

TRANSPORTADORA DE GAS DEL NORTE S.A.

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2004 PRESENTED IN COMPARATIVE FORM**

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

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ANNUAL REPORT FOR TRANSPORTADORA DE GAS DEL NORTE ⁽¹⁾ S.A. AS OF DECEMBER 31, 2004

Introduction

To the Shareholders:

In compliance with legal and statutory requirements, the Board of Directors of Transportadora de Gas del Norte S.A. ("TGN" or "the Company") submits to the consideration of the shareholders' meeting this annual report, balance sheet, statements of income, of changes in shareholders equity and cash flows, notes and exhibits corresponding to the fiscal years ended December 31, 2004 and 2003.

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

(1) Company which has not adhered to the Optional System for the Mandatory Acquisition of shares in a Public Offering.

Macroeconomic context

During 2004 Argentina continued with the process of economic recovery, reaching growth levels comparable to those of 2003. This process was driven by the goods-producing sector, mainly construction and manufacturing industry. The economy also benefited from relative stability in the exchange rate and inflation and a favorable international context, with a positive impact on both fiscal and external accounts.

Fiscal accounts remained balanced, with a primary fiscal surplus of close to 5.9% of GDP, and the Central Bank's conservative monetary policy ensured money supply was kept at levels that held inflation at acceptable levels and the exchange rate remained stable. There were annual rises of 6.1% and 7.8% in consumer prices and wholesale prices respectively.

The external sector continued to record a sound though declining current account surplus. The high rate of exchange was not in itself sufficient to lead to a significant improvement in exports. In effect, the 17% increase in export amounts is mainly explained by higher commodity prices. Export volumes rose by only 5% during the year. Imports, on the other hand, recorded exceptional growth of 61%, driven mainly by the purchase of capital goods, fuel, parts and accessories, consumer goods and automobiles.

On the matter of the country's debt, in August 2004 the program with the IMF was suspended, and since then maturities have been paid out of Central Bank reserves without the obtaining of the corresponding reimbursements under the agreement. During 2005 the country must meet principal maturities with the Fund for some US\$3.3 billion, a situation that could affect the financing of the public sector if the renewal of the agreement continues to be postponed.

After several delays, in mid-January the defaulted public debt restructuring program was launched, and it concluded on February 25. The majority acceptance of the debt exchange has been considered as a success for the government, as it is essential if fiscal sustainability and economic stability are to be guaranteed, as well as being necessary to

recover levels of investment compatible with the forecasted demand for Argentine goods and services domestically and for export.

In social areas, although the high level of economic growth led to certain improvement in the indicators, unemployment continues to be significant, and poverty and indigence levels are also still high.

Despite the good economic performance seen in 2004, forecasts for 2005 are still cautious.

In the first place, it is possible that there will be no repetition in 2005 of the favorable international conditions seen in the previous year as regards interest rates, terms of trade and world economic growth.

Use of installed capacity by industry is currently close to 75%, and many sectors such as basic metal industries and chemical products are operating at close to full capacity. This being the case, the creation of favorable conditions for investment in durable goods will be fundamental if a steady rate of growth is to be maintained.

In addition, as this is an election year, there will probably be increased pressures on the government during 2005 for an increase in public spending, which could lead to a rise in the rate of inflation.

Lastly, a new federal revenue-sharing agreement must still be enacted, and the elimination of distorting taxes, the return to normal of the financial system (which will include a solution to the thousands of court orders arising out of the forced conversion into pesos of deposits) and the renegotiation of public utility contracts, the latter of crucial importance to the future of TGN, are all matters that are still pending solution. No concrete progress has been made on the matter of contract renegotiation, which will condition the future of the Company.

Regulatory aspects

In its capacity as a provider of a national public service, TGN is subject to significant state regulation based on the Gas Act (Law No.24076) exercised by the National Gas Regulatory Entity ("ENARGAS").

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

The new law suspended the effect of the adjustment clauses in foreign currency and restatement clauses based on the price indexes of other countries, and setting tariffs in pesos at the exchange rate of ONE PESO (\$ 1) = ONE UNITED STATES DOLLAR (US\$ 1), and also authorized the executive to renegotiate utility service contracts, effectively freezing gas carrying prices for loaders in Argentina since then.¹

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.

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

In February 2002 the Executive issued Decree 293/2002 charging the Ministry of Economy with the re-negotiation of contracts. To this end a Re-negotiation Committee, including user representatives, was created to advise the Ministry. The re-negotiation must be approved by the Executive, and provides for the non-binding participation by the Bicameral Congressional Commission created by Laws 25,561 and 23,696.

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

In addition, efforts by the Executive in 2002 to introduce limited adjustments of a transitory nature to soften the impact of the changes in the rate of exchange and macroeconomic indicators on the business of the providers of public services for which contracts had to be renegotiated were successively blocked by court orders.

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 25,561, analyzing the existing situation and level of compliance achieved by the concession and license-holders.
- b) Sign full or partial contract renegotiation agreements with concession-holders and licensees of public services, subject to the approval of the Executive Branch.
- 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 25,790 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

² First until March 2003 (by Decree 1839/02), then until June 2003 (by Ministry of Economy Resolution No.62), until December 2004 (by Law 25,790), and lastly until December 31, 2005 by Law 25,972.

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 2004 for the process of public and legislative consultation and approval by the Executive. This schedule was not complied with.

On July 2, 2004 the UNIREN provided TGN with the proposal by the State, which basically planned for a tariff increase of 7% as from January 2005 through until a comprehensive tariff review scheduled for January 2007. In its response with a justified rejection, TGN requested a return to the working schedule that had been agreed in order to negotiate an equitable solution.

At the date of issue of these Financial Statements, no significant progress has been made that would make it possible to consider that an agreement will be signed in the short term. 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 during the course of 2004 the Executive took a number of measures that could be harmful to the business of TGN.

Decree 180/04 created the Electronic Gas Market (“MEG”) and authorized the Energy Secretariat to undertake an expansion of carrying systems by means of trust fund schemes, as described below, and measures were approved for improvements to the efficiency of the allocation of gas in the industry. Under the regulation, the Energy Secretariat was empowered to enter into agreements with natural gas producers with the aim of achieving an adjustment in the well-head price of gas.

The agreement reached between the Energy Secretariat and producers, while positive because it is a start in the recovery in gas prices, is also a source of concern because of the asynchronous treatment of rates in the remaining segments in the gas chain (transport and distribution), by absorbing an important portion of the limited contributory capacity of users.

In August 2004 the Executive submitted to Congress a bill for a National Regime for Public Utilities, which in many substantial aspects modifies and repeals relevant provisions in the Gas Act, a further factor of uncertainty affecting the Company.

Although it is still too soon to forecast the impact of this bill, were it to be approved on the activities of the Company, it does appear that it will make significant changes to the regulatory framework, in particular as regards intervention by the State in the allocation of resources to be invested in the activity.

Furthermore, these measures do not make any reference to changes in tariffs and margins regulated by the Gas Act for natural gas carrying and distribution.

The gas industry in Argentina

Continuing with the recovery in consumption that rose at a rate of 10.1% in 2003, this year there has been a further increase of 8.1%.

The most significant increase in absolute terms took place in the power station segment. In percentage terms, CNG consumption recorded the sharpest growth, 15.6% higher than in 2003. The explanation for the increase shown by power station consumption 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, and low levels of dispatches from hydroelectric plants. The recovery in the industrial sector, in turn driven by the low relative price of the input, also helped to increase consumption levels.

Since the privatization of public natural gas services at the end of 1992 there has been an accumulated growth of 52.7% in domestic consumption, with a notable rise of 275% in the demand for gas in the form of GNC and 46% in demand by industrial customers. The other segment with strong growth in this period was that of power stations, which increased 71%. 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) (3)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Residential	6.9	6.9	6.7	6.7	6.9	6.6	5.9	5.8	5.9	5.8	5.7	5.6
Commercial	1.1	1.0	1.0	1.0	1.1	1	0.9	1	1.2	1.2	1.4	1.6
Industrial	11.1	10.7	9.8	9.6	10	9.8	9.9	9.8	9.4	9.1	8.7	7.6
Power plants	10.1	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.	3.0	2.6	2.0	1.9	1.7	1.5	1.4	1.2	1.1	1	0.9	0.8
Others	1.12	0.8	0.7	0.7	0.7	0.6	0.6	0.5	0.2	0.3	0.3	0.3
Total	33.2	30.8	28.0	28.8	31.3	30.2	27.2	26.8	26.4	23.3	22.2	21.8
Index	152.7	141.3	128.3	132.1	143.2	138.5	124.8	122.9	121.1	106.9	101.8	100.0

(³) Volumes at 9300 kcal
Source: ENARGAS

Demand for primary energy by source (2003) [%]	Oil	Natural gas	Coal	Nuclear	Hydro
USA	39.8	24.7	25.0	7.9	2.7
Canada	33.1	27.0	10.6	5.8	23.5
Mexico	59.8	29.5	5.6	1.7	3.3
Total North America	40.1	25.2	22.5	7.4	4.9
Argentina	29.8	53.0	1.0	2.9	13.3
Brazil	46.4	7.9	6.1	1.7	38.0
Chile	43.0	26.0	9.9	0.0	21.1
Colombia	38.3	20.7	10.0	0.0	31.0
Venezuela	37.3	41.2	0.2	0.0	21.4
Other countries of S and C America	63.7	13.6	0.9	0.0	21.8
Total S. & Cent. America	46.5	21.2	3.8	1.0	27.5

Source: BP Statistical Review of World Energy

Gas Supply

In 2004 annual natural gas production totaled 51,384 billion cubic meters, with 59.9% coming from the Neuquina Basin and 14.6% from the Noroeste Basin. This marked a new record for the country, with an increase of 1.4% compared to 2003. This increase was used both to supply export markets (Chile, Brazil and Uruguay) and the recovering domestic market.

Although Argentina is among the countries with the largest reserves of natural gas in South America (612.5 MMMm³ at December 2003) 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, there has been a significant reduction compared to the previous year, when proven reserves amounted to 663.5 MMMm³. There has thus been a drop of 51 MMMm³ compared with the previous year, a result of which the reserves horizon is now 12.1 years.

The drop in proven reserves is directly related to the freeze on well-head gas rates, the uncertainty that exists in relation to the agreement reached between producers and the government, and the rules that will govern the industry in future. This 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, show prospects of high growth in energy demand in general and in that for natural gas in particular.

Natural Gas- Reserves and production at end of 2003

	Proven Reserves MMm ³ (4)	Production in 2003 MMm ³	Horizon Years	Probable Reserves MMm ³
Noroeste	124,511	8,148	15.3	52,599
Neuquina	311,172	29,846	10.4	97,27
Others	176,813	12,676	13.9	139,139
Total Argentina	612,496	50,670	12.1	289,008

Source: Energy Secretariat
(4) Millions of cubic meters

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 139% (31.44 MMm³/d). This policy has required investments for US\$ 1,075.2 million, mainly spent on the building of over 1,300 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 period TGN has continued to successfully develop other related activities, providing operation and maintenance services for the carrying facilities of third parties. The Company does so directly in Argentina, and through related companies in Chile and Brazil.

As from the introduction of Decree 180/04 mentioned in the previous point, the Energy Secretariat has entrusted TGN with the expansion of its transport system by 1.8 MMm³/d from the Norte Basin and 1.0 MMm³/d from the Neuquina Basin³.

This project, planned for the winter of 2005, is being carried out on the basis of a trust fund and the contribution of financing by future beneficiaries and producers.

TGN has signed the following contracts with the federal government and Nación Fideicomisos S.A: (i) Supplementary contract for the Gas Trust; (ii) a Management Contract (iii) an Operation and Maintenance Contract. TGN has undertaken to contribute the net present value of the amounts to be received as tariff, and will be responsible for the

³ The execution of the planned expansion of the Centro Oeste Gas Pipeline was ruled out of the current Project, basically because of the lack of financing.

administration of the project -and once completed it will be responsible for the operation and maintenance of the new assets until the trust is settled.

TGN'S TRANSPORT SYSTEM: MAIN INFORMATION

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	Totals
Gas pipelines: km added	77.0	0	0	47.5	332.4	20.0	97.7	257.4	246.6	187.1	54.7	1,320.4
Compressors: HP Added	0	0	0	0	23,900	6,900	83,900	0	0	0	27,840	142,540
Increase in capacity in MMm ³ /d	0.6	0.2	0.3	0.2	4.1	5.7	6.4	4.1	3.5	1.9	4.5	31.5

Values at December 31, 2004

	Gasoducto Norte	Gasoducto CO	O&M	Total
Km.	3,335.5	2,148.0	2,598.8	8,082.3
Diameter	24"	30"	-	-
Compressor stations	9	8	2	19
Thousands of HP	130.77	169.40	12,2	312.37
Firm contracts MMm ³ /d	22.17	31.87	NA	54.04
Year built	1960	1981	1996/2000	-

Financial situation

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

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

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

As described under the previous point, since privatization in 1992 the Company has invested US\$ 1,075.2 million on the gas pipeline system, financed in approximately equal parts by means of (i) reinvestment of its cash flows (profits and amortization) and (ii) financial borrowing mainly with long terms to repayment.

At December 2001 the level of indebtedness was equal to 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 lending 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, 2004, 2003, 2002, 2001, AND 2000

(in millions of pesos)

	Years ended on 31.12.				
	2004	2003	2002	2001	2000
<i>Current assets</i>	451	338	252	140	109
<i>Non-current assets</i>	2,532	2,530	3,044	2,692	2,754
Total Assets	2,983	2,868	3,296	2,832	2,863
<i>Current liabilities</i>	1,269	946	669	430	365
<i>Non-current liabilities</i>	816	992	1,460	1,039	1,130
Sub-total liabs.	2,085	1,938	2,129	1,469	1,495
Shareholders' equity	898	930	1,167	1,363	1,368
Total	2,983	2,868	3,296	2,832	2,863

The Company immediately decided to administer its resources so that: 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 and it could continue to operate as a going concern.

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.

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 financial debt amounts postponed is fully disclosed in these financial statements.

During 2004, although the peso remained relatively stable, the economic equation of the Company did not recover, because of the lack of any tariff increase.

At the same time the Company continued discussions 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, to achieve 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

Despite the lack of results in the process being undertaken by the Unit for the Renegotiation and Analysis of Public Utility Contracts (UNIREN), the Enargas and the Energy Secretariat, the Company has done everything in its power to assist the process. 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.

The continued freeze on carrying rates is reflected in the financial inability to meet carrying capacity expansion requirements. For this reason, as explained above, the Executive Branch has decided to carry out carrying capacity expansion by means of public trust funds.

It may also be possible to undertake other expansion works for export by means of private trusts, such as those already implemented by TGN in the first half of 2004.

This is of particular significance, because in line with the strategic relevance since 1997 acquired by the carrying of gas to meet the energy requirements of neighboring countries, the Company must provide the capacity to keep up with the expected growth in demand.

Outstanding events in 2004

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.

In this situation, TGN was nevertheless able to successfully structure an expansion of its system under the terms of ENARGAS Resolution N° 2877/2003 that authorized the structuring of financial trusts for the carrying out of investments in gas-related infrastructure projects. As a result, in June this year work was completed that increased the transport capacity by 550 Mm³/d to supply customers in central Chile.

As a result, the carrying capacity contracted from TGN at December 31, 2004 totals 54.04 MMm³/d, showing growth of 1% compared to the capacity existing at the start of the year⁷. Of this total 39.6 MMm³/d (73.3%) is used to meet demand from Argentine customers, while 14.44 MMm³/d (26.7%) supplies demand for natural gas in Chile, Uruguay and Brazil.

⁷ Of this total, 550 Mm³/d are contracted on behalf of the Gas Trust

Operation and maintenance of third party pipelines

The Operation and Maintenance contracts in force in the previous year were maintained.

The maintenance program for the NorAndino gas pipeline being carried out since the end of 2002 continued to be carried out successfully, resulting in a more effective service in line with the difficult nature 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

This year there has been a constant load factor over the whole of the period, as can be seen from the accompanying graph (*Total Monthly Gas Carrying*). Preventive and scheduled maintenance of our installations, mainly carried out during the summer, was able to take place as planned, despite the increased use of the pipeline during that period.

