accounting results against the deferred tax is disclosed in the following table:

	12.31.03	12.31.02
Net loss for the year before tax	(325,724,463)	(184,215,215)
Current tax rate	35%	35%
Current tax rate applied to the net loss before taxes	114,003,562	64,475,325
Long Term Deferred to the tax rate:		
-Adjustment for inflation	(25,702,638)	220,849,698
-No deductible expenses	(65,065)	(1,488,544)
-Result from investment in other companies	379,523	578,354
-Others	(422,106)	(1,259,737)
Subtotal Long Term Deferred	(25,810,286)	218,679,771
-Provision on tax loss carry-forward and other temporary differences	-	(294,700,793)
Total income tax - Income (loss)	88,193,276	(11,545,697)

The accumulated tax loss carry-forwards held by the Company that are pending to be used at the end of the year can be offset against taxes payable in future years according to the following detail:

Year	Amount	Year of expiry
Tax loss carry-forward for 2002	1,032,919,172	2007
Use during 2003	(235,883,987)	
Total accumulated tax loss carry-forward	797,035,185	

m) Minimum notional income tax

The Company calculates minimum notional income tax by applying the current 1% rate on computable assets at the end of the previous year. This tax complements income tax. The Company's tax obligation for each year will agree with the higher of the two taxes. However, if minimum notional income tax exceeds income tax in a given year, that amount in excess can be computed on account of income tax arising in any of the following ten years.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 2 - ACCOUNTING STANDARDS (Contd.)**2.5. Principal valuation criteria (Contd.)****m) Minimum notional income tax (Contd.)**

The Company recognized minimum notional income tax accrued in the period and paid in previous years as a credit since it estimates it can be computed as payment on account of income tax.

That credit has been computed at its discounted value as indicated in Note 2.5.a).

Considering the economic and financial projections prepared by the Company on the basis of its best estimate according to the guidelines set out in Note 2.3. and the resolution of the uncertainties mentioned in Note 1.2., the carrying value of the minimum notional income tax does not exceed its recovery value.

The breakdown of the credit for minimum notional income tax at December 31, 2003 is set out below:

Year	Amount	Year of expiry
2002	12,959,388	2012
2003	14,500,000	2013
Subtotal of the credit for minimum notional income tax at nominal values	27,459,388	
Discount of present net value	(11,467,026)	
Balance at the end of the year (Note 3.b.ii)	15,992,362	

2.6. Contingencies

Various lawsuits and claims were brought against the Company as a result of its activity. Although the amount of obligations that may arise as a result of those claims cannot be accurately estimated, in the opinion of the Board of Directors of the Company and its legal advisors based on the estimates described in Note 2.3, those actions considered individually or as a whole would not have a material effect in excess of the amounts recorded as provisions on the Company's financial situation or on the result of its operations. However, actual future results could differ from the evaluations and estimates made at the date of preparing these financial statements.

2.7. Comparative information

Balances at December 31, 2002 disclosed in these financial statements arise from restating the amounts of these financial statements at those dates in currency of March 1st, 2003 according to the indicators mentioned in Note 2.4.

The modifications and reclassifications that arise from applying the new technical pronouncements described in Note 2.1. have been made to the balances at December 31, 2002 for the purpose of disclosing such information in a uniform manner with that for the current year.

TRANSPORTADORA DE GAS DEL NORTE S.A.**NOTES TO THE FINANCIAL STATEMENTS** for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

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

CAPTIONS	12.31.03	12.31.02
	\$	
a) Accounts receivable - trade		
Gas transportation service		
• invoiced		
- distributors	7,306,888	7,562,614
- industries	14,332,226	17,780,982
- generators	29,774,128	15,101,352
• to be invoiced	37,980,123	34,097,332
Subtotal	89,393,365	74,542,280
Other services		
• invoiced	2,309,242	293,617
• to be invoiced	1,975,297	2,451,932
Subtotal	4,284,539	2,745,549
Allowance for doubtful accounts (Exhibit E)	(1,158,944)	(969,974)
Allowance for doubtful accounts in foreign currencies and other restatements (Note 2.5.b) and Exhibit E)	(38,198,695)	(20,263,910)
Total	54,320,265	56,053,945
b) Other receivables		
i) Current		
Gas Transportation service		
Tax credits - Withholdings and collections	417,244	1,229,890
Value Added Tax - net position	757,151	491,255
Fee advanced to the Board of Directors and Syndics	258,750	147,969
Advances to be rendered	62,238	76,410
Loans to personnel	92,404	82,137
Prepaid expenses	9,576,439	7,081,104
Transactions by account and order of third parties	3,094,013	1,700,084
Prepaid expenses by account of third parties	2,885	958,174
Other	13,578	237,567
Subtotal	14,274,702	12,004,590
Other Services		
Corporation Law No. 19.550, section 33 (Note 3.1))	322,881	248,654
Prepaid expenses by account of third parties	420,709	544,388
Other	2,947,172	700,498
Subtotal	3,690,762	1,493,540
Allowance for doubtful accounts (Exhibit E)	(932,149)	(458,760)
Total	17,033,315	13,039,370

TRANSPORTADORA DE GAS DEL NORTE S.A.**NOTES TO THE FINANCIAL STATEMENTS** for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 3 - BREAKDOWN OF MAIN BALANCE SHEET, INCOME STATEMENT CAPTIONS AND CASH FLOWS (Contd.)

<i>CAPTIONS</i>	12.31.03	12.31.02
b) Other receivables (Contd.)		
ii) Non Current		
Gas transportation service		
Loans to personnel	79,468	63,493
Value Added Tax - Reversion of tariff variations (Note 1.3.b))	2,835,304	2,582,637
Minimum notional income tax	15,992,362	7,100,742
Turnover tax-withholding	812,020	875,345
Prepaid expenses	6,737,399	1,989,628
Attachments and deposits in court. (Includes \$ 1,666,389 from pre-judgement attachments Note 1.4)	4,077,092	-
Other	11,000	11,077
Subtotal	30,544,645	12,622,922
Other services		
Guarantee Deposit	422,693	-
Subtotal	422,693	-
Total	30,967,338	12,622,922
c) Accounts payable		
Gas transportation service		
Suppliers for purchases and other services	6,999,254	4,947,973
Provision for purchases	19,977,798	16,405,182
Total	26,977,052	21,353,155
d) Taxes		
Turnover Tax	900,918	1,482,564
Minimum notional income tax	6,124,330	13,478,695
Value Added Tax – withholdings and collections	810,218	727,000
Income tax withholdings	2,366,471	1,127,941
Turnover tax withholdings and collections	97,075	125,989
Other	33,512	30,856
Total	10,332,524	16,973,045
e) Other Liabilities		
i) Current		
Fees to Board of Directors and Syndics	343,760	168,169
Easement (net of prepaid easement)	1,350,000	1,812,600
Other	154,370	1,098,641
Total	1,848,130	3,079,410
ii) Non-current		
Easement	10,948,199	53,905
Total	10,948,199	53,905

TRANSPORTADORA DE GAS DEL NORTE S.A.**NOTES TO THE FINANCIAL STATEMENTS** for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 3 - BREAKDOWN OF MAIN BALANCE SHEET, INCOME STATEMENT CAPTIONS AND CASH FLOWS (Contd.)