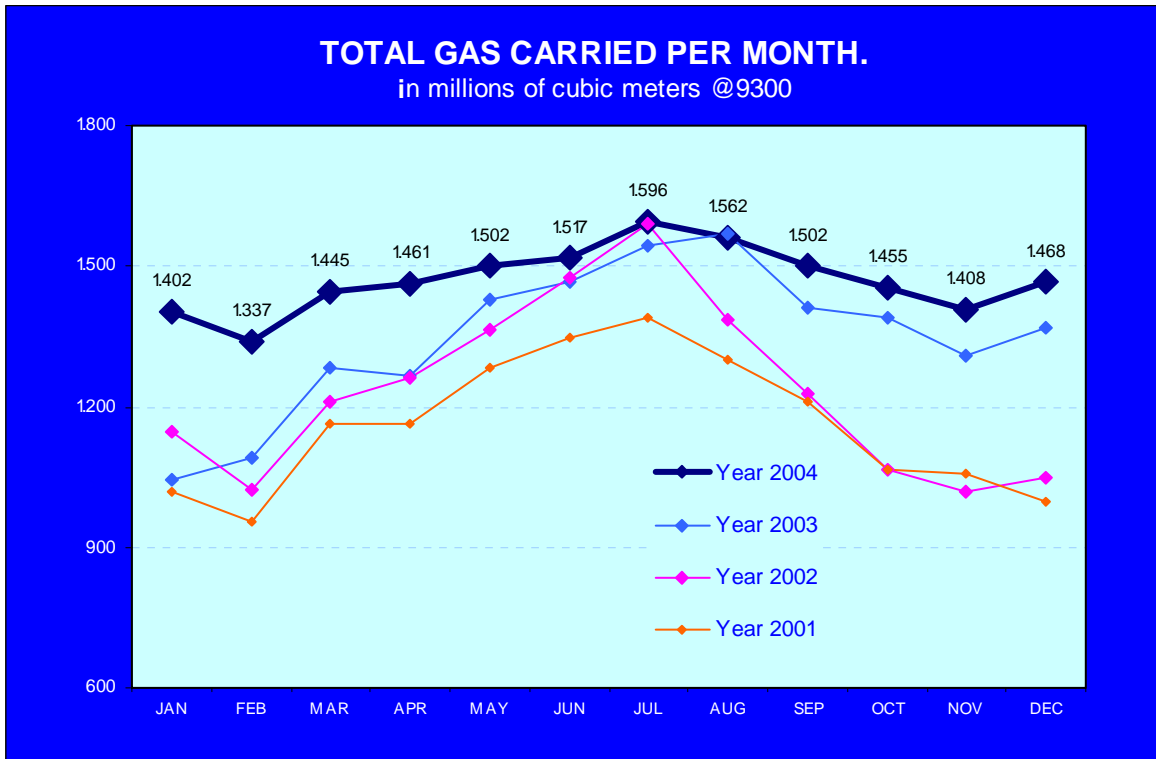
During the current year TGN transported a volume of gas of 17,655 MMm³ @9300 Kcal , 9% more than in 2003.

Another feature of this year was the intervention by the Fuels Under-secretariat in the allocation of well-head gas. The purpose of this intervention was to re-direct supply, assigning priority to Distributors during the winter season and restricting export volumes and sales to direct customers of producers, promoting the use of alternative fuels by the thermal power stations operating combined cycles.

Once the period of peak household consumption was over, gas was redirected again, to the benefit of gas-fired thermal power stations.

The volume carried by TGN in accordance with the various resolutions of the Fuels Under-Secretariat, totaled 473 MMm³.

On the matter of the reliability of the system, mention should be made of the construction of 20 km of loops on the Centro Oeste pipeline, which completed the compensation for the loss of gas calorific power following the start-up of the MEGA gas separation plant at the head of the Neuquina Basin.



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 2004:

- To minimize the risk from corrosion in its different forms, the insulation coating for 7,631 m of the Gasoducto Norte system was replaced. To determine the existence of stress corrosion cracking (SCC), hydrostatic testing was performed in the Lavalle region, which led to the replacement of the affected pipeline.
- Improvements were made to the cathodic protection systems on the pipeline including the installation of 3 new stations and the partial reconditioning of 23 existing stations, and the installation of 4,460 m of continuous anode. 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.
- Using in-line inspection techniques (ILI), 1,454 km. of gas pipeline were surveyed, and as a result of this program, 1,458 m of pipeline were replaced, either because defects were detected or to eliminate inappropriate reinforcements.
- To reduce the possibility of incidents affecting the pipelines, 3 river crossings were reconditioned and 21 areas of major erosion were repaired, mostly on the Gasoducto Norte pipeline.
- As part of the activities carried out for the prevention of damage to TGN pipelines by third parties, 450 visits have been made to owners of property along the line of the pipe and sundry institutions to explain the precautions to be taken in the pipeline safety zone. With the same purpose, 505 notes were sent to a similar number of program

addressees. During 2004 a total of 133 requests from third parties to carry out work interfering with the pipelines were dealt with. This represents a 120% increase compared to the number of cases handled in 2003, a sign of the growing awareness by third parties of the need to follow the recommendations made.

- The eradication was carried out of 26 constructions within the security zone.

Brief mention should also be made of the following:

- Overhauls were carried out of 12 motor-driven compressors and 2 reserve modules of the Solar turbine driven compressors (one Taurus T-70 and one Mars-100) that had been purchased in 2003 were tested.
- The emergency halting system at Recreo was replaced, as were the control panels for two compressors at San Jerónimo.
- To reduce the possibility of incidents along the pipeline, a new campaign was carried out for the repair of minor erosion involving 24 points on the Gasoducto Norte (river crossings) and 5 on the Gasoducto Centro Oeste
- The survey of condition was intensified.
- A Safety Coordinator was appointed for each zone.
- With the aim of facilitating all stages of the performance of maintenance and works, some 30 open contracts were entered into with suppliers of both materials and services.
- A major internal cleaning program was carried out on the gas pipelines on the Norte System and the final stages

In the case of services provided to third parties, we would mention:

- The continued surveillance of the Gasoducto NorAndino, monitoring critical segments to prevent accidents during the rainy season, installing high country camps at strategic points.
- The holding of drills in relation to significant gas pipeline breakage for NorAndino and Pluspetrol.

Technology, systems and communications management

Activities and IT projects in 2004 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.

The main activities in the area of technological renewal of hardware were (i) the replacement and consolidation of the main administrative servers; (ii) replacement of back-up hardware and software; (iii) migration of the e-mail platform to Exchange 2003; (iv) replacement of eighty Notebooks; (v) replacement of anti-virus software; (vi) the incorporation to the SCADA system of ten non-critical measurement stations using cellular telephony; and (vii) the telephone linking of the Central Stores installations to TGN headquarters over Internet.

In the communications area, major work was carried out on the complete inspection and revamping of the basic infrastructure of the stations belonging to the trunk communications system on the sector running from the Beazely compressor to Neuquén.

In the area of service improvements, the most important work has consisted in (i) the implementation of a new system of unified messaging that provides access to voice and e-mail messages from any point through use of a telephone or a PC connected to Internet; (ii) the introduction of an anti-spam service to significantly reduce undesirable e-mail traffic; (iii) the full restructuring of the supplies portal, significantly improving its functions and performance; (iv) the adaptation of information systems to be able to interact with the future Electronic Gas market; (v) the consolidation of gas pipeline information; and (vi) the development of an application for the planning of materials requirements (MRP) on a SAP platform for the central administration of requests for spares and critical materials for all plants.

Special mention should be made of the development and implementation of the first part of the Management Control Panel. This tool consists of a new module on TGN's Intranet destined to the storage and exploitation of the principal data and indicators for the Company. It covers information ranging from operating and financial data to safety indicators, as well as information on human resources, projects, costs, stock levels and progress of maintenance activities.

Quality, Safety, Hygiene and the Environment

During 2004 TGN updated its *Quality, Safety, Hygiene and the Environment* policy and revised the concepts contributing to its commitment to act on the basis of the highest levels of quality, to guarantee the safety and health of its workplace, environmental protection and the physical integrity of the installations it operates, all of which included within the scope of sustainable development and continuous improvement.

Dangerous waste generated by the Company has been handled in an environmentally responsible manner, fully in accordance with current legislation.

Studies have continued of the alternatives available for reducing gaseous emissions with a greenhouse effect, participating on various discussion and analysis forums.

Local Emergency Plans for the Company's various locations were updated and improved.

In view of the needs arising from the 2005 Expansion program, all environmental and safety aspects were analyzed for each segment of the Gas Pipeline and the Compression Plant to be expanded. This has included procedures with provincial authorities to obtain the environmental approvals.

Activities were carried out at various interdisciplinary forums such as the CEADS, the IAPG, etc. taking part in joint work on matters such as future scenarios regarding Greenhouse Gas Emission, current inventories under this heading, and analysis of specific regulations. In addition, the Company participated on the organizing committee for the Health and Occupational Safety Congress held in Mendoza from November 9 to 12.

Development of our Human Resources

As a result of the growth planned for 2005, hiring took place to meet the demand for personnel required by the new Expansion Management.

Most of the positions were required by the Engineering and Projects area, with particular demand Mechanical and Civil Engineering, Electricity, Electronics and Piping specialization.⁴

Training and development

During 2004, training programs have continued to be carried out with objectives and designs in accordance with specific technical and organizational requirements.

Some of these programs were carried out at educational establishments offering postgraduate course appropriate to our organizational requirements, such as for example, the environmental training program designed to enrich the profile of the QSH&E coordinators (global and systemic focus on environmental problems), and the program for engineering and administration of maintenance (broadening of strategic vision to be able to incorporate best management and maintenance planning practices).

In addition, the following programs were carried out with a significant degree of internal development:

- Training of Middle Management in the various areas of operations, covering three topics: Leadership, Labor Law, and Project Management.
- Laboratory Workshops for compression instrument operators to transmit knowledge using a simulator, to be able to resolve complex problems.
- Program for the preparation and training of technical personnel in Humahuaca, in an intensive medium-term program combining basic skills and specific training for work in the Norandino region.
- Course on condition analysis for the incorporation of predictive techniques in the maintenance chain, with the aim of strengthening and reassigning the team of professionals in the region to achieve a greater operational participation.
- Course on gas turbines and centrifugal compressors, including topics such as vibration analysis, rotating meters and line break valves.
- Programs for young professionals, focusing on the training of young people in the general principles of gas transportation, project management and the economic and financial dimensions of projects. Follow-up interviews were held to evaluate the insertion of Young Professionals within the Company and their work dynamic.

Training of personnel in the field of Safety, Hygiene and the Environment centered on a training program on the driving of dual traction vehicles, ergonomics, fire-fighting, building evacuation in emergencies and the group drafting of a quality manual and the communication of a policy for the prevention of damage at plants.

⁴ A total of 21 positions were filled, of which 15 corresponded to the Engineering and Projects, Purchasing and Management Control areas. The rest of the hirings were replacements to fill vacancies caused by the reassignment of TGN personnel to the Expansion Project.

As in previous years, courses were held locally and abroad on turbine and centrifugal compression technology, control systems, gas measurement and quality and updating and qualifying in cathodic protection at its various levels, among other matters.

All these activities, complementing on-the-job training, required a total of 23,168 training hours.

Community relations

The objective for 2004 was to continue to develop and strengthen those projects that had been begun in previous periods. Through the administration of its Community Action Program, the Company continues to support educational projects, community development schemes and corporate volunteerism programs.

The former include continued support to (i) The Lamadrid School in the Province of Tucuman, complementing official support for the school dining-room at the Alcira del Blanco de Ergueta school attended by 53 children and adolescents with special needs; (ii) Jardin Fundamind (in Buenos Aires). Development of a Social Educational Project with comprehensive participation in a nursery for 20 infants, including a meal program and a school for parents. Economic assistance for the hiring of specialized personnel and the child nutrition program; (iii) Simon Bolivar School No.1258 (city of Santa Fe), where work continues on the rebuilding of the school library, destroyed by floods, and (iv) the San Pedro Technical Agricultural School (San Pedro-Jujuy) by means of the providing of materials for the building of a drinking-water network and water supply from the Miraflores Plant.

In addition, the program for the delivery of fixed assets such as computers, printers, lathes and materials to various schools located in the areas of the Company's operations has continued.

Notable projects in the field of community development and community management include (i) continuation of the second stage of project with the Warmi Sayajsunqo Women's Association (Abra Pampa, Jujuy) for the development of family and community market gardens (2004-2006). Intended to strengthen the individual and community capacity to produce food for family consumption in 75 aboriginal communities in the Puna, the initial 304 market gardens have been increased to over 400, and their organization and technical assistance have been improves. In addition, assistance has been provided to the communications project undertaken by the Association, equipping it with 15 radio units to be distributed among the various communities, training those responsible for the setting-up of the project; (ii) Support has been provided to two institutions caring for minors and adolescents, the Nazareth Home for Children at Risk (San Pedro Prov.of Jujuy) and the project for the training of entrepreneurial teams for the "Hogar de Guadalupe" (San Salvador de Jujuy, Jujuy), promoting the institutional strengthening of the home; (iii) A site continued to be provided so that the Centro de Rehabilitación Norte can continue to carry out the medical and therapy activities at in the community at the locality of Dean Funes in the province of Cordoba; (iv) continued economic support and promotion has been provided to the "Tiempo de Vivir" retirees Center (in the city of Buenos Aires); and (v) a Unimog truck was provided for use in fire prevention, rescue and assistance by the Volunteer Fire Brigade in Aldea Brasileña (Province of Entre Ríos), as well as truck and

front loader for the Municipalities of Los Altos and Bañado de Ovanta (Province of Catamarca).

The work methodology for the corporate volunteer projects, performed since 2002, continued to be developed with the participation of company personnel, providing continuity to projects begun in 2003, as well as the beginning of new projects in different areas.

Projects already under way:

- Bernardino Rivadavia Kindergarten(Deán Funes-Córdoba)
- Special School 2065 (Carcarañá, Prov. of Santa Fe)
- El Arca Home(Moreno Prov. of Bs. As.)
- Aldea Brasileira Fire Brigade(Prov. of Entre Ríos)
- School Market Gardens (Prov. of Salta)
- Paper recycling (City of Buenos Aires)

New projects started:

- J. B. Alberdi Kindergarten- Technical School (Deán Funes- Córdoba)
- La Casita Home(La Carlota- Córdoba)
- School 61 (Lavalle - Santiago del Estero)
- Participation on Desafío Joven (Buenos Aires)
- San Antonio de Padua Chapel (San Pedro de Jujuy- Jujuy)
- APPACE (Cerebral Palsy Association) San S. De Jujuy.
- School 442 (Humahuaca-Jujuy)

Code of Ethics

On November 9, 2004 the Board of Directors of TGN SA approved the Code of Ethics. The purpose of this code, from an integrated corporate point of view, is to associate the application of ethical values to the strengthening of equity and a sustainable development of TGN SA. It will be used as a point of reference to evaluate behavior in the Company and within the community.

The code includes the Company's principles, values of importance in human relations and behavior guidelines, which should be met for a proper behavior for decision-making, communications and activities of all personnel in the work environment.

The code is applicable to all TGN SA personnel. It is also applied in relationships with contractors, subcontractors, suppliers, customers, public officials, shareholders and investors and third parties in general.

The program for its communication has already commenced and encompasses all personnel from all levels, and it is estimated that it will be concluded in July 2005.

Global Pact

Under a United Nations Development Program, on April 23 TGN S.A. together with another 230 organizations in Argentina related to the business sector signed a Global Pact.

This has implied acceptance as a company of the challenge to move beyond the specific environment of its economic action to gradually develop an active role as a citizen, taking account not just the market but also society as a whole.

The Global Pact promotes the incorporation to daily company activities of a series of fundamental rights to satisfy the needs of the world population, with the aim of safeguarding sustainable economic growth in the current context of globalization.

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

A Board made up of thirteen 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 the General Manager of TGN and on a functional basis from its Board, 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.

Audit Committee

During 2004 an Audit Committee was formed as required by Decree 677/01 and CNV General Resolution 400/02. It operates as a collegiate body with three members three alternates, with a majority required to be independent on the basis of criteria established by the CNV. Audit Committee members are appointed by the Company's Board from among its members familiar with business, financial or accounting aspects. The powers and duties of the Audit Committee are those established by current legislation.

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 14, 2004, to date payment of \$ 481,230 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 \$ 565,550 authorized by the mentioned Shareholders' Meeting.

In addition, as laid down by the rules of the National Securities Commission, a provision has been set up for \$ 637,844 against results for the year, for directors' fees.

The Board of Directors recommends and submits to the consideration of the Ordinary Shareholders' Meeting for approval the allocation in full to retained earnings of the loss of \$ 32,389,392, being the result recorded by the Company for the year ended December 31, 2004.

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, 2004, 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 9, 2005

The Board
Jorge Valdez Rojas
Chairman

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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") ⁽¹⁾ and its financial situation, which should be read together with the attached financial statements.

I) ANALYSIS OF THE RESULTS AND FINANCIAL SITUATION

- Net results for the year ended December 31, 2004**

The net result for the year ended December 31, 2004 was a \$ 32.4 million loss, while for the previous year there was a loss of \$ 237.5 million. The reduction of the loss between the two years was \$ 205.1 million, arising from the following variations in the Company's results:

(In millions of pesos)

	Years ended 12.31					
	2004	2003	Variation \$	2002	2001	2000
Net revenues						
Gas transportation service	411.4	417.1	(5.7)	501.4	566.0	568.7
Doubtful accounts in foreign currency and other restatements	(3.1)	(15.7)	12.6	(21.1)	-	-
Benefit on social security contribution Decrees No. 292-1520- 814	(1.6)	(1.7)	0.1	(2.3)	(5.2)	(6.5)
Subtotal gas transportation service	406.7	399.7	7.0	478.0	560.8	562.2
Gas pipeline operation and maintenance service	15.3	18.4	(3.1)	19.0	12.5	10.8
Subtotal gas pipeline operation/ maintenance service	15.3	18.4	(3.1)	19.0	12.5	10.8
Net revenues	422.0	418.1	3.9	497.0	573.3	573.0
Operating costs						
Operating and maintenance costs	(119.7)	(118.0)	(1.7)	(125.1)	(123.5)	(136.5)
Fixed assets depreciation	(110.0)	(102.0)	(8.0)	(122.0)	(99.8)	(85.3)
Intangible assets amortization	(1.2)	(5.2)	4.0	(5.4)	(5.5)	(5.7)
Sub-total	(230.9)	(225.2)	(5.7)	(252.5)	(228.8)	(227.5)
Gross profit	191.1	192.9	(1.8)	244.5	344.5	345.5
Administrative and selling expenses	(55.7)	(47.4)	(8.3)	(72.8)	(58.2)	(61.2)
Operating income	135.4	145.5	(10.1)	171.7	286.3	284.3
Result from investments in foreign related parties	1.3	1.3	-	1.3	0.3	0.3
Financial and holding results (including the result of exposure to changes in the purchasing power of the currency)	(198.4)	(186.1)	(12.3)	(351.9)	(144.8)	(134.9)
Foreign exchange differences capitalized in fixed assets – written off	-	(277.9)	277.9	-	-	-
Other income and expenses - net	3.2	(8.5)	11.7	(5.3)	(40.1)	(26.1)
Net (loss) income for the year before tax	(58.5)	(325.7)	267.2	(184.2)	101.7	123.6
Income tax – income (2)	26.1	88.2	(62.1)	(11.5)	(86.0)	(37.0)
Net (loss) income for the year	(32.4)	(237.5)	205.1	(195.7)	15.7	86.6
Income before financial and holding results, written off of foreign exchange differences capitalized in fixed assets, depreciation, amortization and income tax.	252.9	245.5	7.4	295.1	351.8	349.5

(1) Company which has not adhered to the Optional System for the Mandatory Acquisition of shares in a Public Offering.

(2) Calculated according to the deferred tax method described in Note 3.5.m) to the Company's attached financial statements.

The information at December 31, 2000 above has not been adapted to include the retroactive adjustment of prior years according to the professional accounting standards in effect.

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****I) ANALYSIS OF THE RESULTS AND FINANCIAL SITUATION (Contd.)***(In millions of pesos)*

	12.31.2004	12.31.2003	12.31.2002	12.31.2001	12.31.2000
Total Assets (in millions of \$)	2,983	2,868	3,296	2,832	2,863
Total Liabilities (in millions of \$)	2,085	1,938	2,129	1,469	1,495
Shareholders' equity (in millions of \$)	897	930	1,167	1,363	1,368
Shareholders' equity/Total liabilities	0.43	0.48	0.55	0.93	0.92

The following paragraphs describe the reasons for the main variations in TGN's results and also disclose some economic and financial ratios relating to the Company's financial situation.

- **Net revenues**

The following table summarizes net revenues by type of service for the years ended December 31, 2004, 2003, 2002, 2001 and 2000:

(In millions of pesos)

Type of service	Years ended 12.31									
	2004	%	2003	%	2002	%	2001	%	2000	%
Gas transportation	406.7	96.0	399.7	95.6	478.0	96.2	560.8	97.8	562.2	98.1
Gas pipeline operation and maintenance	15.3	4.0	18.4	4.4	19.0	3.8	12.5	2.2	10.8	1.9
Total net revenues	422.0	100.0	418.1	100.0	497.0	100.0	573.3	100.0	573.0	100.0

- Gas transportation service

The revenues corresponding to the gas transportation service for the year ended December 31, 2004 amounted to \$ 406.7 million which compared with the \$ 399.7 million of the previous year have implied a net increase of \$ 7.0 million. This increase results from a combination of the following significant variations:

- an increase of \$ 2.0 million year 2004, invoiced as fines to customers for accumulated imbalances outside the tolerance margin and for daily deliveries in excess of authorized amounts (ENARGAS Resolution No. 716 – Application of point 10 of Internal Regulations of the Dispatch Centers); and
- other net increases of \$ 5.0 million mainly arising from the greater use of transport contracts and the variations in the Producer Price Index applied to sales for export, partially offset with the tax on bank credits and debits invoiced in 2003 corresponding to 2002 and 2001.

- Gas pipeline operating and maintenance service

The revenues corresponding to the gas pipelines operation and maintenance service dropped from \$ 18.4 million in 2003 to \$ 15.3 in 2004, mainly due to the amendment of the terms and conditions of certain contracts.

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****I) ANALYSIS OF THE RESULTS AND FINANCIAL SITUATION (Contd.)**

- **Operating costs**

The following breakdown shows the operating costs for the last five years:

	(In millions of pesos)									
	Years ended 12.31									
	2004	%	2003	%	2002	%	2001	%	2000	%
<i>Fees for professional services</i>	0.7	0.3	0.8	0.4	0.7	0.3	4.1	1.8	3.7	1.6
<i>Personnel costs</i>	23.0	10.0	20.3	9.0	21.8	8.6	35.7	15.6	39.6	17.4
<i>Fees for technical operator advisory and technical audit services</i>	5.9	2.6	5.9	2.6	3.3	1.3	4.3	1.9	18.0	7.9
<i>Foreign staff residence</i>	2.5	1.1	2.0	0.9	3.7	1.5	3.1	1.4	5.5	2.4
<i>Consumption of spare parts</i>	14.0	6.1	10.9	4.8	15.1	6.0	9.7	4.2	13.0	5.7
<i>Excess gas use and basins exchange</i>	2.3	1.0	0.7	0.3	0.3	0.1	0.4	0.2	3.7	1.6
<i>Maintenance and repair of fixed assets and third party services</i>	50.3	21.8	39.9	17.7	33.4	13.2	35.7	15.6	27.5	12.1
<i>Communications, freight and transportation of staff, travel and agency expenses</i>	6.4	2.8	6.1	2.7	6.0	2.4	8.2	3.6	11.7	5.1
<i>Insurance</i>	6.5	2.8	7.7	3.4	10.1	4.0	5.1	2.2	3.9	1.7
<i>Rentals and office supplies</i>	1.5	0.6	1.4	0.6	1.9	0.8	2.8	1.2	3.5	1.5
<i>Easements</i>	5.2	2.3	11.9	5.3	2.3	0.9	4.5	2.0	3.8	1.7
<i>Taxes, rates and contributions</i>	0.4	0.2	0.4	0.2	0.6	0.2	1.1	0.5	0.9	0.4
<i>Fixed assets depreciation</i>	110.0	47.6	102.0	45.3	122.1	48.4	99.8	43.6	85.3	37.6
<i>Intangible assets amortization</i>	1.2	0.5	5.2	2.3	5.4	2.1	5.5	2.4	5.7	2.5
<i>Slow-moving consumption material and spares</i>	-	-	9.2	4.1	25.3	10.0	7.4	3.2	0.7	0.3
<i>Others</i>	1.0	0.3	0.8	0.4	0.5	0.2	1.4	0.6	1.0	0.5
Total	230.9	100.0	225.2	100.0	252.5	100.0	228.8	100.0	227.5	100.0
% of Operating costs on net revenues	54.7%		53.9%		50.8%		39.9%		39.7%	

The operating costs increased from \$ 225.2 million to \$ 230.9 million from 2003 to 2004, increasing \$ 5.7 million in the following most significant items:

- i. An increase of \$ 2.7 million in *Personnel Costs* mainly due to (i) the salary restructuring granted by the Company during 2004 and the impact of the benefits established by the Executive Branch (\$ 1.7 million) and (ii) the granting of bonuses to personnel in December 2004 (\$ 0.6 million).
- ii. Increases of \$ 3.1 million in *Consumption of spare parts and materials* and \$ 10.4 million in *Maintenance and repair of fixed assets and services and third parties service*, principally explained by:
 - higher costs associated to repairs of river crossings for \$ 6.2 million;
 - repair and replacement of pipes amounting to \$ 2.8 million;
 - internal inspection of pipes for \$ 1.2 million;
 - maintenance of gas pipelines and compressor plants for \$ 3.1 million.
- iii. An increase of \$ 1.6 million in *Excess gas use and basins exchange* due to the higher consumption of gas in the compression associated to the increase of the average "loading factor" recorded during the winter months;
- iv. A decrease of \$ 1.2 million in *Insurance* due to the renegotiation of the coverage of the Company's fixed assets in conditions different to those of the comparative year;

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****I) ANALYSIS OF THE RESULTS AND FINANCIAL SITUATION (Contd.)**

- **Operating costs (Contd.)**

- v. A net decrease of \$ 6.7 million in the charge for *Easements* arising from the supply in the comparative year of higher charges for the re-estimate of fees for easements established by Joint Resolutions Nos. 195 and No. 409 of the Secretariats of Energy and Agriculture;
- vi. An increase of \$ 8.0 million in *Fixed assets depreciation* principally arising from (i) the \$ 2.9 million increase in the depreciation of the amortizable captions is related to the start-up of new works (Exhibit A to the Company's financial statements) and (ii) not computing in 2004 the amortizations corresponding to the caption "Exchange Differences capitalized in Fixed Assets" mentioned in Note 3.5.d) to the Company's financial statements which at December 31, 2003 disclosed a \$ 5.1 million gain.
- vii. A \$ 4.0 million decrease in *Intangible assets amortization*, due to the depletion of net book value at the beginning of the previous year;
- viii. A \$ 9.2 million decrease in the allowance for *Slow-moving consumption material and spares*, arising for not computing new allowances in 2004.

- **Administrative and selling expenses**

(In millions of pesos)	Years ended 12.31									
	2004	%	2003	%	2002	%	2001	%	2000	%
Personnel costs	11.9	21.4	11.8	24.9	11.2	15.4	18.6	32.0	17.1	27.9
<i>Fixed assets depreciation</i>	1.6	2.9	1.6	3.4	1.5	2.1	1.2	2.1	0.6	1.0
<i>Fees for professional services</i>	2.6	4.7	2.9	6.1	2.4	3.3	3.8	6.5	8.0	13.1
Taxes, rates and contributions	14.9	26.8	15.5	32.7	17.7	24.3	23.7	40.7	21.7	35.4
<i>Communications, freight and transportation of staff, travel and agency expenses</i>	1.0	1.8	1.0	2.1	1.1	1.5	1.7	2.9	3.5	5.7
<i>Maintenance and repair of fixed assets and third party services</i>	1.9	3.4	1.4	3.0	1.6	2.2	2.6	4.5	2.0	3.3
<i>Rentals and office supplies</i>	0.7	1.3	0.8	1.7	1.0	1.4	2.1	3.6	2.4	3.9
<i>Intangible assets amortization</i>	0.2	0.3	1.1	2.3	1.1	1.5	1.1	1.9	1.1	1.8
<i>Doubtful accounts</i>	3.2	5.7	0.7	1.5	1.8	2.5	0.7	1.2	-	-
<i>Lawsuits and sundry expenses</i>	17.0	30.5	10.3	21.7	33.3	45.7	2.5	4.3	4.4	7.2
<i>Directors' fees</i>	-	-	-	-	0.1	0.1	0.2	0.3	0.4	0.7
<i>Fees for technical and administrative tasks</i>	0.7	1.2	0.3	0.6	-	-	-	-	-	-
Total	55.7	100.0	47.4	100.0	72.8	100.0	58.2	100.0	61.2	100.0
% of Administrative and selling expenses on net revenues	13.2		11.3		14.6		10.1		10.7	

The administrative and selling expenses increased in \$ 8.3 million between 2004 and 2003 in the following most significant items:

- i. A decrease of \$ 0.9 million in *Intangible assets amortization*, due to the depletion of book values at the beginning of the previous year;
- ii. The setting up in 2004 of a larger allowance for *Doubtful accounts* for \$ 2.5 million to include credits in litigation and/or old with doubtful probability of collection; and

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****I) ANALYSIS OF THE RESULTS AND FINANCIAL SITUATION (Contd.)**

- **Administrative and selling expenses (Contd.)**

- iii. An increase of \$ 6.7 million in *Lawsuits and sundry expenses* due to the setting up of an allowance for contingencies in line with the actual status of the claims the Company must face, which are explained in Note 12 to the attached financial statements.

- **Financial and holding results**

The breakdown of the *Financial and holding results* caption for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 was as follows:

(In millions of pesos)

	Years ended 12.31				
	2004	2003	2002	2001	2000
Interests and restatements generated by liabilities	(177.3)	(164.2)	(133.8)	(128.8)	(125.3)
<i>Exchange differences generated by liabilities</i>	(31.0)	45.7	(675.6)	-	-
<i>Foreign exchange differences capitalized in fixed assets</i>	-	-	507.8	-	-
<i>Bank and financial commissions, charges and taxes</i>	(8.3)	(7.7)	(11.3)	(13.4)	(19.1)
<i>Reimbursement agreement fee</i>	(3.4)	(4.0)	(3.4)	(2.2)	(2.4)
<i>Intangible asset amortization – Global Programs of Negotiable Corporate Bonds</i>	-	(25.0)	(4.2)	(4.1)	(6.1)
<i>Income from the restructuring of loans</i>	9.9	-	-	-	-
<i>Result from transactions with derivatives</i>	-	-	-	-	7.0
<i>Holding results generated by assets</i>	5.5	0.3	(6.0)	-	-
<i>Interests, restatements and expenses generated by assets</i>	3.6	0.6	2.3	3.7	11.0
<i>Exchange differences generated by assets</i>	4.4	(25.6)	(25.4)	-	-
<i>Depreciation in the value of investments</i>	(0.1)	(1.1)	(3.5)	-	-
<i>Result of discount of non-current assets at present value</i>	(1.7)	(5.1)	(8.3)	-	-
<i>Result of exposure to changes in the purchasing power of the currency</i>	-	-	9.5	-	-
Total	(198.4)	(186.1)	(351.9)	(144.8)	(134.9)

The most outstanding items of the financial and holding results in 2004 and 2003 were:

- i. The posting of a \$ 31.0 million loss for the year for *Exchange differences generated by liabilities* as the result of the increase recorded in the rate of exchange of the dollar with respect to the values at closing of financial year 2003 of liability balances in that currency (\$ 2.979 at December 31, 2004 versus \$ 2.930 at December 31, 2003). For the same reason, *Exchange differences generated by assets* amounting to a gain of \$ 4.4 million for 2004 (\$ 2.939 at December 31, 2004 versus \$ 2.880 at December 31, 2003) calculated on the asset positions in that currency.

At closing of year 2003 a decrease had been recorded in the rate of exchange in comparison with December 2002 (\$ 2.880 and \$ 2.930, buying and selling rates at December 31, 2003 versus \$ 3.270 and \$ 3.370, buying and selling rates at December 31, 2002). These variations in the rate of exchange generated liability exchange differences of a \$ 45.7 million gain, and asset exchange differences of a \$ 25.6 million loss.

The breakdown of balances in foreign currency at December 31, 2004 and 2003 is disclosed in Exhibit G of the Company's attached financial statements.