CAPTIONS	12.31.03	12.31.02
	\$	
f) Net revenues		
Gas transportation service		
Gas transportation service	417,156,093	501,362,136
Benefit on social security contributions Decrees No. 292-1520-814	(1,701,748)	(2,334,508)
Doubtful accounts in foreign currency and other restatements	(15,705,027)	(21,051,367)
Subtotal gas transportation service	399,749,318	477,976,261
Other Services		
Operation and maintenance service	18,408,170	19,052,093
Subtotal other services	18,408,170	19,052,093
Total	418,157,488	497,028,354
g) Financial and holding results		
Generated by assets:		
Interest and restatement	1,190,707	3,190,673
Exchange differences	(25,614,411)	(25,399,654)
Bank commissions and expenses	(579,732)	(929,580)
Holding results	282,027	(5,998,886)
Discounts granted	-	(5,723)
Recovery of provisions due to changes in quotation of investment	(1,098,504)	(3,490,366)
Result of discount of non-current assets at present value	(5,062,311)	(8,312,759)
Result of exposure to changes in the purchasing power of the currency	(587,241)	(69,333,169)
Subtotal	(31,469,465)	(110,279,464)
Generated by liabilities:		
Interest and restatement (net of interest capitalized in fixed assets in 2002 for \$ 214,442)	(164,233,981)	(133,756,103)
Exchange differences	45,692,552	(167,869,829)
Intangible asset amortization - Global Programs of Negotiable Corporate Bonds (Included \$ 20,958,814 of written off from year) – Exhibit B and H	(25,025,995)	(4,155,310)
Bank and financial commission, charges and taxes	(7,728,576)	(11,343,238)
Reimbursement agreement fee	(3,984,114)	(3,442,285)
Discounts obtained	98,685	83,047
Result of exposure to changes in the purchasing power of the currency	581,157	78,811,194
Subtotal	(154,600,272)	(241,672,524)
Total	(186,069,737)	(351,951,988)
h) Other net expenses		
Fixed assets written off	(10,179,382)	(10,373,222)
Recovery of contingencies	690,581	1,134,397
Personnel indemnities	(546,720)	(339,697)
Other income	1,535,318	4,294,647
Total	(8,500,203)	(5,283,875)

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 3 - BREAKDOWN OF MAIN BALANCE SHEET, INCOME STATEMENT CAPTIONS AND CASH FLOWS (Contd.)

CAPTIONS	12.31.03	12.31.02
	\$	
i) Balances and transactions with Corporations Law No. 19550, section 33		
As of December 31, 2003 and December 31, 2002, the following balances were held with Corporations Law No. 19550, section 33:		
Other receivables (Note 3.b)i):		
Comgas Andina S.A.	223,405	186,926
Companhia operadora de Rio Grande Do Sul	91,913	55,434
Gasinvest S.A.	7,563	6,294
Total	322,881	248,654
As of December 31, 2003 and 2002, the following transactions were carried out with corporations under sect. 33 of Law No. 19550:		
Other net income and expenses		
Gasinvest S.A. (Profit)	25,000	27,637
j) Statements of cash flows-composition of cash:		
Cash and banks	18,259,275	15,665,954
Mutual investments funds in \$ (Exhibit D)	12,861	6,600,916
Deposits abroad (Exhibits D and G)	50,186,390	147,971,225
Cash at the end of the year	68,458,526	170,238,095

NOTE 4- RESULTS PER ORDINARY SHARE

Below is the reconciliation between the weighted average of ordinary outstanding shares and the weighted average of ordinary diluted shares. The latter average was determined considering the possibility of the holders of convertible negotiable obligations described in Note 7 exercising their right to convert the securities held by them into shares.

	<u>12.31.03</u>	<u>12.31.02</u>
Weighted average of ordinary outstanding shares	351,499,185	351,499,185
Debt securities convertible into shares	13,335,679	13,335,679
Weighted average of diluted ordinary shares	<u>364,834,864</u>	<u>364,834,864</u>

Below is a reconciliation between the net result for the period and the result used as basis for calculation of the result per basic and diluted share:

	<u>12.31.03</u>	<u>12.31.02</u>
Net loss for the year	(237,531,187)	(195,760,912)
Net loss for calculation of the result per basic share	(237,531,187)	(195,760,912)
Interest accrued on the debt convertible into shares	5,620,553	7,280,824
Net loss for calculation of the result per diluted share	<u>(231,910,634)</u>	<u>(188,480,088)</u>
Net loss per basic share	(0.6758)	(0.5569)
Net loss per diluted share	(0.6357)	(0.5166)

TRANSPORTADORA DE GAS DEL NORTE S.A.**NOTES TO THE FINANCIAL STATEMENTS** for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 5 - 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, 2003 and 2002, segregated by business segment:

(in thousands of pesos)

Year ended on December 31, 2003	Transport Services		Other	Total
	Domestic market	Export market		
Income from revenues	219,250	180,499	18,408	418,157
Operating, selling and administrative expenses (before depreciation and amortization)	(136,795)	(20,363)	(5,745)	(162,903)
Depreciation and amortization	(87,788)	(21,837)	(107)	(109,732)
Other net expenses	(6,800)	(1,692)	(8)	(8,500)
Result from investment in other companies	-	-	1,266	1,266
Financial and holding results	(148,858)	(37,027)	(185)	(186,070)
Foreign exchange differences capitalized in fixed assets-written off	(222,354)	(55,310)	(278)	(277,942)
Income tax	70,555	17,550	88	88,193
Net result for the year	(312,790)	61,820	13,439	(237,531)
Fixed assets	1,952,811	485,762	2,441	2,441,014
Accounts receivable - trade	23,650	26,386	4,284	54,320
Loans	1,469,714	365,591	1,837	1,837,142
Other net assets and liabilities	217,277	54,048	270	271,595
Shareholders' equity	724,024	200,605	5,158	929,787
Acquisition of fixed assets	57,642	14,338	72	72,052

(in thousands of pesos)