- ii. The caption *Interest and restatements generated by liabilities* disclosed a net increase of \$ 13.1 million. This net variation was due to a combination of several factors:

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

• **Financial and holding results (Contd.)**

- the impact of the accrual of the Reference Stabilization Index ("CER") that is calculated on peso debts that meant charges of \$ 4.2 million and \$ 2.9 million in 2004 and 2003, respectively;
 - the recording of penalties for non-compliance with the loans mentioned in Note 10 to the Company's financial statements in the amount of \$ 29.5 million and \$ 15.0 million in 2004 and 2003, respectively;
 - the recording of interest on liabilities slightly lower in 2004 than in 2003 as a result of the impact of the average rates of exchange used in each year. However, the level of interest accrued in dollars is similar in both years.
- iii.* During the current year, holding results were generated on the Company's stock of gas amounting to a \$ 8.7 million gain due to the increase in the value of replacement of gas used in the transport system and a \$ 3.2 million loss on the spare parts and materials for consumption, as described in Note 3.5.f) to the Company's financial statements;
- iv.* The recording in 2004 of a \$ 0.1 million loss in the holding of bonds under the Program of Medium Term foreign bills to represent their recoverable value, which is below their value of acquisition. (Note 8 and Exhibit E to the Company's financial statements). A \$ 1.1 million drop in their market value had already been recorded in 2003;
- v.* The recording in 2004 of a \$ 1.7 million loss and in 2003 of a \$ 5.1 million loss, arising from the valuation of certain long-term assets at discounted values, in conformity with the professional accounting standards in effect;
- vi.* The recording in 2003 of *Intangible asset amortization-Global Programs of Negotiable Corporate Bonds* amounting to \$ 25.0 million as described in Note 3.5.c) to the Company's financial statements;
- vii.* As explained in Note 10 to the Company's financial statements, at the end of financial year 2004, was recorded a \$ 9.9 million income from the restructuring of loans. (Note 4.g)ii)).

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****I) ANALYSIS OF THE RESULTS AND FINANCIAL SITUATION (Contd.)**

- Summary of the Statement of Cash Flows**

(In millions of pesos)

	years ended 12.31				
	2004	2003	2002	2001	2000
Net (loss) income for the year	(32.4)	(237.5)	(195.7)	15.7	86.6
<i>Adjustments to arrive to cash net flow arising from operating activities</i>					
	290.0	496.9	533.9	330.7	260.1
Subtotal	257.6	259.4	338.2	346.4	346.7
Net changes in assets and liabilities	(1.9)	(40.7)	(63.6)	(4.1)	(48.7)
Cash generated by operating activities	255.7	218.7	274.6	342.3	298.0
Acquisition of fixed assets	(68.5)	(62.4)	(40.0)	(81.1)	(339.7)
<i>Dividend collection</i>	-	-	-	-	(2.2)
<i>Decrease (increase) in investments</i>	187.3	(186.7)	0.5	(4.4)	0.0
Net cash generated by (used in) investment activities	118.8	(249.1)	(39.5)	(85.5)	(341.9)
<i>New short-term loans</i>	-	6.9	41.6	1.359.8	1.066.8
<i>New long-term loans</i>	-	-	-	21.9	846.0
<i>Payment of short-term loans</i>	(12.5)	-	(3.7)	(1.290.2)	(1.095.4)
<i>Payment of long-term loans</i>	-	-	(3.3)	(149.7)	(614.4)
<i>Interest paid</i>	(59.8)	(76.7)	(146.5)	(131.2)	(116.2)
<i>Increase (decrease) in customers' advances</i>	4.4	(1.6)	(5.7)	-	-
<i>Increase in tangible assets</i>	-	-	-	(0.4)	(20.0)
<i>Payment of dividends</i>	-	-	-	(19.8)	(43.9)
<i>Cash dividends to be distributed</i>	-	-	-	-	(19.8)
<i>Personnel participation bonds</i>	-	-	-	(0.1)	(0.2)
Cash (used in) generated by financing activities	(67.9)	(71.4)	(117.6)	(209.7)	2.9
Net increase (decrease) in cash	306.6	(101.8)	117.5	47.1	(41.0)
Cash at the beginning of the year	68.5	170.2	52.7	5.6	46.6
Cash at the end of the year	375.1	68.4	170.2	52.7	5.6

II) BUSINESS PROSPECTS**Future commercial strategy and financial prospects**

- In Note 2 to the Company's financial statements, as well as in the Annual Report as at December 31, 2004 the current macroeconomic and legal framework which conditions the future commercial and financial strategy of TGN is described mainly as regarding the renegotiation of the license, the Company's foreign loan and the resolution of the energy crisis.
- The continuity of the freezing of transport tariffs is reflected in the financial inability to satisfy the needs for expansion of the transport capacity. This point encompasses the decision of the Executive Branch to implement expansions of transport capacity through public trusts.

Resolution No. 185/04 issued by the Ministry of Federal Planning, Public Investments and Services, under Decree No. 180/04, provides for the establishment of Gas Trust Programs to be organized by the Secretariat of Energy, engaged in the financing of infrastructure of transport of gas works and distribution of natural gas.

Within the framework of this Resolution, the Government required the participation of TGN as licensee, in order to undertake the expansion of its transport system to

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

II) BUSINESS PROSPECTS (Contd.)

Future commercial strategy and financial prospects (Contd.)

contribute to improving the offer of gas for the coming year in the expectation of overcoming the energy crisis over the long term. The principal of the project, a trust organized in December 2004 by the Energy Secretariat which will be administered by Nación Fideicomisos S.A., assigned the management of the work to expand Gasoducto Norte to TGN as well as its subsequent operation and maintenance. The construction of approximately 234 kilometers of parallel gas pipelines is envisaged and the incorporation of 22,700 HP of power. Once the work is concluded, an additional 1.8 million cubic meters/day of gas will be transported (Note 14 to the Company's financial statements).

- The Company continues to proactively accompany the process undertaken by the Unit of Renegotiation and Analysis of Public Service Contracts ("UNIREN"), ENARGAS and the Energy Secretariat. The new regulatory framework should contain tariff and non-tariff minimum conditions that permit reinvestment, to enable the reactivation of the flow of investments that allowed a rapid overcoming of supply bottle necks in the past, opening the way, in a promising manner, to the integration with energy markets in the region.
- The Company continues to negotiate with all its financial creditors, in search of a solution that will avoid the enforcement of clauses that bring forward due dates and reach a definite solution to its financing structure (Note 1.2.iv) and v.)

III) ALLOCATION OF THE RESULTS OF 2003

The Shareholders' Meeting, held on April 14, 2004, resolved the allocation of the results of the year ended December 31, 2003 by approving the following motions: (i) to transfer the 2003 loss of \$ 237,531,187 to unallocated results; (ii) not to declare payment of dividends; and (iii) to delegate to the Board of Directors, as resolved in the General Shareholders' Meeting held on April 4, 2003 for the setting up of a Voluntary Reserve for Future Dividends. This reserve can be reversed by the Board of Directors, who can determine, whenever it considers it appropriate for corporate purposes, total or partial cash distribution, in proportion to the respective shareholdings.

The Shareholders' Meeting also resolved not to adhere to the Optional System for the Mandatory Acquisition of Shares in a Public Offering established by Section 24 of Decree No. 677/01.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

IV) COMPARATIVE BALANCE SHEET STRUCTURE AT DECEMBER 31, 2004, 2003, 2002, 2001 AND 2000

(In thousands of pesos)

	As of 12.31				
	2004	2003	2002	2001	2000
Current assets	451	338	252	140	109
Non-current assets	2,532	2,530	3,044	2,692	2,754
Total	2,983	2,868	3,296	2,832	2,863
Current liabilities	1,269	946	669	430	365
Non-current liabilities	816	992	1,460	1,039	1,130
Subtotal	2,085	1,938	2,129	1,469	1,495
Shareholders' equity	898	930	1,167	1,363	1,368
Total	2,983	2,868	3,296	2,832	2,863

V) COMPARATIVE INCOME STRUCTURE FOR YEARS ENDED DECEMBER 31, 2004, 2003, 2002, 2001 and 2000

(In thousands of pesos)

	Years ended 12.31				
	2004	2003	2002	2001	2000
Operating income	135.4	145.5	171.7	286.3	284.3
Financial result	(198.4)	(186.1)	(351.9)	(144.8)	(134.9)
Foreign exchange differences capitalized in fixed assets - written-off	-	(277.9)	-	-	-
Result from investments in foreign related parties	1.3	1.3	1.3	0.3	0.3
Other income and expenses-net	3.2	(8.5)	(5.3)	(40.1)	(26.1)
Net result before tax	(58.5)	(325.7)	(184.2)	101.7	123.6
Income tax	-	-	-	(41.7)	(37.0)
Income tax - income (1)	26.1	88.2	(11.5)	(44.3)	-
Net result for the year	(32.4)	(237.5)	(195.7)	15.7	86.6

(1) Calculated according to the deferred tax method described in Note 3.5.m) to the Company's attached financial statements.

VI) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2004, 2003, 2002, 2001 AND 2000

Volume transported in millions of cubic meters:

According to the type of carrying agreement

	Years ended 12.31				
	2004	2003	2002	2001	2000
Firm	16,382	15,688	14,104	13,997	13,471
Interruptible, exchange and shifting	1,791	1,286	733	429	586
Total	18,173	16,974	14,837	14,426	14,057

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

VI) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2004, 2003, 2002, 2001 AND 2000

According to source

	Years ended 12.31.				
	2004	2003	2002	2001	2000
<i>Norte Gas pipeline</i>	7,300	6,757	6,368	6,286	5,664
<i>Centro-Oeste Gas pipeline</i>	10,873	10,217	8,469	8,140	8,392
Total	18,173	16,974	14,837	14,426	14,056

VII) INDICES AT DECEMBER 31, 2004, 2003, 2002, 2001 AND 2000

	Years ended 12.31.				
	2004	2003	2002	2001	2000
<i>Current liquidity</i>	0.35	0.36	0.38	0.33	0.30
<i>Solvency</i>	0.43	0.48	0.55	0.93	0.92
<i>Common profitability before income tax</i>	(0.04)	(0.23)	(0.14)	0.08	0.10
<i>Capital freezing</i>	0.85	0.88	0.92	0.95	0.96

The information at December 31, 2000 in points IV), V) and VII) above has not been adapted to include the retroactive adjustment of prior years according to the professional accounting standards in effect.

Buenos Aires, March 9, 2005

Jorge Valdez Rojas
Chairman

The independent auditors' report dated March 9, 2005 is 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, 2004 and 2003, and the related statements of income, of changes in shareholders' equity and of cash flows for the years then ended with the complementary notes and exhibits.

The preparation and issuance of the mention 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 the 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) The Company has prepared its financial statements applying valuation and restatement criteria established by the National Securities Commission which, as explained in Notes 3.4. and 3.5.m) 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.

- b) 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, 2004 was calculated according to the evaluations and estimates made by Company's Management at the date of preparing the financial statements, which could differ from actual results, and those differences could be significant. Furthermore, the impacts generated by the Argentina's energy crisis, which are described in note 2 to the financial statements, and 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 the contracts for public works and

services 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 \$ 2,355.1 million and other non-current receivables for \$ 124.8 million and inventory for \$ 31.9 million. Furthermore, as indicated in Note 12 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 Argentina's economic and energy crisis might 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.

c) At December 31, 2004, the Company holds financial debts in US dollars amounting to US\$ 642.0 million and in Argentine pesos amounting to \$ 50.1 million (at December 31, 2003 amounting to US\$ 597.9 million and \$ 85.3 million); of which US\$ 371.3 million and \$ 50.1 million were recognized as current and US\$ 270.7 million as non-current (at December 31, 2003, US\$ 263.1 million and \$ 85.3 million as current and US\$ 334.8 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. Furthermore, the Company failed to comply with some covenants in relation to certain financial liabilities.

At December 31, 2004, the Company has failed to pay principal amounting to US\$ 213.1 million and \$ 34.6 million and interest for US\$ 63.6 million and \$ 4.0 million. Consequently, its financial creditors could consider all the obligations 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 9 (iii) 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 claims for summary collection.

d) As mentioned in Note 3.5.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 residual book value of exchange differences capitalized through March 31, 2003 for \$ 277.9 million has been reversed and charged to income statement for the year ended on December 31, 2003.

4. Opinion

In our opinion, except for the deviation from the professional accounting standards mentioned in point 3, clause a) and the disclosure of non-current liabilities mentioned in point 3, clause c) 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 b), the financial statements of Transportadora de Gas del Norte S.A. present fairly in all material respects its financial position at December 31, 2004 and 2003, the results of its operations, the changes in its shareholders' equity and its cash flows for the years then ended 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, 2004)

- a) The financial of Transportadora de Gas del Norte S.A. are recorded in the "Inventory and Balance Sheet" book and comply, in matters within our field of competence with the rulings of the Corporate Companies Law and the corresponding resolutions of the National Securities Commission.
- b) 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;
- c) 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 September 30, 2000 included in points I, IV, V and VII of the summary of activity has not been adjusted to include the retroactive adjustments that arose from the application of the new accounting standards to the years commenced as from January 1, 2003.
- d) At December 31, 2004 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 \$ 1,056,744, none of which was claimable at that date.

Autonomous City of Buenos Aires, March 9, 2005

DELOITTE & Co. S.R.L.

(Partner)

PRICE WATERHOUSE &CO. S.R.L.

(Partner)

TRANSPORTADORA DE GAS DEL NORTE S.A.**BALANCE SHEETS** as of December 31, 2004 and 2003 (Note 3)
(In pesos)

	12.31.04	12.31.03
	\$	
ASSETS		
CURRENT ASSETS		
Cash and banks	12,675,234	18,259,275
Short term investments (Exhibit D)	363,975,464	239,203,130
Accounts receivable - trade (Note 4.a))	49,631,377	54,689,731
Other receivables (Note 4.b)i))	18,867,035	16,663,849
Inventories (Note 3.5.f))	5,777,000	7,840,000
Intangible assets (Exhibit B)	-	1,453,566
Total current assets	<u>450,926,110</u>	<u>338,109,551</u>
NON-CURRENT ASSETS		
Other receivables (Note 4.b)ii))	124,858,104	87,546,553
Inventories (Note 3.5.f))	31,914,622	29,815,347
Fixed assets (Exhibit A)	2,355,064,541	2,403,358,403
Long term investments in other companies (Exhibit C)	4,445,263	3,191,138
Other assets - Gas in pipelines	15,344,237	5,640,776
Total non-current assets	<u>2,531,626,767</u>	<u>2,529,552,217</u>
Total assets	<u>2,982,552,877</u>	<u>2,867,661,768</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 4.c))	31,690,252	26,977,052
Loans (Note 10.i))	1,156,319,377	856,078,490
Salaries and social security charges	3,892,642	2,989,728
Taxes (Note 4.d))	9,353,101	10,332,524
Customers' advances	3,026,604	-
Other liabilities (Note 4.e)i))	5,856,549	1,848,130
Total liabilities	<u>1,210,138,525</u>	<u>898,225,924</u>
Provisions (Note 12 and Exhibit E)	59,321,291	47,636,477
Total current liabilities	<u>1,269,459,816</u>	<u>945,862,401</u>
NON-CURRENT LIABILITIES		
Loans (Note 10.ii))	806,253,380	981,063,784
Customers' advances	1,439,455	-
Other liabilities (Note 4.e)ii))	8,002,234	10,948,199
Total non-current liabilities	<u>815,695,069</u>	<u>992,011,983</u>
Total liabilities	<u>2,085,154,885</u>	<u>1,937,874,384</u>
SHAREHOLDERS' EQUITY (as respective statements)	<u>897,397,992</u>	<u>929,787,384</u>
Total	<u>2,982,552,877</u>	<u>2,867,661,768</u>

The accompanying Notes 1 to 15 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 year ended December 31, 2004 and 2003 (Note 3)
(In pesos)

	12.31.04	12.31.03
	\$	
Net revenues (Note 4.f))	422,029,430	418,157,488
Operating costs (Exhibit H)	(230,892,561)	(225,214,852)
Gross profit	191,136,869	192,942,636
Selling expenses (Exhibit H)	(17,131,268)	(14,649,079)
Administrative expenses (Exhibit H)	(38,563,682)	(32,771,432)
Operating income	135,441,919	145,522,125
Result from investments in foreign related parties	1,254,125	1,265,851
Financial and holding result:		
Generated by assets:		
Interests and restatements	4,180,824	1,190,707
Exchange differences	4,356,790	(25,614,411)
Result of exposure to changes in the purchasing power of the currency	-	(587,241)
Other financial and holding results (Note 4.g)i))	3,030,694	(6,458,520)
Subtotal (Exhibit H)	11,568,308	(31,469,465)
Generated by liabilities:		
Interests and restatements	(177,263,369)	(164,233,981)
Exchange differences	(30,994,738)	45,692,552
Result of exposure to changes in the purchasing power of the currency	-	581,157
Other financial and holding results (Note 4.g)ii))	(1,699,483)	(36,640,000)
Subtotal (Exhibit H)	(209,957,590)	(154,600,272)
Foreign exchange differences capitalized in fixed assets - written-off (Note 3.5.d))	-	(277,942,499)
Other income and expenses - net (Note 4.h))	3,156,842	(8,500,203)
Net loss before tax	(58,536,396)	(325,724,463)
Income tax - income (Note 3.5.m))	26,147,004	88,193,276
Net loss for the year	(32,389,392)	(237,531,187)
Results per ordinary share:		
Net loss per basic share (Note 6)	(0.0921)	(0.6758)
Net loss per diluted share (Note 6)	(0.0734)	(0.6357)

The accompanying Notes 1 to 15 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 year ended December 31, 2004 and 2003 (Note 3)

(In pesos)

Caption	Shareholders' contributions			Legal reserve	Voluntary reserve for future dividends	Inappropriate retained earnings	Total shareholders' equity
	Capital stock	Adjustment to capital	Total				
	\$						
Balances as of December 31, 2002	351,499,185	506,052,842	857,552,027	46,205,452	125,587,542	137,973,550	1,167,318,571
Net loss for the year	-	-	-	-	-	(237,531,187)	(237,531,187)
Balances as of December 31, 2003	351,499,185	506,052,842	857,552,027	46,205,452	125,587,542	(99,557,637)	929,787,384
Net loss for the year	-	-	-	-	-	(32,389,392)	(32,389,392)
Balances as of December 31, 2004	351,499,185	506,052,842	857,552,027	46,205,452	125,587,542	(131,947,029)	897,397,992

The accompanying Notes 1 to 15 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 9, 2005 is issued as a separate document.

TRANSPORTADORA DE GAS DEL NORTE S.A.**STATEMENTS OF CASH FLOWS** for the year ended December 31, 2004 and 2003 (Note 3)
(In pesos)

CHANGES IN CASH	12.31.04	12.31.03
	\$	
Cash at the beginning of the year	68,458,526	170,238,095
Cash at the end of the year (Note 4.i.))	375,081,500	68,458,526
Net increase (decrease) in cash	306,622,974	(101,779,569)
CAUSES OF CHANGES IN CASH		
OPERATING ACTIVITIES		
Net loss for the year	(32,389,392)	(237,531,187)
Adjustments to arrive to cash net flow arising from operating activities:		
Income tax	(26,147,004)	(88,193,276)
Fixed assets depreciation	111,562,513	103,504,299
Intangible assets amortization	1,453,566	6,227,893
Residual value of fixed assets written off	5,259,121	14,682,638
Consumption of spare parts	14,064,543	11,504,174
Increase in allowances and provisions (net of recoveries)	9,139,752	36,278,281
Intangible assets amortization - Global Negotiable Obligations Program	-	4,067,181
Residual value of intangible assets written off	-	20,958,814
Foreign exchange differences capitalized in fixed assets - written off (Note 3.5.d))	-	277,942,499
Accrued interests and restatements on loans	177,263,369	164,233,981
Financial and holding results net of the result of exposure to changes in the purchasing power of the currency	(1,354,527)	(52,950,269)
Result from investments in foreign related parties	(1,254,125)	(1,265,851)
Subtotal	257,597,816	259,459,177
Net changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable - trade	28,172,725	(16,717,202)
Increase in other receivables	(17,666,338)	(22,484,623)
Increase in inventories and other assets	(17,988,516)	(9,643,959)
Increase in accounts payable	4,713,200	5,623,897
Increase in salaries and social security charges	902,914	236,803
Decrease in taxes	(979,423)	(6,640,521)
Increase in other liabilities	1,062,454	9,663,014
Decrease in provisions	(120,308)	(744,405)
Net cash generated by operating activities	255,694,524	218,752,181
INVESTMENT ACTIVITIES		
Decrease (increase) in other investments	187,315,958	(186,705,400)
Acquisition of fixed assets	(68,527,772)	(62,408,463)
Dividends collected	-	25,402
Net cash generated by (used in) investment activities	118,788,186	(249,088,461)
Carried forward	374,482,710	(30,336,280)

TRANSPORTADORA DE GAS DEL NORTE S.A.

STATEMENTS OF CASH FLOWS for the year ended December 30, 2004 and 2003 (Contd.)
(Note 3) (In pesos)

CAUSES OF CHANGES IN CASH (Contd.)

	12.31.04	12.31.03
	\$	
Brought forward	374,482,710	(30,336,280)
FINANCING ACTIVITIES		
New short-term loans	-	6,853,130
Payment of short-term loans	(12,500,000)	(39,523)
Interest paid on loans	(59,825,795)	(76,608,252)
Net increase (decrease) in customers' advances	4,466,059	(1,648,644)
Net cash used in financing activities	(67,859,736)	(71,443,289)
Net increase (decrease) in cash	306,622,974	(101,779,569)

The accompanying Notes 1 to 15 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 9, 2005 is issued as a separate document.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (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. 23696 and No. 24076 ("The Gas Act") and Executive Decree No. 1189/92 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

The annual report accompanying these financial statements describes the current macroeconomic and regulatory framework conditioning the commercial and financial future of TGN, principally as regards the renegotiation of the License, the Company's financial debt and the resolution of the energy crisis.

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.

After a first stage in which a Commission for Renegotiation of Contracts relating to Public Works and Services, reporting to the Ministry of Economy and Production and created by Decree No. 293 of the Executive Branch participated, the renegotiation

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (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.)**

process was left in charge of the Unit of Renegotiation and Analysis of Public Service Contracts ("UNIREN"), an entity created in July 2003 through Decree No. 311 in the environment of the Ministries of Economy and Production and Federal Planning, Public Investments and Services.

The purpose of this Unit is to advise and assist in the process of renegotiation of contracts for public works and services established by Law 25561. Among its functions is that of *"submitting drafts of bills relating to possible temporary adjustments to prices, rates and/or their segmentation, or contractual clauses relating to public services through concessions or licenses"*, and to *"prepare a draft of the General Regulatory Framework for Public Services corresponding to National Jurisdiction, that encompasses the basic generic conditions for all sectors."*

Law No. 25790, published on October 22, 2003, which extended the period for renegotiating the contracts for public services until December 2004, also established that the decisions made by the Executive Branch in the course of the process of renegotiation will not be limited or subject to the specifications contained in the regulatory frameworks that govern the contracts covering concessions or license of the corresponding public services.

In spite of the above, to date no significant progress can be observed in the process of renegotiation of the License, so the Company cannot determine exactly how the process will develop or the time it will incur. Through Law No. 25972 published on December 17, 2004 a new extension was established up to December 31, 2005 for renegotiation.

Joint Resolution No. 123/2005 MEP and No. 237/2005 issued by the MPFIPyS and published in the Official Gazette on March 7, 2005 summoned to several Public Hearings to discuss the adaptation proposals made by the UNIREN or the preliminary agreements reached between the companies and UNIREN, as applicable. TGN's hearing was set for May 18, 2005.

- l/)* On August 24, 2004 the National Executive Branch presented a Public Utilities Regime Bill ("Bill") to the Chamber of Deputies, the drafting of which had been commissioned from the UNIREN.

The Bill is characterized by the great discretionary powers retained by the State; it modifies certain basic aspects of the Gas Law and restricts in many fundamental aspects (commercial, financial and investment policy) the business decision-making capacity of providers under the current regulatory framework.

It also establishes that in the event of irreconcilable inconsistencies between the bill and pre-existing regulatory frameworks, the former will prevail over the latter.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (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.)**

- ///) 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.
- IV) 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 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 No. 24076) and section 10 of Law No. 25561 and could continue to operate as a going concern.
- v) In line with the objectives detailed in the previous point, the Company was obliged to postpone the payment of certain financial liabilities for a total amount of \$ 862.8 million (principal, interests and commissions) (Note 10 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 (Note 11.3).

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.

However, one of the largest financial creditors of the Company, the International Finance Corporation, objected on October 1, 2004 to the Company regarding the situation with its financial creditors as an "effective forbearance". This creditor has explicitly informed that it has not waived any of the rights granted to it under the terms of the obligations originally assumed by the Company.

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 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, and considering that the Company and its creditors are in disagreement with respect to a large number of issues, it is not possible to assure that the Management will succeed in implementing them.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (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.)**

The impacts generated by the measures adopted to date by the Government on the equity and financial position of the Company at December 31, 2004 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 and 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. (Note 1.2, chapter II)

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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)**1.3. Regulatory framework (Contd.)****b) Tariffs (Contd.)***- Contractual framework (Contd.)*

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).

1.4 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. TGN also designs, constructs and operates environmentally safe facilities in compliance with federal, regional and ENARGAS environmental standards and regulations.

NOTE 2 – ARGENTINA’S ENERGY CRISIS AND ITS IMPACT ON THE COMPANY

As a result of the “de facto” freezing of the casing-head natural gas price and the “de iure” freezing of the regulated transport and distribution rates at the beginning of 2002, there was an imbalance between supply and demand that brought about a significant supply deficit in early winter of 2004.

Low prices discouraged investment in supply, which led to fewer quantities of casing-head gas available. This was due to the natural decrease in the normal production of hydrocarbon’s wells, as permanent investments in the development of new wells are needed to increase and maintain production.

At the same time, at a time of significant recovery in economic activity, low prices produced an unusual increase in demand, which was worsened by the replacement of other fuels the prices of which increased dramatically after the devaluation of the currency.

Unlike the developments that took place in the production segment, no decrease was recorded in the gas transportation supply. However, as consequence of the changes in regulations which have affected the Company’s license and the absence of a fair and reasonable rate, TGN has been unable to meet increasing demand through the expansion of its transportation system.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 2 – ARGENTINA'S ENERGY CRISIS AND ITS IMPACT ON THE COMPANY (Contd.)

To this scenario was added the electricity industry problem, which was also affected by a price control which led to imbalances between supply and demand. Almost half of the power consumed in Argentina comes from natural gas generation. Historically, the electricity industry was supplied mainly with gas on an interruptible contract basis, using other substitute fuels (fuel oil and gas oil) during winter peaks. The reduced availability of interruptible gas supplies for generators led to an increasing use of much more expensive substitute fuels with more complex logistics. This situation had an impact on the gas industry because of the government's decision to partially resolve the lack of interruptible gas supply for the electricity industry by affecting firm gas contract industrial users.

It is difficult to determine precisely the size of the shortage. This is because the demand is strongly dependent on the weather: domestic consumption varies according to the temperature, and gas consumption at electricity stations depends on rainfall and the availability of hydroelectricity. A study prepared by ENARGAS together with the gas distributors estimated a shortfall of 3.6 million cubic meters per day, under average weather conditions and assuming that the electricity sector continues to preserve its condition as an uninterruptible user.

In view of this situation, the Government decided to adopt various measures to counteract the effects of this crisis in the short term. Although the Regulatory Framework foresees certain procedures to be applied in order to prevent exhaustion of uninterruptible gas supply⁽¹⁾, the Government introduced new schedules for the redistribution of the shortage. Those measures basically consisted in restricting exports, reassigning the gas and transport capacity on a discretionary basis without affecting uninterruptible users for whom supply is guaranteed under the Regulatory Framework. So far, it is not possible to estimate the impact of these government measures -which interfere with the performance of private contracts - on the Company's payment chain and future billings.

On February 16, 2004, National Executive Branch Decree No. 180 was published, establishing the creation of the Gas Electronic Market (Mercado Electrónico del Gas -"MEG") in order to improve the allocation of available gas according to market demands. Under this Decree, any natural gas *spot* sale (overnight sales, or those consummated in less than one day) and any sale of remaining transport capacity (both for available firm capacity according to the daily programming of carrier, not being nominated by the charger under the respective transportation agreement, and for resales decided by the parties to the firm transportation agreement) is to be made on the MEG. In addition, the MEG will coordinate the transactions to be conducted on the secondary distribution market.

Furthermore, Decree No. 180 also established the creation of a trust fund to finance investments in the extension of the natural gas transport and distribution systems with rate charges, loans from national and international entities and specific contributions from direct beneficiaries (See Note 14).

Another important aspect of Decree No. 180 is the power conferred on the Energy Secretariat to take any measure considered necessary to maintain a proper level of services, in the event that the natural gas system enters into a supply crisis or generates this type of situation in another public utility.

(1) Includes residential customers, small stores and industries, sub-distributors and GNC.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 2 – ARGENTINA’S ENERGY CRISIS AND ITS IMPACT ON THE COMPANY (Contd.)

The regulation guarantees the supply to: (i) users of the Residential Service - R, (ii) users of General Service - P with a yearly monthly average consumption that places them in the first or second ranking of consumption in that category, and (iii) users of Sub-distributor Service - SBD in the exact proportion that the users described in (i) and (ii) have in the demand of such sub-distributor. The regulation also provides that these mechanisms will be applied only in emergencies or supply crisis situations and cannot be prolonged beyond the situation that generated them.

The Company is currently analyzing the implications for its business of Decree No. 180, as well as the scope of the amendments to the current Regulatory Framework. Decree No. 180 must be regulated in many essential aspects, so the final effect on TGN will largely depend on the regulations to be adopted in this respect by the Argentine Energy Secretariat.

On that date, National Executive Branch Decree No. 181 was published, authorizing the Energy Secretariat to negotiate with natural gas producers a regularization of the gas price until December 31, 2006. This Decree provides for methods of protection of residential customers, and tends large users to hire the gas supply directly with producers. Decree No. 181 contemplates no adjustment to regulated gas transport and distribution tariffs.

Resolution No. 265 issued by the National Energy Secretariat was published on March 19, 2004 establishing preventive measures to avoid an internal supply crisis of natural gas and its consequences on the wholesale supply of electricity, including the suspension of natural gas surpluses that would be useful for internal supply, and the preparation of a program of useful cuts in the volumes of gas to be exported and in the generation of electricity for export, as well as the transport services linked to exports.

Provision No. 27 of the Fuel Sub-secretariat was published on March 31, 2004 approving a Program of Orderly Arrangement of Natural Gas exports and Use of Transport Capacity. The program is temporary and will be applicable when the injection of natural gas by basin is lower than the demand of (i) users with consumption guaranteed by Decree No. 180/04, (ii) SGP - P General Service - users (third level of consumption) and firm users (SGG - G General Service for their reserved capacity), and (iii) thermal generation stations, so as to avoid interrupting public electricity services. Provision No. 27 also establishes that all the above will be applicable when and if these demands can be satisfied with the current transport capacity.

On the basis of these regulations, the Fuel Sub-secretariat established a series of measures to suspend export of certain volumes of natural gas to Chile and Brasil for the purpose of using them for internal supply. Although no claims have been received, the Company cannot guarantee that these government measures will not lead to a significantly adverse effect on its firm transport for export contracts. Nevertheless, it should be noted that these measures did not have a significant impact on income from sales in 2004.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 3 - 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.

3.1. Issue of new technical pronouncement

Through MD Resolution 5/03, the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("C.P.C.E.C.A.B.A.") approved Technical Pronouncement No. 21 "Equity method of accounting" – Consolidation of financial statements – Information to be disclosed on related entities". This Technical Pronouncement and its amendments came into force for fiscal years beginning as from April 1, 2003. Furthermore, such Technical Pronouncement No. 21 has been adopted by CNV General Resolution No. 459/04 establishing its mandatory application for fiscal years commencing as from April 1, 2004. As permitted under that CNV Resolution, the Company has opted to apply Technical Pronouncement N° 21 in advance.

3.2. 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 ("RT") issued by the Argentine Federation of Professional Councils in Economic Sciences, ("F.A.C.P.C.E.") approved with certain amendments by the C.P.C.E.C.A.B.A. in accordance with the resolutions issued by the CNV (Ordered text as per Resolution CD No.87/03).

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.

3.3. 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 and 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.

3.4. 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 3 ACCOUNTING STANDARDS (Contd.)**3.4. Recognition of the effects of inflation (Contd.)**

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, 2003. As from that date, and by means of Resolution CD No. 190, the C.P.C.E.C.A.B.A also provided the discontinuation in its jurisdiction. The estimated effect on the December 2004 financial statements of inflation not recognized between March 1 and September 30, 2003 was as follows (in approximate figures): a \$ 48 million decrease in assets (at December 31, 2003: \$ 52 million) and a \$ 48 million decrease in shareholders' equity (at December 31, 2003: \$ 52 million).

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 ("IPIM").

3.5. 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 the end of the year, where applicable.

In the case of long-term accounts receivable not subject to a rate of interest, or for which there is no financial compensation contemplated, the current values were established on the basis of the instructions of RT No.17. This criterion was not applied to current headings, as the low level of variation in the domestic wholesale price index allows the period to be viewed as one of monetary stability.