Year ended on December 31, 2002	Transport Services		Other	Total
	Domestic market	Export market		
Income from revenues	276,396	201,613	19,019	497,028
Operating, selling and administrative expenses (before depreciation and amortization)	(161,751)	(28,611)	(4,777)	(195,139)
Depreciation and amortization	(104,161)	(25,909)	(128)	(130,198)
Other net expenses	(4,227)	(1,051)	(6)	(5,284)
Result from investment in other companies	-	-	1,329	1,329
Financial and holding results	(281,562)	(70,038)	(352)	(351,952)
Income tax	(9,237)	(2,298)	(11)	(11,546)
Net result for the year	(284,542)	73,706	15,074	(195,762)
Fixed assets	2,400,325	597,081	3,001	3,000,407
Accounts receivable - trade	23,678	29,631	2,745	56,054
Loans	1,609,302	400,313	2,010	2,011,625
Other net assets and liabilities	97,988	24,374	121	122,483
Shareholders' equity	912,689	250,773	3,857	1,167,319
Acquisition of fixed assets	32,016	7,964	40	40,020

NOTE 6 - OTHER INVESTMENTS

On April 19, 2001 the Company subscribed Bonds according to the Argentine Mid-Term Foreign Bills Program amounting to US\$ 2 million, under the following terms and conditions: i) term: 3 years; ii) amortization: 5 equal and consecutive quarterly installments, the first of which fell due on May 12, 2003; iii) rate of interest: average of the rates published in the "survey" rate by the Argentine Central Bank during the last 30 calendar days immediately preceding the commencement of each interest period, plus an annual nominal margin of 4.95%; iv) interest is charged monthly.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 6 - OTHER INVESTMENTS (Contd.)

The Company decided to value its holding of bonds at the US dollar purchasing exchange rate in effect at December 31, 2003 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.

Application of the coupons corresponding to the service of unpaid interest at due date to the payment of tax obligations is still subject to the tendering mechanisms established by Decree No. 2243/02 until the bill mentioned in Section 4 of Decree No.1657/02 is enacted. Furthermore, on May 22, 2003, through Decree No. 1264, the principal coupons of the above securities were included in the tendering mechanism, so US\$ 1,200,000 have not been collected at the due date of the corresponding principal installments.

At December 31, 2003 the balance of principal plus interest due amounts to US\$ 2,124,455 or \$ 6,118,429 (principal amounts \$ 5,760,000 and accrued interest \$ 358,429), which was allocated as current, according to the original terms and conditions of the Bonds. The Company estimates that the recovery value of these investments is lower that the cost of purchase, so \$ 4,588,870 was recorded as provision for impairment of investments (Exhibits D and E).

TRANSPORTADORA DE GAS DEL NORTE S.A.**NOTES TO THE FINANCIAL STATEMENTS** for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 7 - LOANS

	Interest rate	12.31.03	12.31.02
	%	\$	
i) Current			
Global Program of Negotiable Corporate Bonds of US\$ 300 MM			
Series III	(1)	113,699,018	86,442,444
Series IV	(2)	35,127,055	39,253,470
Series V	(3)	71,138,041	41,260,843
Series VII	(4)	18,068,136	20,475,865
Global Program of Negotiable Corporate Bonds of US\$ 320 MM			
Debt with IFC			
Series I	(5)	19,818,522	14,010,156
Series II	(6)	161,617,371	114,596,908
Series III	(7)	15,189,210	9,766,455
Series IV	(8)	13,104,564	8,425,885
Series VI	(9)	63,210,568	44,874,517
Commissions to be paid		146,500	-
Interest payable Convertibility Risk Insured Bonds	(10)	58,689,939	22,249,814
Loan agreements	(11)	283,479,506	178,956,592
Import finance	(12)	2,790,060	3,150,517
Total		856,078,490	583,463,466
ii) Non – current			
Global Program of Negotiable Corporate Bonds of US\$ 300 MM			
Series III	(1)	-	42,419,875
Series V	(3)	-	40,723,080
Global Program of Negotiable Corporate Bonds of US\$ 320 MM			
Debt with IFC			
Series I	(5)	33,551,704	45,318,560
Series II	(6)	212,510,445	301,253,686
Series III	(7)	19,586,861	26,332,166
Series IV	(8)	16,898,710	22,718,195
Series VI	(9)	83,216,064	117,966,653
Convertibility Risk Insured Bonds	(10)	512,750,000	593,878,250
Loan agreements	(11)	102,550,000	237,551,300
Total		981,063,784	1,428,161,765
Total		1,837,142,274	2,011,625,231

The Company is accruing interest at the following rates (nominal annual):

(1) Rate of interest: 2003 = 4.34% and 2002 = 5.25%	(5) Rate of interest: 2003 and 2002 = 9.52%	(9) Rate of interest: 2003 and 2002 = 9.45%
(2) Rate of interest: 2003 = 2.73% and 2002 = 3.47%	(6) Rate of interest: 2003 and 2002 = 9.45%	(10) Weighted average interest rate 2003 = 11.20% and 2002 = 11.20%
(3) Rate of interest: 2003 = 2.93% and 2002 = 3.67%	(7) Rate of interest: 2003 and 2002 = 10.66%	(11) Weighted average interest rate 2003 = 5.88% and 2002 = 6.60%
(4) Rate of interest: 2003 = 3.29% and 2002 = 3.29%	(8) Rate of interest: 2003 and 2002 = 10.66%	(12) Weighted average interest rate 2003 = 1.72% and 2002 = 2.13%

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 7 - LOANS (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 of five years duration 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 7- LOANS (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\$ 235,000,000 par value and negotiable obligations convertible into Class A and B shares for US\$ 20,000,000 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 that was underwritten by the IFC at 100% of its nominal value.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 7- LOANS (Contd.)

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

The main characteristics of the program being as follows:

Series	Date	Type of negotiable bonds	Subscriber	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			

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. Therefore, this liability, originally stated in U.S. dollars was considered to be pesified in the quarterly financial statements of June and September 2002. However, according to Decree No. 53/03, this obligation is included among those encompassed by Section 1 of Decree No. 410/02, and therefore for the purpose of this balance sheet, stated in its original currency.

In December 2001 and January 2002 the Company used the letter of credit opened with ING Bank to pay capital maturities, using up the liquidity reserves that TGN was required to maintain.

Upon maturity of the letter of credit in July 2002, ING applied the funds deposited in the escrow account to the partial reimbursement of funds used for the letter of credit. On September 30, 2003 the debt with ING amounts to US\$ 5.3 million including principal and accrued interest (LIBO rate + 4%).

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 7- LOANS (Contd.)**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 No. 23576 and its regulatory decree for a principal value of up to US\$ 200,000,000, nominal value.

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.

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 produced by this loan were used to cover the due dates of short and long-term loan contracts entered into during fiscal year 2000, and applied to financing investments in assets relating to the gas transportation system.

In January and July 2002, TGN used a letter of credit opened through the former Scotiabank Quilmes (currently ceded through trust to ABN AMRO Bank N.V.) to face interest payments. As these funds were not returned to the Bank, TGN owes the Bank \$ 16.5 million. The Company considers that this debt was converted into pesos as it was encompassed by Decree No. 214/02 due to the method used for instrumenting it. With this use of the letter of credit, TGN depleted the liquid reserves of the CRIBs.