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 3.3. and the resolution of the uncertainties mentioned in Note 1.2., the book value of the non-current assets, does not exceed its recovery value.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 3 ACCOUNTING STANDARDS (Contd.)**3.5. Principal valuation criteria (Contd.)****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 the end of the year, where applicable. The balances are shown in Exhibit G. The resulting exchange differences were charged to the financial results of the year.

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 the end of the period or year; net of the provision for impairment necessary to reflect its recoverable value (Note 8).

The Company set up allowances for certain trade accounts receivable in foreign currency and/or with adjustment, collection of which was in doubt for a long time. One of these receivables refers to the dispute between the transporter TermoAndes S.A. and TGN regarding the application of the provisions of Decree No. 689/02 to the firm transport contract in effect between the parties, as a result of which TGN has submitted the matter to the jurisdiction of ENARGAS. During 2004, this entity resolved to grant the provisional remedy requested by TermoAndes, obliging TGN to bill the service of firm transport in pesos.

On January 21, 2005 TGN and TermoAndes agreed to modify the transport contract in terms satisfactory to both parties, thus resolving the matter in dispute that arose as from the declaration of public emergency that took place at the beginning of 2002. For TGN, this has meant doubling the amount billed compared to the amount authorized by the Regulatory Order.

This agreement was informed to ENARGAS and became effective as from January 1, 2005. Under its terms, TGN will cease to claim the payment for the export tariff, and therefore at December 31, 2004 TGN recorded a reduction in the balance of the allowance through the write-off of the portion of the corresponding Trade Accounts Receivable (Exhibit E).

As a result of the agreement reached, TGN and Termoandes have undertaken to make a joint presentation to ENARGAS to withdraw mutual claims that had been filed with this regulatory entity.

c) Intangible assets

At December 31, 2004, the intangible assets correspond to Corrosive detection in the gas pipeline, which have been valued at the cost of incorporation stated in constant currency as indicated in Note 3.4. and shown net of the corresponding accumulated amortization. The residual value was exhausted during the current year (Exhibits B and H).

Until December 31, 2003, the deferral of expenses incurred in Global Negotiable Obligation Issue Programs was associated with the maturity of the series issued and their amortization was 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 3 ACCOUNTING STANDARDS (Contd.)**3.5. Principal valuation criteria (Contd.)****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 3.4 and 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 nine-month period ended September 30, 2003.

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 3.3. 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 3 ACCOUNTING STANDARDS (Contd.)**3.5. Principal valuation criteria (Contd.)****e) Long term investments in other companies.**

The investments in foreign related parties COMGAS and COPERG are recorded using the equity method of accounting based on their financial statements as of December 31, 2004 and 2003 (Exhibit C).

The accounting standards used by the foreign related parties 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 the mentioned companies at December 31, 2004 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. 18 and No. 21 issued by the F.A.C.P.C.E. and adopted by the C.P.C.E.C.A.B.A. has been used to determine the equity method.

f) Inventories**Spare parts and materials for consumption**

During the current year the Company has carried out a re-engineering process in relation to its stocks of spare parts and materials, from which the following conclusions arose:

Those spares and materials for consumption stored for use on the maintenance of the installations used in the carrying of gas or in providing the service have been valued at replacement value, amount to \$ 73,723,295 and \$ 57,655,347 as of December 31, 2004 and 2003, respectively.

In addition, the Company has segregated from the above-mentioned group those items with a utilization rate that is lower than that compatible with the normal and habitual use established by the Company and has recorded allowances amount to \$ 36,031,673 and \$ 20,000,000 as of December 31, 2004 and 2003, respectively (Exhibit E).

The final balance of the inventories of spare parts and materials for consumption amounts to \$ 37,691,622 and \$ 37,655,347 at the end of the fiscal years 2004 and 2003, respectively.

The net impact on the 2004 Company's results as a consequence of the re-engineering process mentioned at the beginning of this Note was a \$ 3,197,918 loss, allocated to financial and holding results generated by assets - holding results.

The measurement of the stocks of spare parts and materials for consumption at December 31, 2003 under this new criterion has not disclosed significant results when compared to the value recorded at that date.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 3 ACCOUNTING STANDARDS (Contd.)**3.5. Principal valuation criteria (Contd.)****f) Inventories (Contd.)****Spare parts and materials for consumption (Contd.)**

Considering the economic and financial forecasts prepared by the Company on the basis of its best estimates according to the guidelines indicated in Note 3.3 and the resolution of the uncertainties mentioned in Note 1.2, the book value of the spares and materials for consumption does not exceed their recoverable value.

g) 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.

h) Capital stock and adjustment to capital

Stated in constant currency as indicated in Note 3.4. 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.

i) Legal reserve

Stated in constant currency as indicated in Note 3.4.

j) 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 3.4.

k) Inappropriate retained earnings

Stated in constant currency as indicated in Note 3.4.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 3 ACCOUNTING STANDARDS (Contd.)**3.5. Principal valuation criteria (Contd.)****l) Profit and loss accounts**

Income statement accounts have been stated in nominal currency (whereas in the year ended December 31, 2003 they were stated in uniform currency as indicated in Note 3.4) 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 3.5.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.

m) Income tax

As from the year 2003, the new prevailing accounting standards (Note 3.1.) 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, and also the recoverable tax loss.

Additionally, the differences between the two years with net tax balances thus calculated are included in 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 3.3., 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.

Considering the economic and financial forecasts prepared by the Company on the basis of its best estimates according to the guidelines indicated in Note 3.3 and the resolution of the uncertainties mentioned in Note 1.2, the carrying value of the assets for deferred tax does not exceed its recovery value.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 3 ACCOUNTING STANDARDS (Contd.)**3.5. Principal valuation criteria (Contd.)****m) Income tax (Contd.)**

Furthermore, as established by CNV regulations, deferred tax assets and liabilities are to be stated in nominal values. This criterion does not conform to accounting standards applicable in the Autonomous City of Buenos Aires, under which those balances are to be stated at discounted net present values with representative interest rates. Had that discount been applied, the deferred tax asset balance at December 31, 2004 and December 31, 2003 would have amounted to approximately \$ 79.1 million and \$ 36.6 million, respectively.

The following table shows the breakdown of the account balances forming part of the timing differences and the determination of the December 31, 2004 and December 31, 2003 balances net of the deferred income tax credit:

	12.31.04	12.31.03
Composition of the deferred tax assets and liabilities:		
Accounts receivable-trade (doubtful accounts)	5,936,757	13,775,174
Other receivable (doubtful accounts and discount at present net value)	5,363,080	2,098,061
Fixed assets (useful life)	(16,831,165)	(8,957,529)
Intangible assets (amortization)	-	(231,756)
Inventories (valuation)	(1,418,437)	-
Other assets (valuation)	(3,649,743)	(125,291)
Provisions (lawsuits)	22,244,374	16,672,767
Loans (payments with discounts)	(1,059,624)	-
Other liabilities	223,245	120,316
Deferred exchange differences (for devaluation January 2002)	31,278,257	46,917,385
Tax loss carry-forward	296,771,886	278,962,315
Provision on tax loss carry-forward and other temporary differences	(256,132,411)	(292,652,227)
Net total deferred tax assets (Note 4.b.ii)	82,726,219	56,579,215

Below are the changes in the deferred income tax for the years ended December 31, 2004 and 2003, which produced the corresponding effects on the results for each year:

Evolution of the deferred tax:	12.31.04	12.31.03
Balances at the beginning of the year-deferred tax assets (liabilities)	56,579,215	(31,835,358)
Adjustment for inflation	-	221,297
Evolution of the year – income	26,147,004	88,193,276
Balances at the end of the year-deferred tax asset	82,726,219	56,579,215

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:

	12.31.04	12.31.03
Net loss for the year before income tax	(58,536,396)	(325,724,463)
Current tax rate	35%	35%
Subtotal applied to the net loss for the year before tax	20,487,739	114,003,562
Long term differences to the tax rate:		
-Adjustment for inflation	(31,006,185)	(25,702,638)
-No deductible expenses	(542,840)	(65,065)
-Recovery of allowance on tax loss carry-forward	36,519,816	-
-Result from investment in foreign related parties	438,944	379,523
-Others	249,530	(422,106)
Total income tax – income	26,147,004	88,193,276

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 3 ACCOUNTING STANDARDS (Contd.)**3.5. Principal valuation criteria (Contd.)****m) Income tax (Contd.)**

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

Year	Amount	Year of expiry
Tax loss carry-forward for year 2002	1,032,919,172	2007
Used during year 2003	(236,074,499)	
Estimated tax loss carry-forward for the 12.31.2004	51,075,001	2009
Total accumulated tax loss carry-forward as of December 31, 2004	847,919,674	

n) 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.

The Company recognized minimum notional income tax accrued in the year ended on December 31, 2004 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 3.5.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 3.3. 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, 2004 is set out below:

Year	Amount	Year of expiry
2002	12,959,388	2012
2003	14,097,067	2013
2004	14,400,000	2014
Subtotal of the credit for minimum notional income tax at nominal values	41,456,455	
Discount at present net value	(14,757,200)	
Balance at the end of the year (Note 4.b)ii)	26,699,255	

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 3 ACCOUNTING STANDARDS (Contd.)**3.6. 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 3.3, 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.

3.7. Comparative information

The December 31, 2003 balances have been modified and reclassified for them to be disclosed consistently with those of the current year.

NOTE 4 - BREAKDOWN OF MAIN CAPTIONS OF BALANCE SHEET, STATEMENTS OF INCOME AND CASH FLOWS

<i>captions</i>	12.31.04	12.31.03
	\$	
a) Accounts receivable – trade		
Gas transportation service		
• invoiced		
-distributors	7,680,824	7,306,888
-industries	9,866,969	14,332,226
-generators	8,567,558	29,774,128
• to be invoiced	35,265,501	37,980,123
Subtotal	61,380,852	89,393,365
Other services		
• invoiced	2,032,695	3,397,604
• to be invoiced (includes balances with foreign related parties as of December 31, 2004: \$ 690,979-Note 5.i))	3,179,994	1,975,297
Subtotal	5,212,689	5,372,901
Allowance for doubtful accounts (Exhibit E)	(4,960,932)	(1,877,840)
Allowance for doubtful accounts in foreign currencies and other restatements (Exhibit E)	(12,001,232)	(38,198,695)
Total (includes as of 12.31.2004 and 2003, balances with other related parties: \$ 6,062,615 and \$ 8,036,060 respectively-Note 5.i))	49,631,377	54,689,731

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 4 - BREAKDOWN OF MAIN CAPTIONS OF BALANCE SHEET, STATEMENTS OF INCOME AND CASH FLOWS (Contd.)

<i>captions</i>	12.31.04	12.31.03
		\$
b) Other receivables		
i) Current		
Gas Transportation service		
Tax credits – Withholdings and collections	1,496,355	417,244
Value Added Tax - net position	2,010,769	757,151
Personnel who play a key role in the management of the Company (Note 5.i))	617,894	284,208
Advanced to be rendered and Loans to personnel	191,530	129,184
Prepaid expenses	4,862,998	9,576,439
Transactions by account and order of third parties	4,286,041	2,021,736
Subtotal	13,465,587	13,185,962
Other services		
Parent company (Note 5.i))	7,596	7,596
Foreign related parties (Note 5.i))	397,660	315,318
Other related parties (Note 5.i))	289,674	561,270
Prepaid expenses by account of third parties	294,614	208,682
Other receivables to be invoiced	4,689,700	2,598,274
Subtotal	5,679,244	3,691,140
Allowance for doubtful accounts (Exhibit E)	(277,796)	(213,253)
Total	18,867,035	16,663,849
ii) Non Current		
Gas transportation service		
Deferred income tax (Note 3.5.m))	82,726,219	56,579,215
Loans to personnel	36,796	79,468
Value Added tax - Reversion of tariff variations	-	2,835,304
Minimum notional income tax (Note 3.5.n))	26,699,255	15,992,362
Turnover tax-withholding	812,020	812,020
Prepaid expenses	10,700,123	6,737,399
Attachments, deposits in court and other receivables for actions to recovery (includes December 31, 2004: \$ 1,667,400 - Note 9 iii); \$ 2,443,797 - Note 12.2 and \$ 3,518,557 - Note 12.5 and December 31, 2003: \$ 1,666,389 - Note 9 iii) and \$ 1,706,041 and \$ 704,662 - Note 12.2)	7,629,754	4,077,092
Other	11,000	11,000
Allowance for attachments, deposits in court and other receivables for actions to recovery (Exhibit E)	(4,234,062)	-
Subtotal	124,381,105	87,123,860
Other services		
Guarantee Deposit	476,999	422,693
Subtotal	476,999	422,693
Total	124,858,104	87,546,553

TRANSPORTADORA DE GAS DEL NORTE S.A.**NOTES TO THE FINANCIAL STATEMENTS** for the years ended December 31, 2004 and 2003. (In pesos)**NOTE 4 - BREAKDOWN OF MAIN CAPTIONS OF BALANCE SHEET, STATEMENTS OF INCOME AND CASH FLOWS (Contd.)**

<i>captions</i>	12.31.04	12.31.03
		\$
c) Accounts payable		
Gas transportation service		
Suppliers for purchases and other services	10,970,930	6,999,254
Provision for purchases	20,719,322	19,977,798
Total (includes as of 12.31.2004 and 2003, balances with other related parties: \$ 6,781,743 and \$ 4,039,737 respectively Note 5.i))	31,690,252	26,977,052
d) Taxes		
Turnover Tax	662,161	900,918
Minimum notional income tax	5,645,344	6,124,330
Value Added Tax - withholdings and collections	616,941	810,218
Income tax withholdings	2,283,022	2,366,471
Turnover tax withholdings and collections	129,776	97,075
Others	15,857	33,512
Total	9,353,101	10,332,524
e) Other liabilities		
i) Current		
Easement (net of prepaid easement)	4,900,000	1,350,000
Personnel who pay a key role in the management of the Company (Note 5.i))	800,029	343,760
Customer warranties and other	156,520	154,370
Total	5,856,549	1,848,130
ii) Non current		
Easement	8,002,234	10,948,199
Total	8,002,234	10,948,199
f) Net revenues		
Gas transportation service		
Gas transportation service	411,387,997	417,156,093
Benefit on social security contributions Decrees No. 292-1520-814	(1,625,188)	(1,701,748)
Doubtful accounts in foreign currency and other restatements (Exhibit E)	(3,082,979)	(15,705,027)
Subtotal gas transportation service	406,679,830	399,749,318
Other services		
Operation and maintenance service	15,349,600	18,408,170
Subtotal other services	15,349,600	18,408,170
Total	422,029,430	418,157,488
g) Other financial and holding results:		
i) Generated by assets:		
Bank commissions and expenses	(628,506)	(579,732)
Holding results	5,505,925	282,027
Depreciation in the value of investments (Exhibit E)	(118,723)	(1,098,504)
Result of discount of non-current assets at present value	(1,728,002)	(5,062,311)
Total	3,030,694	(6,458,520)
ii) Generated by liabilities:		
Intangible asset amortization - Global Programs of Negotiable Corporate Bonds (Note 3.5.c))	-	(25,025,995)
Bank and financial commissions, charges and taxes	(8,311,845)	(7,728,576)
Reimbursement agreement fee (Note 5.ii)	(3,411,486)	(3,984,114)
Income from the restructuring of loans (Note 10)	9,942,425	-
Discounts obtained	81,423	98,685
Total	(1,699,483)	(36,640,000)

TRANSPORTADORA DE GAS DEL NORTE S.A.**NOTES TO THE FINANCIAL STATEMENTS** for the years ended December 31, 2004 and 2003. (In pesos)**NOTE 4 - BREAKDOWN OF MAIN CAPTIONS OF BALANCE SHEET, STATEMENTS OF INCOME AND CASH FLOWS (Contd.)**

CAPTIONS	12.31.04	12.31.03
	\$	
h) Other income and expenses – net		
Net result from fixed asset sales and other income	5,293,443	(8,644,064)
Donations	(1,776,893)	-
Recovery of contingencies	4,317	690,581
Personnel indemnities	(364,025)	(546,720)
Total	3,156,842	(8,500,203)
i) Statements of cash flows - Composition of cash:		
Cash and banks	12,675,234	18,259,275
Mutual investments funds in pesos (Exhibit D)	21,694,905	12,861
Deposits abroad (Exhibit D and G)	340,711,361	50,186,390
Cash at the end of the year	375,081,500	68,458,526

NOTE 5 – BALANCES AND TRANSACTIONS WITH PARENT COMPANY, FOREIGN AND OTHER RELATED PARTIES AND PERSONNEL WHO PLAY A KEY ROLE IN THE MANAGEMENT OF THE COMPANY

CAPTIONS	12.31.04	12.31.03
	\$	
i) Balances with parent company, foreign and other related parties and personnel who play a key role in the Management of the Company as of December 31, 2004 and 2003:		
Accounts receivable-trade:		
-Foreign related parties (Note 4.a))	690,979	-
-Other related parties (Note 4.a))	6,062,615	8,036,060
Other receivables:		
-Parent company (Note 4.b)i))	7,596	7,596
-Foreign related parties (Note 4.b)i.))	397,660	315,318
-Other related parties (Note 4.b)i))	289,674	561,270
-Personnel who play a key role in the Management of the Company (Note 4.b)i))	617,894	284,208
Accounts payable:		
- Other related parties (Note 4.c))	6,781,743	4,039,737
Other liabilities:		
-Personnel who play a key role in the Management (Note 4.e)i))	800,029	343,760
ii) Transactions with parent company, foreign and other related parties and personnel who play a key role in the Management of the Company for the year ended December 31, 2004 and 2003:		
Parent company:		
-Other income and expenses-net	25,000	25,000
Foreign related parties:		
-Net revenues	699,443	-
Other related parties:		
-Net revenues	68,704,471	72,770,040
-Operating cost	(8,854,179)	(8,335,632)
-Other income and expenses - net	166,893	538,917
-Financial and holding results - Reimbursement Agreement Fee (Note 4.g)ii))	(3,411,486)	(3,984,114)
-Acquisition of fixed assets	15,188,162	271,188
-Acquisition of other assets	352,667	25,178
-Prepaid expenses by account and order of third parties	250,994	-
Personnel who play a key role in the Management of the Company:		
-Fee for technical and administrative task (Exhibit H)	(637,844)	(343,760)
-Fee for professional services	(744,207)	(515,800)

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 6- 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 10 exercising their right to convert the securities held by them into shares:

	12.31.04	12.31.03
Weighted average of ordinary outstanding shares (Note 11.1.)	351,499,185	351,499,185
Debt securities convertible into shares (1)	13,335,679	13,335,679
Weighted average of diluted ordinary shares	<u>364,834,864</u>	<u>364,834,864</u>

(1) US\$ 20,000,000 converted under the conditions of the original contract (Note 10).