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. In addition they accrued 1.30% annually for politic risk insurance to be paid along with such interests. The funds provided by this loan were 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 7- LOANS (Contd.)***Overdue unpaid obligations***

At December 31, 2003, the Company holds financial debts in US dollars amounting to US\$ 597.9 million and in Argentine pesos amounting to \$ 85.3 million (of which US\$ 263.1 million and \$ 85.3 million were recognized as current and US\$ 334.8 million as non-current). At the date of issue of these financial statements, TGN has not yet paid US\$ 128.0 million in principal and US\$ 35.9 million in interest and \$ 66.7 million in principal and \$ 0.9 million in interest.

At December 31, 2002 the Company maintained financial debts in US dollars amounting to US\$ 570.0 million and in Argentine pesos amounting to \$ 77.4 million (of which US\$ 149.1 million and \$ 77.4 million were recognized as current and US\$ 420.8 million as non-current). On this matter at that date, TGN has not yet paid US\$ 89.9 million and \$ 77.4 million.

Since the Company is in the process of renegotiating the conditions and structure of its financial debt, the Company has estimated the penalties for to non-compliance mentioned in the preceding paragraph in the amount of US\$ 5.2 million and has recorded them as Financial Results generated by Liabilities - Interest and Index Adjustments.

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.

With respect to the payment of interest, every quarter during 2003 the Company paid the interest accrued in that year. Additionally, after the end of the year in January 2004 the Company paid the interest accrued from November 2003 to January 2004. In all these payments, the Company unilaterally applied a temporary interest cap of 3.5% per annum. The payment terms of future interest will be established according to the financial restructuring agreement that the Company hopes to reach during the coming year.

Debts in foreign currency

Decree No. 214 dated February 3, 2002 established the conversion to pesos of all obligations to give money, for any cause or of any origin, legal or out of court, stated in U.S. dollars or other foreign currencies, in existence at the date of enactment of Law No. 25561. However, subsequent regulations established a number of exceptions to the general rule for pesification. Applying a criterion of prudence, the Company has recorded some financial transactions originally entered into in dollars, in this currency, although there can be a reasonable doubt regarding its inclusion or not within the regulations of Decree No. 214.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 8 - CAPITAL STOCK AND DIVIDENDS**8.1. Capital stock**

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

	Date	\$	<u>Registration in the</u> 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				

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

The Pliego Terms and Conditions 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 thereof, 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 thereof 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 8 - CAPITAL STOCK AND DIVIDENDS (Contd.)

8.3. Restrictions on the distribution of profits

In accordance with Argentine Law No. 19550, the by-laws and Resolution No. 195 of the CNV, 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. (Note 7)

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 9 - CONTINGENCIES AND LEGAL MATTERS

The main contingencies and legal matters affecting the Company are described below:

9.1. Stamp tax - Neuquén - Contracts prior to Takeover date

As a result of the actions initiated 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 Undersecretariat 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 9 - CONTINGENCIES AND LEGAL MATTERS (Contd.)**9.2. 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 August and October, 2003 the tax authorities of the Province of Salta lodged a series of claims against TGN requiring payment of stamp duty on transport contracts entered into by the Company. To date, the tax authorities of the Province of Salta has sent TGN official assessments amounting to \$ 36.7 million regarding certain transportation contracts. This amount includes the tax and interest accrued at the date of the assessment. The Company has prepared or will prepare at the proper time, the corresponding reply, rejecting the tax authorities' claim.

Additionally, due to legal action initiated in April 1999, in July 2003 the General Tax Bureau of Salta requested - and subsequently obtained - from a Civil and Commercial Court in the Province of Salta an attachment amounting to \$ 1.3 million corresponding to interest calculated by the Tax Authorities relating to the tax assessed on the transport contract with Termoandes, plus \$ 0.4 million temporarily calculated for interest and court expenses. The balance of this attachment has been recorded in the Attachments and Legal Deposits line in the Other Non-current Receivables caption. The tax claimed of \$ 0.7 million had been previously paid under protest by the Company.

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 contracts 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 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 Neuquén'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.

9.3. 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 9 - CONTINGENCIES AND LEGAL MATTERS (Contd.)***9.4. Certainty declaratory action***

In connection with the tax claims filed by the provinces of Neuquén and Salta mentioned in paragraphs 9.1, 9.2 and 9.3 above, TGN filed two declaratory judgment 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. As part of the above procedures, TGN requested and obtained issue of a stop order preventing the province of Neuquén from bringing action against TGN to collect the amounts required.

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

On April 26, 2002 the Provincial Tax Bureau of Salta officially assessed obligations arising from this tax for years 1996 to 2001, in the amount of \$ 1.3 million in principal plus \$ 1.4 million in interest calculated as at May 31, 2002. This obligation has been determined on the market value of the so-called "retained gas". After several administrative proceedings, on January 18, 2004 the Provincial Government enacted Decree No. 118 confirming the tax assessment thus exhausting all administrative proceedings. TGN has resolved to bring legal action, after paying the amount assessed which amounts to \$ 3,178,568 for the tax plus accessories.

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

On August 6, 2002, as a result of a notice served to TGN in May, the tax authorities of the Province of La Pampa determined a stamp tax debt corresponding to certain transportation contracts entered into by TGN with Metrogas S.A., Distribuidora de Gas Cuyana S.A. and Gas Natural BAN S.A. between 1992 and 2001. At July 2002 the total debt amounts to \$ 7.7 million. TGN has filed a reconsideration remedy after having requested the intervention of the National Government.

9.7. 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 Undersecretariat of Financial Normalization of the Ministry of Economy. Furthermore, the tax claim was rejected.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 9 - CONTINGENCIES AND LEGAL MATTERS (Contd.)**9.8. Las Mesitas accident**

With respect to the accident, ENARGAS imposed twelve fines on TGN in October 1999 for an accumulated total of \$ 5.6 million, as it considered that the Company had incurred in an incorrect operation of the parallel pipe. 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 No. 479 dated October 8, 2002 issued by the Ministry of Economy, ten fines were confirmed amounting to \$ 5.1 million. The Company will file an appeal against that ruling.

9.9. Rescission of the firm transportation contract entered into with AES Paraná S.C.A.

In July 1999 TGN signed a contract with AES Paraná for firm transportation of up to 1.81 Mm³/day of natural gas for a term of 20 years, at the rate regulated by ENARGAS (Loma La Lata - Litoral area) plus an additional contribution equivalent to 5.6% of that rate. A significant expansion of the transportation system would be required for contract execution. As a result of the public events taking place in Argentina as from December 2001, which led to the conversion into pesos and the freezing of transportation tariffs in January, 2002 (explained in further detail in Note 1.2.), TGN notified AES Paraná about the need to review the transportation contract due to excessive onerousness.

In February 2003, after an unsuccessful attempt to achieve an equitable rebuilding of the interests involved, the Company should cancel the transportation contract. A claim was filed before the National Gas Regulatory Authority under the jurisdiction granted by section 66 of Law No. 24076 to that regulatory authority.

The Company requested suspension of its effects as long as the causes of major force preventing fulfillment of Company obligations under that contract continue to exist. AES Paraná answered the claim in May 2003, opposing its advancement, arguing that TGN has acted negligently by omitting to take the required steps to ensure the availability of the necessary resources to face the obligations TGN assumed in the transportation contract. In spite of a certain lack of precision in its brief, AES Paraná appears to have cross-claimed for the damages incurred due to the lack of transportation. It also questions the competence of ENARGAS to have jurisdiction over the case. TGN was notified on August 5, 2003 and replied to the motion to dismiss based on incompetence alleging ENARGAS attributes under Law 24076, Section 66 to hear the case under dispute.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 9 - CONTINGENCIES AND LEGAL MATTERS (Contd.)

9.10. Municipality of Aguaray – rates on commercial, industrial and service activities.

In July 2003, the Municipality of Aguaray, Province of Salta, notified TGN, claiming payment of \$ 4.6 million for the “Tax on Commercial, Industrial and Services activities” and its interest, plus \$ 3.3 million in fines for supposed tax fraud. Regardless of the administrative appeal for reconsideration that was filed on September 29, 2003, TGN filed a declaratory action of certainty with the Federal Court No. 1 of Salta, in which it argued the legality of the tax. Furthermore, the Company requested a temporary restraining order that was granted on October 1, 2003.

9.11. Global Negotiable Obligations Programs

At the end of the year, the Company received information requirements from the AFIP referring to the interest corresponding to the Negotiable Obligations programs placed through public offering. Specifically, the intention of the Tax Authorities was to verify compliance with the requirements that the return paid to the holders of these negotiable obligations should enjoy the benefits granted by Section 36 bis of Law No. 23576, which according to the Company have been fully complied with.

NOTE 10 - SUBSEQUENT EVENTS

i) Decree 180, published on February 16, 2004, created the Electronic Gas Market (“MEG”) with the stated objective of improving the efficiency of the allocation of gas in the industry. Under the regulation, all spot sales of natural gas (sales negotiated from one day to the next, or which are for terms of under one day) and all remaining carrying capacity (whether from available capacity in accordance with the carrier’s daily schedule, not nominated by the loader holding the corresponding carrying contract, or whether relating to resale determined by the holders of firm carrying contracts) must be traded through the MEG. In addition, the MEG is to coordinate transactions on the secondary distribution market.

Furthermore, Decree 180 establishes the creation of a trust fund to finance investment in expansion of natural gas carrying and distribution systems, which could be funded by tariff charges, loans from national and international agencies or by means of specific contributions from the direct beneficiaries.

The Company is at present analyzing the implications to its business of Decree 180, as well as the scope of the changes made to the existing Regulatory Framework. Many essential aspects of Decree 180 remain to be regulated, so that the final impact on TGN will to a large extent depend on the regulations to be issued by the National Energy Secretariat.

Decree 181, published on the same date, authorizes the National Energy Secretariat to negotiate with natural gas producers the normalization of gas prices through to December 31, 2006. This decree lays down mechanisms to protect residential users, and proposes that large users contract their gas supplies directly with producers. Decree 181 does not contemplate any adjustment in the tariffs regulated for carrying and distribution.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the year ended December 31, 2003 and 2002

(Stated in constant currency)(In pesos)

NOTE 10 - SUBSEQUENT EVENTS (Contd.)

ii) On March 8, 2004 the Company, as trustor and HSBC Bank Argentina S.A., as trustee, entered into a Framework Contract for Setting Up Financial Trusts for a amount of up to US\$ 50,000,000 and a life of five years (the "Program"), all within the Law No. 24441 and Resolution No. 2877 issued by ENARGAS.

The Program contemplates the possibility of setting up financial trusts that issue securities that are (or not) authorized for public offering, in order to finance extensions of the Company's gasline network. The Program establishes that although assets in trust are set up, the extensions will not be used for the payment of the securities and that their exclusive use at the end of the financial trust in which they are included, will consist of their entire assignment, free of all charge or tax, to the Company, even when the amounts owed for the securities have not been fully paid. The Company will act as Technical Operator of the financial trusts set up within the Program.

On the same date and within the framework of the Program, the Company's Board of Directors approved the setting up of the TGN Financial Trust Series 01, for the purpose of issuing debt securities for a face value of US\$ 7,530,000 which will be applied to expansion work for 303,000 cubic meters/day that were assigned to Metrogas S.A. by a public tender.

Subsequent to December 31, 2003 no other events, situations or circumstances have occurred that significantly can affect the Company's financial and economic situation.

Jorge Valdez Rojas
Chairman

The independent auditors' report dated March 8, 2004 is issued as a separate document.

FREE TRANSLATION FROM THE ORIGINAL PAPERS PREPARED IN SPANISH FOR PUBLICATION IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** as of December 31, 2003 and December 31, 2002

(In pesos)