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

	12.31.04	12.31.03
Net loss for the year	(32,389,392)	(237,531,187)
Net loss for calculation of the result per basic share	(32,389,392)	(237,531,187)
Interest accrued on the debt convertible into shares	5,605,085	5,620,553
Net loss for calculation of the result per diluted share	<u>(26,784,307)</u>	<u>(231,910,634)</u>
Net loss for the year per basic share	(0.0921)	(0.6758)
Net loss for the year per diluted share	(0.0734)	(0.6357)

NOTE 7 - INFORMATION BY BUSINESS SEGMENT

The following table shows additional information on the statement of income of the Company and main balance sheet items at December 31, 2004 and 2003, segregated by business segment:

(in thousands of pesos)

Result for the year ended December 31, 2004	Transport services		Others	Total
	Domestic market	Export market		
Net revenues	219,141	187,538	15,350	422,029
Operating, selling and administrative expenses (before depreciation and amortization)	(161,029)	(23,004)	(5,570)	(189,603)
Depreciation and amortization	(98,689)	(14,099)	(228)	(113,016)
Other income and expenses-net	2,526	631	-	3,157
Result from investments in foreign related parties	-	-	1,254	1,254
Financial and holding results	(145,886)	(36,289)	(182)	(182,357)
Income tax	20,918	5,203	26	26,147
Net result for the year	(163,019)	119,980	10,650	(32,389)
Balance sheet as of December 31, 2004				
Fixed assets	1,884,051	468,658	2,355	2,355,064
Accounts receivable – trade	20,316	24,102	5,213	49,631
Loans	1,570,058	390,552	1,963	1,962,573
Other assets net of liabilities	364,221	90,600	455	455,276
Shareholders' equity	698,530	192,808	6,060	897,398
Acquisition of fixed assets	54,822	13,637	69	68,528

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 7 - INFORMATION BY BUSINESS SEGMENT (Contd.)

<i>Result for the year ended December 31, 2003</i>	<i>Transport services</i>		<i>Others</i>	<i>Total</i>
	<i>Domestic market</i>	<i>Export market</i>		
Net 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 income and expenses-net	(6,800)	(1,692)	(8)	(8,500)
Result from investments in foreign related parties	-	-	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)
Balance sheet as of December 31, 2003				
Fixed assets	1,922,686	478,268	2,404	2,403,358
Accounts receivable - trade	22,931	26,386	5,373	54,690
Loans	1,469,714	365,591	1,837	1,837,142
Other assets net of liabilities	247,105	61,467	309	308,881
Shareholders' equity	723,008	200,530	6,249	929,787
Acquisition of fixed assets	49,926	12,419	63	62,408

NOTE 8 – BONDS ACCORDING TO THE ARGENTINE MID-TERM FOREIGN BILLS PROGRAMS

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.

The Company decided to value its holding of bonds at the US dollar purchasing exchange rate in effect at December 31, 2004, in accordance with the issuance terms and conditions.

At December 31, 2004 the balance of principal and interest due amounts to US\$ 2,135,689 or \$ 6,276,791 which was allocated as current, according to the original terms and conditions of the Bonds.

The Company estimates that the recoverable value of these investments is lower than their acquisition cost, so it recorded valuation allowances of \$ 4,707,593 and \$ 4,588,870 at December 31, 2004 and 2003, respectively (Exhibits D and E).

In the context of the exchange of public debt undertaken by the Government, on February 23, 2005 the Company participated in the exchange by submitting its holding of such bonds to be replaced by Discount bonds in US dollars. These bonds will be amortized in 20 equal six-monthly installments, the first of which will fall due on June 30, 2024. The market value of these bonds does not significantly differ from the value recorded by the Company on its books at December 31, 2004.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 9 – RESTRICTED ASSETS

- (i) 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.
- (ii) 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.

- (iii) In July 2003, 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.

The Company allocated the amount corresponding to the attachment as capital in the “Other Non-Current Receivables” caption - Note 4.b.ii), at its estimated discounted value that amounts to \$ 1,667,400 and \$ 1,666,389 at December, 31 2004 and 2003, while interest and legal costs were charged to the results for the year 2003.

After the attachment date, those holders brought executory proceedings against the Company, which raised a defense for the underlying instrument to be dismissed alleging plaintiffs’ default on certain requirements set forth in the Trust Agreement stipulating the terms and conditions of the executed negotiable obligations, and invoking application of Decree No. 214/02 and the doctrine of unforeseeability. In May 2004, the court rendered judgment in favor of plaintiffs, which was appealed by the Company.

On March 7, 2005 TGN was notified of the extension of the foreclosure initiated by these holders amounting to US\$ 601,500 for principal plus \$ 358,494 temporarily estimated to cover interest and lawyers’ and Court fees.

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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 9 – RESTRICTED ASSETS (Contd.)

(iv) 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 and September 2004 TGN transferred reserves of accumulated liquidity amounting to US\$ 65 million and US\$ 10 million respectively. The Company's Board of Directors resolved on March 8, 2004 to extend the life of this Trust until December 31, 2004. On this date the funds reverted to TGN's Shareholders' Equity and are mostly invested in deposits abroad (Exhibits D and G).

(v) In addition, other non-current receivables (Note 4.b.ii.) include attachments and deposits in the actions in court described in Note 12.

NOTE 10 - LOANS

	Interest rate	12.31.04	12.31.03
	%	\$	
i) Current			
Global Program of Negotiable Corporate Bonds of US\$ 300 MM			
Serie III	(1)	118,813,073	113,699,018
Serie IV	(2)	36,599,935	35,127,055
Serie V	(3)	73,700,320	71,138,041
Serie VII	(4)	18,684,289	18,068,136
Global Program of Negotiable Corporate Bonds of US\$ 320 MM			
Debt with IFC			
Serie I	(5)	30,564,833	19,818,522
Serie II	(6)	247,062,888	161,617,371
Serie III	(7)	23,601,175	15,189,210
Serie IV	(8)	20,362,388	13,104,564
Serie VI	(9)	96,857,284	63,210,568
Interest payable Convertibility Risk Insured Bonds	(10)	104,866,920	58,689,939
Loan agreements	(11)	382,309,600	283,479,506
Import finance	(12)	2,896,672	2,790,060
Commissions to be paid		-	146,500
Total		1,156,319,377	856,078,490

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 10 – LOANS (Contd.)

	Interest rate	12.31.04	12.31.03
	%	\$	
ii) Non current			
Global Program of Negotiable Corporate Bonds of US\$ 320 MM			
Debt with IFC			
Serie I	(5)	27,879,687	33,551,704
Serie II	(6)	162,903,017	212,510,445
Serie III	(7)	16,355,468	19,586,861
Serie IV	(8)	14,110,703	16,898,710
Serie VI	(9)	63,679,505	83,216,064
Convertibility Risk Insured Bonds	(10)	521,325,000	512,750,000
Loan agreements	(11)	-	102,550,000
Total		806,253,380	981,063,784
Total		1,962,572,757	1,837,142,274

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

(1) Rate of interest: 2004 = 4.47% and 2003 = 4.34%	(5) Rate of interest: 2004 and 2003 = 9.52%	(9) Rate of interest: 2004 and 2003 = 9.45%
(2) Rate of interest: 2004 = 2.73% and 2003 = 2.73%	(6) Rate of interest: 2004 and 2003 = 9.45%	(10) Weighted average interest rate 2004 = 10.88% and 2003= 10.88%
(3) Rate of interest: 2004 = 2.93% and 2003 = 2.93%	(7) Rate of interest: 2004 and 2003 = 10.66%	(11) Weighted average interest rate 2004 = 6.31% and 2003= 5.88%
(4) Rate of interest: 2004 = 3.29% and 2003 = 3.29%	(8) Rate of interest: 2004 and 2003 = 10.66%	(12) Weighted average interest rate 2004 = 2.59% and 2003 = 1.72%

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			

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 10 – LOANS (Contd.)***Global Program of Medium Term Negotiable Corporate Bonds -US\$ 300,000,000 (Contd.)***

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 the mentioned program.

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

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 years ended December 31, 2004 and 2003. (In pesos)

NOTE 10 – 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.

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\$ 175,000,000 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 10 – LOANS (Contd.)***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 January 4, 2004 and the other in January 4, 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.

The Company carries other peso and US dollar-denominated loans for \$ 50.1 million and US\$ 37.8 million, respectively, from domestic and foreign banks, which have been disclosed as current loans at December 31, 2004.

Overdue unpaid obligations

At December 31, 2004, the Company holds financial debts in US dollars amounting to US\$ 642.0 million and in Argentine pesos amounting to \$ 50.1 million (of which US\$ 371.3 million and \$ 50.1 million were recognized as current and US\$ 270.7 million as non-current). At that date, TGN has not yet paid US\$ 213.1 million in principal and US\$ 63.6 million in interest and \$ 34.6 million in principal and \$ 4.0 million in interest.

The Company has also estimated fines totaling US\$ 15.3 million for the above non-compliance (US\$ 10.1 million accrued in the fiscal year 2004 and US\$ 5.2 million accrued in fiscal year 2003) and recorded them under Financial and holding results -generated by liabilities- Interests and restatements.

Considering that TGN has been in default for three years already and at present has not yet reached a long-term agreement regarding the restructuring of its financial debt, in order to avoid legal action that could complicate negotiations with the most important creditors, the Company resolved to cancel with a debt reduction, short-term bilateral debts it had with certain financial creditors.

On December 7, 2004, the Company paid loans recorded for \$ 19.4 million, with \$ 12.5 million. During January and February 2005, loans originally booked for \$ 56.2 million were paid in \$ 32.5 million and recorded a profit of \$ 30.6 million. At the same time, the Company resolved to re-record in dollars one of those loans, originally entered into in that currency, for which the legitimacy of the conversion into pesos according to Decree 214 was doubtful. The net result of these settlements was a \$ 9.9 million gain (exposed in Financial Results generated by liabilities – Results from restructuring of loans, Note 4.g)ii))

Such loans settled by the Company after the end of the year were valued at December 31, 2004 at their present value on the basis of amounts actually paid.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 10 – LOANS (Contd.)***Interest payment***

To maintain its position as a going concern, the Company has initially started a process of dialogue with its financial creditors with the aim at reaching an interim agreement until the right conditions for a final proposal for its financing structure.

With respect to the payment of interest, every quarter during 2003 the Company paid the interest accrued in that year. Additionally, in January, April, July and October 2004 the Company paid the interest accrued from November 2003 to January 2004 and from January 2004 to April 2004 and from April 2004 to July 2004, and from July 2004 to October 2004, respectively. 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 next months.

Loans in foreign currency

Decree No. 214 dated February 3, 2002 established the conversion into pesos of all obligations to give sums of money, for any reason or origin, legal or out-of-court, stated in dollars or other foreign currency, existing at the time of enactment of Law No. 25561. However, subsequent regulations established a number of exceptions to the general pesification rule. Applying a prudent criterion, the Company posted some financial transactions originally agreed in dollars in that currency, although there could be reasonable doubts regarding their inclusion in the ruling established by Decree No. 214. Additionally, and with the same criterion of prudence, on December 31, 2004 the Company resolved to record in dollars a debt in litigation with a financial creditor, originally agreed in dollars with a doubtful pesification in the light of the above regulations.

NOTE 11 - CAPITAL STOCK AND DIVIDENDS**11.1. Capital stock**

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

	Date	\$	<i>Registration in the Superintendency of Corporations</i>			
			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				

11.2. 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 11 - CAPITAL STOCK AND DIVIDENDS (Contd.)**11.2. Limitation on the transferring of the Company's shares (Contd.)**

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 there from, the new owner holds all Class A ordinary shares outstanding; (ii) does not affect the quality of gas transportation services provided by the Company; (iii) the Technical Operator, or any substitute therefore which may be accepted by ENARGAS, holds at least 10% of ordinary shares outstanding of the new owner and has entered into a Technical Assistance Agreement with the Company.

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

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

11.3. 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 and adjustment to 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 1.2.v)).

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 12 - CONTINGENCIES AND LEGAL MATTERS

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

12.1. 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 before the Take-Over date.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 12 - CONTINGENCIES AND LEGAL MATTERS (Contd.)**12.1. Stamp tax - Neuquén - Contracts prior to Takeover date (Contd.)**

On the basis of a fiscal indemnity clause in the Transfer Contract, the Company requested and obtained the rejection of the claim by the Federal Government.

In August 2004 TGN was notified of Decree No. 1318 issued by the Governor of the Province of Neuquén revoking the ruling giving rise to the claim mentioned in the first paragraph.

12.2. 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 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.

Similar claims made by the General Tax Bureau of the Province of Salta were dismissed, when, through Decree No. 2280/04, the Governor of Salta authorized the province to acquiesce to the proceedings on the declaratory action of certainty mentioned in point 12.4. below. The acquiescence was formalized in the legal folder in November 2004.

12.3. 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. On September 14, 2004 TGN was notified of Resolution No. 352/DPR/04 through which the mentioned claim was dismissed by the Revenue Bureau.

12.4. Certainty declaratory action

In connection with the tax claims filed by the provinces of Neuquén and Salta mentioned in paragraphs 12.1, 12.2 and 12.3 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 12 - CONTINGENCIES AND LEGAL MATTERS (Contd.)**12.4. Certainty declaratory action (Contd.)**

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.

On April 15, 2004, the Supreme Court of Justice rendered judgment in the case entitled "*Transportadora de Gas del Sur S.A. vs. Province of Santa Cruz, on legal certainty declaratory action*" declaring the tax claim against the defendant province inadmissible. This judgment will serve as a court's precedent in the cases brought by the Company against the provinces of Salta and Neuquén.

In November 2004, the Province of Salta acquiesced in the corresponding lawsuit.

12.5. 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 \$ 3,518,557 for the tax plus accessories. Additionally, TGN has appealed to an administrative venue concerning the fine levied by the Tax Authorities equivalent to 50% of the tax assessed.

12.6. 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.

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

In April 2004, the General Tax Bureau of Santiago del Estero issued Resolution No. 84/04 and notified the assessment of stamp duty amounting to \$ 573,485 (plus interest) on the firm transport contract entered into between the Company and Gasnor S.A. prior to Takeover. The rebuttal filed by TGN was dismissed in December 2004 through Resolution No. 1623/04 that confirmed the assessment and also levied a fine of \$ 2,867,424 on the Company equivalent to five times to tax supposedly omitted. In February 2005 TGN lodged an appeal for reconsideration of the ruling.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 12 - CONTINGENCIES AND LEGAL MATTERS (Contd.)**12.8. 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.