FIXED ASSETS**EXHIBIT A**

Caption	12.31.03											12.31.02	
	Original values					Depreciation						Net book value	Net book value
	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		
							%	Amount					
Land	3,198,191	69,547	(42,031)	-	3,225,707	-	-	-	-	-	-	3,225,707	3,198,191
Building and civil constructions	75,137,433	39,318	(134,282)	141,280	75,183,749	11,140,040	2	1,502,080	(27,697)	(28,650)	12,585,773	62,597,976	63,997,393
Building installations	1,739,367	-	-	-	1,739,367	175,071	4	67,161	-	-	242,232	1,497,135	1,564,296
Gas Pipeline	1,914,844,297	-	(53,367)	27,445,726	1,942,236,656	300,318,876	3.33 y 2.22	53,165,384	(16,309)	4,023,871	357,491,822	1,584,744,834	1,614,525,421
High-pressure branch lines	17,820,324	-	-	(17,211,210)	609,114	3,892,606	3.33 y 2.22	303,585	-	(4,037,976)	158,215	450,899	13,927,718
Compressor Plants	756,230,012	12,288	(2,031,619)	8,796,421	763,007,102	153,481,965	4	36,655,523	(544,492)	(307,216)	189,285,780	573,721,322	602,748,047
High pressure regulation and/or measurement stations	63,598,698	-	(454,209)	565,985	63,710,474	18,047,770	5	3,533,267	(138,466)	-	21,442,571	42,267,903	45,550,928
Other technical installations	49,844,084	-	(3,035,892)	(73,732)	46,734,460	12,375,110	6.67	2,674,867	(701,430)	(25,312)	14,323,235	32,411,225	37,468,974
Machinery, equipment and tools	19,695,302	28,541	(741,271)	4,020,073	23,002,645	14,632,388	10, 20 y 50	1,443,369	(671,471)	135,006	15,539,292	7,463,353	5,062,914
Systems and telecommunications system	64,186,173	4,450	(233,719)	4,160,873	68,117,777	19,200,492	10 y 20	6,105,342	(215,009)	396,597	25,487,422	42,630,355	44,985,681
Vehicles	16,808,998	-	(1,824,492)	1,846,102	16,830,608	11,362,550	20	2,133,503	(1,596,390)	(21,378)	11,878,285	4,952,323	5,446,448
Furniture and fixtures	8,906,026	-	(48,702)	332,759	9,190,083	6,844,119	10	389,267	(41,552)	1,753	7,193,587	1,996,496	2,061,907
Goods held at third parties	6,439,296	-	(10,830)	285,389	6,713,855	2,457,704	12.5	679,907	(4,868)	(136,695)	2,996,048	3,717,807	3,981,592
Work in process	18,758,278	56,337,920	(10,029,908)	(24,024,420)	41,041,870	-	-	-	-	-	-	41,041,870	18,758,278
Law N° 25561 (Net) Foreign exchange differences	507,833,839	-	(507,833,839)	-	-	18,136,923	3.57	(5,148,956)	(12,987,967)	-	-	-	489,696,916
Materials and spare parts	59,515,562	9,643,959	(11,504,174)	-	57,655,347	-	-	-	-	-	-	57,655,347	59,515,562
Allowance for slow-moving consumption material and spares (Exhibit E)	(13,091,000)	-	(6,909,000)	-	(20,000,000)	-	-	-	-	-	-	(20,000,000)	(13,091,000)
Advances to suppliers	1,008,045	5,916,399	-	(6,285,246)	639,198	-	-	-	-	-	-	639,198	1,008,045
Total	3,572,472,925	72,052,422	(544,887,335)	-	3,099,638,012	572,065,614		103,504,299	(16,945,651)	-	658,624,262	2,441,013,750	3,000,407,311

Jorge Valdez Rojas
Chairman

The independent auditors' report dated March 8, 2004 is issued as a separate document.

FREE TRANSLATION FROM THE ORIGINAL PAPERS PREPARED IN SPANISH FOR PUBLICATION IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** as of December 31, 2003 and December 31, 2002

(In pesos)

INTANGIBLE ASSETS**EXHIBIT**

Caption	12.31.03									12.31.02
	Original value				Amortization				Net book value	Net value
	At the beginning of the year	Decreases	Transfers	At the end of the year	At the beginning of the year	For the year	Decreases	Accumulated at the end of the year		
CURRENT										
Corrosive detection in the gas pipeline	9,507,737	-	1,453,566	10,961,303	6,664,607	2,843,130	-	9,507,737	1,453,566	2,843,130
Integral repair of turbines	2,832,675	-	-	2,832,675	2,237,301	595,374	-	2,832,675	-	595,374
Integrated system of administration and maintenance	9,065,515	-	-	9,065,515	6,276,126	2,789,389	-	9,065,515	-	2,789,389
Expenses related to the constitution of Global Programs of Negotiable Corp. Bonds	23,474,299	(1) (23,474,299)	-	-	19,318,989	(1) 4,067,181	(1) (23,386,170)	-	-	4,067,181
Total	44,880,226	(23,474,299)	1,453,566	22,859,493	34,497,023	10,295,074	(23,386,170)	21,405,927	1,453,566	10,295,074
NON CURRENTS										
Corrosive detection in the gas pipeline	5,198,466	-	(1,453,566)	3,744,900	3,744,900	-	-	3,744,900	-	1,453,566
Expenses related to the constitution of Global Programs of Negotiable Corp. Bonds	31,516,403	(1) (31,516,403)	-	-	10,645,718	-	(1) (10,645,718)	-	-	10,645,718
Total	36,714,869	(31,516,403)	(1,453,566)	3,744,900	14,390,618	-	(10,645,718)	3,744,900	-	22,390,618
Total	81,595,095	(54,990,702)	-	26,604,393	48,887,641	10,295,074	(34,031,888)	25,150,827	1,453,566	32,685,692

(1) Charged to Financial and holding results, generated by liabilities. Note 3.h) and Exhibit H

Jorge Valdez Rojas
Chairman

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FREE TRANSLATION FROM THE ORIGINAL PAPERS PREPARED IN SPANISH FOR PUBLICATION IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of December 31, 2003 and December 31, 2002
(In pesos)

INVESTMENTS AND PARTICIPATION IN OTHER COMPANIES

EXHIBIT C

Issuer and characteristics of shares	Class	Par value	Amount	Cost value	Book value		Principal activity	Information on the issuer						Percentage of direct holding
					12.31.03	12.31.02		Latest financial statements						
								Date	Capital stock and capital adjustment	Legal reserve	Other Reserves	Inappropriate retained earnings	Shareholders' equity	
								\$						%
NON-CURRENT INVESTMENTS														
Investments in other companies														
Corporations Law No. 19550, section 33														
Comgas Andina S.A.	Ordinary	(1) \$ch 1 per share	490	246,312	3,128,059	1,917,948	Providing of gas pipeline operation and maintenance services.	12.31.03	4,705	-	-	6,379,089	6,383,794	49.0
Companhia Operadora de Rio Grande do Sul	Ordinary	(2) R\$ 1 per share	49	55	63,079	71,711	Providing of gas pipeline operation and maintenance services.	12.31.03	90	19	73,936	54,688	128,733	49.0
Total				246,367	3,191,138	1,989,659								

- (1) Chilean pesos
(2) Reales

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Chairman

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FREE TRANSLATION FROM THE ORIGINAL PAPERS PREPARED IN SPANISH FOR PUBLICATION IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** as of December 31,2003 and December 31,2002
(In pesos)**OTHER INVESTMENTS****EXHIBIT D**

<i>Captions</i>	12.31.03	12.31.02
	Balances at the end of the year	Balances at the end of the year
Current investments		
Mutual investments funds in \$	12,861	6,600,916
Deposits abroad	50,186,390	147,971,225
Trust fund abroad (Note 1.4)	187,474,320	-
Program of Medium-Term Foreign Bonds Term deposits:		
Principal	5,760,000	3,951,468
Accrued interest	358,429	325,834
Allowance for impairment of investments (Exhibit E)	(4,588,870)	(2,160,038)
Subtotal	239,203,130	156,689,405
Non current investments		
Program of Medium - Term Foreign Bonds		
Principal	-	2,634,312
Allowance for impairment of investments (Exhibit E)	-	(1,330,328)
Subtotal	-	1,303,984
Total	239,203,130	157,993,389

Jorge Valdez Rojas
Chairman

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TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** as of December 31, 2003 and December 31, 2002

(In pesos)

ALLOWANCES AND PROVISIONS**EXHIBIT E**

Caption	12.31.03				12.31.02	
	Balances at the beginning of the year	Increases net of recoveries	Decreases	Effects of restatements (Income)	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	2,160,038	(1) 2,443,847	-	(1) (15,015)	4,588,870	2,160,038
Allowances for doubtful accounts						
Accounts receivable - trade	969,974	(3) 195,712	-	(6,742)	1,158,944	969,974
Accounts receivables in foreign currencies and other restatements	20,263,910	(2) 18,080,671	-	(145,886)	38,198,695	20,263,910
Other receivables	458,760	(3) 476,579	-	(3,190)	932,149	458,760
Subtotal	23,852,682	21,196,809	-	(170,833)	44,878,658	23,852,682
Non Current						
Allowance for impairment of investments						
Bonds under medium-term external bill program	1,330,328	(1) (1,321,080)	-	(1) (9,248)	-	1,330,328
Fixed assets						
Slow-moving consumption material and spares	13,091,000	(4) 6,909,000	-	-	20,000,000	13,091,000
Subtotal	14,421,328	5,587,920	-	(9,248)	20,000,000	14,421,328
Total allowances deducted from assets	38,274,010	26,784,729	-	(180,081)	64,878,658	38,274,010
Included in Liabilities						
Provisions						
For labor, civil and contentious-administrative lawsuits	39,159,541	(5) 9,493,552	(744,405)	(272,211)	47,636,477	39,159,541
Total provisions included in liabilities	39,159,541	9,493,552	(744,405)	(272,211)	47,636,477	39,159,541
Total	77,433,551	36,278,281	(744,405)	(452,292)	112,515,135	77,433,551

(1) Charged to financial and holding results generated by assets – Recovery of provision for changes in quotation of investments

(2) Charged to Net revenues (Note 3.f) amounting to \$ 15,705,027 and Other receivables, VAT - net position for \$ 2,375,644.

(3) Charged to Selling expenses – Doubtful accounts

(4) Charged to Operating costs - Slow-moving spares and materials

(5) Charged to Administrative expenses- Lawsuits

Jorge Valdez Rojas
Chairman

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FREE TRANSLATION FROM THE ORIGINAL PAPERS PREPARED IN SPANISH FOR PUBLICATION IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** at December 31, 2003 and December 31, 2002**ASSETS AND LIABILITIES IN FOREIGN CURRENCY****EXHIBIT G**

	12.31.03			12.31.02	
	Foreign currency class and amounts	Exchange rate	Amount in \$	Foreign currency class and amounts	Amount in \$
			\$		\$
ASSETS					
CURRENT ASSETS					
CASH AND BANKS					
Petty cash	US\$ 6,398	2.8800	18,426	US\$ 9,412	30,992
Banks	US\$ 4,223,916	2.8800	12,164,879	US\$ 503,235	1,657,097
			12,183,305		1,688,089
SHORT-TERM INVESTMENTS					
Deposits abroad	US\$ 17,425,830	2.8800	50,186,390	US\$ 44,936,583	147,971,225
Trust fund abroad	US\$ 65,095,250	2.8800	187,474,320		-
Program of Medium-Term Foreign Bonds	2,124,455	2.8800	6,118,429	US\$ 1,298,951	4,277,302
			243,779,139		152,248,527
ACCOUNT RECEIVABLE-TRADE					
Transport Services Clients	US\$ 9,161,727	2.8800	26,385,773	US\$ 9,977,570	32,855,041
Other Services Clients	US\$ 1,451,645	2.8800	4,180,738	US\$ 790,074	2,601,627
			30,566,511		35,456,668
OTHER RECEIVABLES					
Prepaid expenses	US\$ 451,208	2.8800	1,299,479		-
Other	R\$ 88,247	1.0421	91,962	R\$ 58,847	55,479
	US\$ 202,741	2.8800	583,894	US\$ 402,669	1,325,945
			1,975,335		1,381,424
			288,504,290		190,774,708
Total current assets					
NON-CURRENT ASSETS					
OTHER RECEIVABLES					
Prepaid expenses	-		-	US\$ 608,449	1,989,628
Guarantee deposits	US\$ 146,768	2.8800	422,693		-
			422,693		1,989,628
LONG-TERM INVESTMENTS					
Program of Medium-Term Foreign Bonds				US\$ 800,000	2,634,312
Comgas Andina	\$ch 653,039,457	0.00479	3,128,059	\$ ch 426,661,011	1,917,948
COPERG	R\$ 60,531	1.0421	63,079	R\$ 76,065	71,711
			3,191,138		4,623,971
Total non-current assets			3,613,831		6,613,599
Total assets			292,118,121		197,388,307
LIABILITIES					
CURRENT LIABILITIES					
ACCOUNTS PAYABLE					
Accounts payable	US\$ 1,592,409	2.9300	4,665,758	US\$ 1,827,858	6,203,000
			4,665,758		6,203,000
CARRIED FORWARD			4,665,758		6,203,000

US\$: United States dollars

\$ch: Chilean pesos

R\$: Reales

TRANSPORTADORA DE GAS DEL NORTE S. A.**FINANCIAL STATEMENTS** as of December 31, 2003 and December 31, 2002.**ASSETS AND LIABILITIES IN FOREIGN CURRENCY
(Contd.)****EXHIBIT G**

	12.31.03			12.31.02	
	Foreign currency class and amounts	Exchange rate	Amount in \$	Foreign currency class and amounts	Amount in \$
BROUGHT FORWARD			\$		\$
			4,665,758		6,203,000
LOANS					
Global Program of Negotiable Corporate Bonds - US\$ 300 MM	US\$ 81,239,676	2.9300	238,032,250	US\$ 55,231,369	187,432,622
Global Program of Negotiable Corporate Bonds - US\$ 320 MM	US\$ 93,153,664	2.9300	272,940,235	US\$ 56,481,166	191,673,921
Convertibility Risk Insured Bonds - Interest -	US\$ 20,030,696	2.9300	58,689,939	US\$ 6,556,424	22,249,814
Loan agreements	US\$ 67,639,823	2.9300	198,184,681	US\$ 29,923,907	101,549,472
Import finance	US\$ 952,239	2.9300	2,790,060	US\$ 928,373	3,150,517
Comissions to be paid	US\$ 50,000	2.9300	146,500	-	-
			770,783,665		506,056,346
CUSTOMERS' ADVANCES					
	-		-	US\$ 485,811	1,648,644
			-		1,648,644
Provisions					
Provisions	US\$ 20,000	2.9300	58,600	-	-
			58,600		-
Total current liabilities			775,508,023		513,907,990
NON-CURRENT LIABILITIES					
LOANS					
Global Program of Negotiable Corporate Bonds - US\$ 300 MM	-		-	US\$ 24,500,000	83,142,955
Global Program of Negotiable Corporate Bonds - US\$ 320 MM	US\$ 124,834,056	2.9300	365,763,784	US\$ 151,340,987	513,589,260
Convertibility Risk Insured Bonds	US\$ 175,000,000	2.9300	512,750,000	US\$ 175,000,000	593,878,250
Loan agreements	US\$ 35,000,000	2.9300	102,550,000	US\$ 70,000,000	237,551,300
			981,063,784		1,428,161,765
Total non-current liabilities			981,063,784		1,428,161,765
Total liabilities			1,756,571,807		1,942,069,755

US\$: United State dollars

Jorge Valdez Rojas
Chairman

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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 on December 31, 2003 and 2002****EXHIBIT H**

	Total 12.31.03	Operating expenses			Selling expenses	Other selling expenses	Total selling expenses	Administrative expenses	Financial holding results	Investments in fixed assets	Total 12.31.02
		Transportation service	Other services	Total services							
						\$					
Accrued Board of Directors and Syndics' fees	343,760	-	-	-	-	-	-	343,760	-	-	199,203
Fees for professional services	3,744,779	746,122	60,122	806,244	97,483	-	97,483	2,773,835	-	67,217	3,217,500
Wages and other personnel benefits	27,953,105	15,833,436	1,105,975	16,939,411	558,179	-	558,179	10,064,635	-	390,880	29,037,520
Social security contributions	4,538,553	3,144,483	205,903	3,350,386	91,682	-	91,682	1,096,485	-	-	4,801,655
Fees for technical services	5,904,825	5,904,825	-	5,904,825	-	-	-	-	-	-	3,303,504
Foreign staff residence	2,032,624	2,032,624	-	2,032,624	-	-	-	-	-	-	3,788,503
Sundry materials	11,604,520	10,559,889	335,881	10,895,770	90	-	90	61,815	-	646,845	15,665,183
Excess gas use and basins exchange	702,514	702,514	-	702,514	-	-	-	-	-	-	337,683
Third party services and suppliers	4,077,750	3,013,556	382,549	3,396,105	13,029	-	13,029	624,948	-	43,668	5,456,538
Maintenance and repair of fixed assets	38,511,924	34,549,840	1,966,787	36,516,627	-	-	-	772,973	-	1,222,324	32,727,528
Travel and agency expenses	5,393,907	4,125,768	555,032	4,680,800	46,599	-	46,599	560,849	-	105,659	5,802,619
Freight and transportation of staff	574,466	475,933	16,632	492,565	-	-	-	60,468	-	21,433	569,310
Communications	1,259,658	684,009	264,855	948,864	17,014	-	17,014	269,731	-	24,049	1,362,129
Insurance	7,841,287	7,683,506	38	7,683,544	55	-	55	157,688	-	-	10,227,059
Office supplies	1,343,746	559,248	40,126	599,374	19,522	-	19,522	689,391	-	35,459	1,402,765
Rentals	788,617	529,942	228,678	758,620	4,118	-	4,118	22,010	-	3,869	1,667,712
Easements	11,901,741	11,901,741	-	11,901,741	-	-	-	-	-	-	2,298,504
Taxes, rates and contributions	15,856,341	324,277	29,730	354,007	12,106,753	536,236	12,642,989	2,859,345	-	-	18,085,685
Financial results generated by assets	31,469,465	-	-	-	-	-	-	-	31,469,465	-	110,279,464
Financial results generated by liabilities	129,574,277	-	-	-	-	-	-	-	129,574,277	-	745,565,506
Fixed assets depreciation	103,504,299	101,849,784	101,951	101,951,735	207,009	-	207,009	1,345,555	-	-	123,615,033
Intangible assets amortization	31,253,887	5,151,538	5,157	5,156,695	211,748	-	211,748	859,449	25,025,995	-	10,737,671
Fixed assets expenses	16,505,476	21,198	-	21,198	-	-	-	-	-	16,484,278	3,668,641
Doubtful accounts	672,291	-	-	-	672,291	-	672,291	-	-	-	1,822,389
Lawsuits	9,493,552	-	-	-	-	-	-	9,493,552	-	-	32,549,776
Obsolescence of consumption material and spares	2,246,911	2,246,911	-	2,246,911	-	-	-	-	-	-	12,229,847
Slow-moving consumption material and spares	6,909,000	6,909,000	-	6,909,000	-	-	-	-	-	-	13,091,000
Others	1,748,306	949,001	16,291	965,292	67,271	-	67,271	714,943	-	800	866,921
Total al 12.31.03	477,751,581	219,899,145	5,315,707	225,214,852	14,112,843	536,236	14,649,079	32,771,432	186,069,737	19,046,481	-
Total al 12.31.02	-	248,744,277	3,731,535	252,475,812	17,807,366	603,172	18,410,538	54,450,689	351,951,988	517,087,830	1,194,376,857

Jorge Valdez Rojas
Chairman

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TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** as of December 31, 2003**TERMS AND GUIDELINES FOR THE RESTATEMENT OF INVESTMENTS, RECEIVABLES AND LIABILITIES****EXHIBIT I**

	2003			
	Investments (1)	Accounts receivable-trade (2)	Loans	Other liabilities (3)
	\$			
a) Past due				
12.31.2002	96,562	21,243,395	311,730,851	-
03.31.2003	91,638	8,504,975	52,048,898	-
06.30.2003	1,227,627	7,189,457	63,532,813	-
09.30.2003	1,209,269	7,539,420	46,401,237	-
12.31.2003	1,189,333	16,204,770	73,935,030	-
b) Without due date	50,199,251	4,745,538	15,388,105	12,796,329
c) To be due				
03.31.2004	188,626,320	44,470,320	162,320,838	34,174,974
06.30.2004	1,152,000	463,607	54,340,137	-
09.30.2004	-	462,854	19,641,535	-
12.31.2004	-	4,907,122	56,739,046	6,124,330
12.31.2005	-	6,905,555	188,072,210	-
12.31.2006	-	482,222	93,825,448	-
12.31.2007	-	663,804	103,307,439	-
12.31.2008	-	2,835,304	129,272,424	-
12.31.2009	-	15,992,362	124,752,929	-
12.31.2010	-	-	113,944,445	-
12.31.2011	-	-	113,944,445	-
12.31.2012	-	-	113,944,444	-

Total 2003	243,792,000	142,610,706	1,837,142,274	53,095,633
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a) Balances subject to adjustment	-	6,634,439	85,256,767	-
b) Non-interest bearing balances	243,792,000	135,976,267	1,751,885,507	53,095,633

Total 2003	243,792,000	142,610,706	1,837,142,274	53,095,633
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a) Interest bearing balances	243,792,000	171,872	1,692,253,939	-
b) Non-interest bearing balances		142,438,834	144,888,335	53,095,633

Total 2003	243,792,000	142,610,706	1,837,142,274	53,095,633
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(1) Except investments in other companies and allowances

(2) Includes accounts receivables - trade and other receivables, except its allowances for doubtful accounts.

(3) Includes all non- financial debts, except Provisions.

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Chairman

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