12.9. 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 MMm³/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 a fruitless attempt to gain a restructuring of the interests in play on an equitable basis, the Company found itself obliged to call for the rescinding of the transport contract. The application was filed with the National Gas Regulatory Entity 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. In May 2004 the ENARGAS issued a resolution dismissing the defense based on lack of competence filed by AES Paraná.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

NOTE 12 - CONTINGENCIES AND LEGAL MATTERS (Contd.)***12.10. 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.

12.11. Global Negotiable Obligations Programs

At the end of the year 2003, the Company received information requirements from the Tax Authorities (AFIP) referring to the interest corresponding to the Negotiable Obligations programs placed through public offering. Specifically, the intention of the AFIP 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.

In August 2004 the AFIP notified claims to TGN corresponding to income tax for \$ 80.4 million and value added tax for \$ 46.9 million, both for the fiscal years 1999-2002, due to non-compliance with the mentioned requirement.

On October 12, 2004 TGN presented defense, fully rejecting the tax authorities' claim, and filed new evidence of compliance with the placement by public offer.

In September 2004, after notice had been served on the Company, Joint Resolution No. 470 and No. 1738 of the CNV and AFIP, respectively, was published in the Official Gazette, clarifying the criteria to be applied to verify compliance with the requirement.

On December 28, 2004 TGN was notified of Resolutions Nos. 175 and 176, establishing a jeopardy assessment for Income Tax and Value Added Tax on the interest corresponding to Global Programs of Negotiable Obligations for 1999 through 2001, in the amounts of \$ 50.7 million and \$ 28.4 million, respectively (including in both cases, interest and fines).

Prior to lapsing of the period granted by the Tax Authorities for paying the above amounts, TGN lodged an appeal with the National Tax Court regarding the fines levied.

12.12. Correction Factors of Volumes Measured

On June 17, 2004 ENARGAS notified TGN of ENRG Resolution No. 3027 fining TGN

\$ 150,000 as it was considered that the Company failed to comply with mandatory procedures established in the Service Regulations relating to the manner of correcting gas measurements according to the atmospheric pressure at the point of

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)
delivery. ENARGAS also notified TGN that it had 60 days in which to inform that Authority of the yearly volume transported from the date of Taking Possession.

NOTE 12 - CONTINGENCIES AND LEGAL MATTERS (Contd.)***12.12. Correction Factors of Volumes Measured (Contd.)***

This notification was to be in the form of an affidavit and on the basis of the daily dispatch data, by all its loaders, corrected according to the criterion applied by TGN and corrected as established in the Service regulation, including a detail of the volumes that gave rise to the penalties envisaged by ENRG Resolution No. 716/98 (imbalances).

Resolution No. 3027, that was appealed by TGN in administrative request in October 2004, indicates that the penalty applied is regardless of the compensations possibly owing by TGN to its loaders (reimbursement of any amount that could have been collected in excess, including penalty interest, for each period of incorrect invoicing). The Resolution also imposes on TGN the obligation to notify all its loaders.

On August 25, 2004, however, TGN presented the information required by section 5 of ENRG Resolution No. 3027 in the form of an affidavit, leaving express evidence of the fact that it presented that information solely to comply with the reporting requirements established by the regulation, without implying recognition by TGN of having caused any damage to its loaders or having any obligation to pay compensation to its loaders in accordance with ENRG Resolution No. 3027. However, based on the above information, the Company determined and recognized a provision for \$ 1.3 million to cover contingencies resulting from the resolution.

12.13. Easement Contribution Fund

Through ENRG Note No. 2969 dated June 11, 2004, ENARGAS charged TGN with failure to deposit and late payment to the Easement Contribution Fund under the terms of Chapter X of the Transportation License. The infringement attributed to TGN was due to: (i) lack of deposit to the Easement Regularization Contribution Fund amounting to \$ 84,569, on which interest amounting to \$ 42,406 was calculated at March 31, 2004 as established by Point 7 b) of the License and a fine for \$ 362,800 calculated at the same date was applied, as required by Point 3 of Exhibit I of ENARGAS Resolution No. 393/96, and (ii) late payment of sums not identified in the note, on which interest amounting to \$ 472,214 was calculated at March 31, 2004 and a fine amounting to \$ 2,485,393 calculated at that date was applied, as required by Point III of Exhibit I of Resolution No. 393/96.

On July 6, 2004 TGN submitted its rebuttal stating that: (i) it had not omitted payment of amounts collected in cash, (ii) the delay in the deposit of quasi-currencies collected from loaders was due to delays by ENARGAS in opening special accounts for that purpose; and (iii) application of fines and interest by ENARGAS during the period in

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

which TGN placed quasi-currencies at the disposal of ENARGAS is illegal as they were available for deposit in the account that ENARGAS only opened in November 2002.

In spite of the above, the Company is unable to justify the delays in the deposit of sums collected between April and December 2002 in quasi-currencies for \$ 305,620, a balance that was only deposited in the Fund, in pesos and in LECOP, in May 2003. On December 28, 2004, TGN paid \$ 110,036 in interest corresponding to this latest delay attributable to the Company.

NOTE 12 - CONTINGENCIES AND LEGAL MATTERS (Contd.)***12.14. Administrative proceeding brought by the Central Bank of Argentina***

In February 2005 the Company was notified of proceedings initiated by the Argentine Central Bank (BCRA) for the alleged violation of Law 19539 of the Exchange Penal System. The proceedings originated in the transfer contract entered into on March 11, 2002 between the Company and Bank of America NA, Buenos Aires Branch (BofA), by which the latter transferred to TGN a time deposit at Bank of America Charlotte, North Carolina, amounting to US\$ 1,000,000, in exchange for the transfer of \$ 2,600,000 from the account that TGN had at the Argentine Branch of HSBC to the account of BofA at the BCRA. Based on the law and on the opinion of its legal counsel, the Company considers that this transaction does not constitute a "sale of foreign currency" or a "transfer of foreign currency abroad" and therefore the Company did not violate any exchange ruling prevailing at the time of signing the agreement.

NOTE 13 – CREATION OF A FINANCIAL TRUST

On March 8, 2004, the Company acting as trustor, and HSBC Bank Argentina S.A. acting as trustee, executed a Framework Agreement for the creation of Financial Trusts for up to US\$ 50,000,000, with a life of five years (the "Program"), subject to the provisions of Law No. 24441 and ENARGAS Resolution No. 2877.

This agreement contemplates the possibility of parties creating financial trusts issuing securities listed on stock exchanges or not, in order to finance enlargements of the Company gas pipeline system. The agreement establishes that though these enlargements are trust assets, they shall not be used to repay securities; at the conclusion of the trust they will exclusively be allocated in their entirety to the Company, free of all charges or encumbrances, even if the amounts due under the securities werenot to have been fully settled. The Company shall act as Technical Operator of the financial trusts created under that Agreement.

Within the framework of that Agreement, the Board of Directors of the Company authorized: (i) the creation of the TGN Financial Trust Series 01, under which debt securities for a face value of US\$ 7,530,000 which were totally subscribed on March 26, 2004, and were issued and earmarked for 303,000 m3/d enlargement works hired by Metrogas S.A. (the gas distributor operating in Santiago, Chile), and (ii) the creation of the TGN Financial Trust Series 02, under which debt securities for a face value of US\$ 6,300,000, which were also subscribed at April 16, 2004 and were issued and earmarked for 247,000 m3/d enlargement

TRANSPORTADORA DE GAS DEL NORTE S.A.

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works hired by Colbún S.A. the subscriptions were totally paid in at the date mentioned above.

Series 01 defines September 30, 2019 or the date on which the Series 01 are repaid as the Final and Definitive Payment Date, meanwhile the Final and Definitive Payment Date for Series 02 is March 30, 2019 or the date on which the Series 02 are repaid. On those dates all assets in the Trust will be transferred to the Company on that date, free of all charges or encumbrances.

Neither TGN nor the Trustee will be obliged to cover, with their own property, any difference there would be arising from any lack of funds at the TGN Financial Trusts Series 01 and 02, to cover the payment of taxes and expenses relating to the trusts and/or interest and/or principal related to the Securities Series 01 and 02 and/or any other obligation arising from the performance of Financial Trusts Series 01 and 02, excepting in the case of fraud or

NOTE 13 – CREATION OF A FINANCIAL TRUST (Contd.)

negligence by the Trustee in the fulfillment of his contractual obligations. The holders of such securities will not have the right to claim such difference from TGN or the Trustee. TGN's maximum responsibility as Technical Operator has been contractually limited.

The extension work corresponding to TGN Financial Trusts Series 01 and 02 were completed on time, for an amount at December 31, 2004 amounting to approximately \$ 29 million.

Due to the needs arising from operations and maintenance generated by the expansions built by these Trusts, the Company entered into a contract with the trustees to provide this service.

NOTE 14 –MPFIPyS RESOLUTION No. 185/2004

Resolution No. 185/2004 issued by the Ministry of Federal Planning, Public Investment and Services, covered by Decree No. 180/2004, provides for the creation of a Gas Trusts Program to be organized by the Energy Department, with a view to financing natural gas transport and distribution infrastructure works.

In the context of that Resolution, the Government required TGN as licensee to undertake the expansion of its carrying system with the aim of contributing to an improvement in gas supply by 2005. The project principal, a local trust organized in December 2004 by the Energy Secretariat and administered by Nación Fideicomisos S.A., charged TGN with the management of the expansion works for the Gasoducto Norte, for which the Company will receive 1% of the amount of the work, excluding value-added tax (approximately US\$1.5 million), and its subsequent operation and maintenance.

The expansion of the Gasoducto Norte, currently being carried out, includes the construction of some 234 kilometers of parallel pipeline and the incorporation of 22,700 HP of power. Once concluded, this work will enable the carrying of an additional 1.8 million M³ per day.

The remaining assets for the execution of the work on the extension of the trust will form part of its net worth until it is settled. Once this has taken place, TGN may opt to transfer the ownership of the essential asset to its own equity.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for the years ended December 31, 2004 and 2003. (In pesos)

On December 22, 2004, and for the purposes indicated, the Company signed the following contracts with the Energy Secretariat and Nación Fideicomisos S.A.: (i) Supplementary Gas Trust Contract; (ii) Management Contract; and (iii) Operation and Maintenance Contract.

Because of the lack of financing, the expansion planned for the Centro Oeste gas pipeline was postponed by the Energy Secretariat, and is not included in the project currently in progress.

In addition, TGN has undertaken with the Government to contribute the net present value of the tariff amounts to be collected, bearing in mind the incremental operation and maintenance costs implicit in the expansion to be carried out. The amount thus committed by TGN for this expansions amounts to US\$ 10.5 million (including value-added tax) for the Gasoducto Norte, and US\$ 11.4 million (including value-added tax) for the Centro-Oeste pipeline, which will be disbursed if the Energy Secretary decides that the latter expansion will be built. Lastly, the Company will receive the regulated rate for the firm transport services,

NOTE 14 –MPFIPyS RESOLUTION No. 185/2004 (Contd.)

and this income will be allocated to the recovery of the Company's own investment in the expansion, and to face its operating and maintenance costs.

NOTA 15 - SUBSEQUENT EVENTS

Subsequent to December 31, 2004 there have been no other events, situations or circumstances that have impacted or could impact significantly on the net worth, or economic and financial situation of the Company that have not been mentioned in these financial statements.

Jorge Valdez Rojas
Chairman

The independent auditors' report dated March 9, 2005 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, 2004 and 2003

(In pesos)

FIXED ASSETS

EXHIBIT A

Caption	12.31.04											12.31.03	
	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	3,225,707	28,730	-	20,927	3,275,364	-	-	-	-	-	-	3,275,364	3,225,707
Building and civil constructions	75,183,749	-	-	549,260	75,733,009	12,585,773	2	1,506,820	-	21,977	14,114,570	61,618,439	62,597,976
Building installations	1,739,367	-	-	104,108	1,843,475	242,232	4	68,900	-	-	311,132	1,532,343	1,497,135
Gas Pipeline	1,942,236,656	-	(497,289)	28,712,835	1,970,452,202	357,491,822	3.33 & 2.22	53,953,498	(155,967)	-	411,289,353	1,559,162,849	1,584,744,834
High-pressure branch lines	609,114	-	-	3,825	612,939	158,215	3.33 & 2.22	17,101	-	-	175,316	437,623	450,899
Compressor Plants	763,007,102	-	(4,188,594)	26,710,778	785,529,286	189,285,780	4	38,627,752	(1,566,579)	991	226,347,944	559,181,342	573,721,322
High pressure regulation and/or measurement stations	63,710,474	-	(28,297)	2,278,097	65,960,274	21,442,571	5	3,544,812	(12,633)	(24,166)	24,950,584	41,009,690	42,267,903
Other technical installations	46,734,460	-	(394,346)	1,172,223	47,512,337	14,323,235	6.67	2,562,696	(115,892)	2,189	16,772,228	30,740,109	32,411,225
Machinery, equipment and tools	23,002,645	31,090	(2,210,022)	1,455,447	22,279,160	15,539,292	10, 20 & 50	1,797,830	(2,033,983)	45,061	15,348,200	6,930,960	7,463,353
Systems and telecommunications system	68,117,777	-	(49,784)	2,933,188	71,001,181	25,487,422	10 & 20	6,254,696	(30,190)	(4,479)	31,707,449	39,293,732	42,630,355
Vehicles	16,830,608	1,182,132	(678,387)	-	17,334,353	11,878,285	20	2,079,388	(606,042)	(48,798)	13,302,833	4,031,520	4,952,323
Furniture and fixtures	9,190,083	239,430	(7,880)	-	9,421,633	7,193,587	10	414,579	(3,188)	7,225	7,612,203	1,809,430	1,996,496
Goods held at third parties	6,713,855	-	-	111,612	6,825,467	2,996,048	12.5	734,441	-	-	3,730,489	3,094,978	3,717,807
Work in process	41,041,870	57,393,974	(1,728,996)	(54,098,750)	42,608,098	-	-	-	-	-	-	42,608,098	41,041,870
Advances to suppliers	639,198	9,652,416	-	(9,953,550)	338,064	-	-	-	-	-	-	338,064	639,198
Total	3,061,982,665	68,527,772	(9,783,595)	-	3,120,726,842	658,624,262		111,562,513	(4,524,474)	-	765,662,301	2,355,064,541	2,403,358,403

Jorge Valdez Rojas
Chairman

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TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of December 31, 2004 and 2003
(In pesos)

INTANGIBLE ASSETS

EXHIBIT B

Caption	12.31.04					12.31.03	
	Original value		Amortization			Net book value	Net book value
	At the beginning of the year	At the end of the year	At the beginning of the year	For the year	Accumulated at the end of the year		
CURRENT							
Corrosive detection in the gas pipeline	10,961,303	10,961,303	9,507,737	1,453,566	10,961,303	-	1,453,566
Total	10,961,303	10,961,303	9,507,737	1,453,566	10,961,303	-	1,453,566

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Chairman

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TRANSPORTADORA DE GAS DEL NORTE S.A.

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(In pesos)

INVESTMENTS AND PARTICIPATION IN OTHER COMPANIES

EXHIBIT C

Issuer and characteristics of shares	Class	Par value	Amount	Cost value	Book value		Information on the issuer							
					12.31.04	12.31.03	Principal activity	Latest financial statements					Shareholders' equity	Percentage of direct holding
								Date	Capital stock and capital adjustment	Legal reserve	Other Reserves	Inappropriate retained earnings		
					\$							%		
NON-CURRENT INVESTMENT														
Investments in other companies														
Corporations Law No. 19550, section 33														
Comgas Andina S.A.	Ordinary	(1) \$ch 1 per share	490	246,312	4,370,219	3,128,059	Providing of gas pipeline operation and maintenance services	12.31.04	5,361	-	-	8,913,453	8,918,814	49.0
Companhia Operadora de Rio Grande do Sul	Ordinary	(2) R\$ 1 per share	49	55	75,044	63,079	Providing of gas pipeline operation and maintenance services	12.31.04	97	20	79,491	73,543	153,151	49.0
Total				246,367	4,445,263	3,191,138								

(1) Chilean pesos

(2) Reales

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Chairman

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TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of December 31, 2004 and, 2003
(In pesos)

SHORT-TERM INVESTMENTS

EXHIBIT D

<i>Caption</i>	12.31.04	12.31.03
	Balances at the end of the year	Balances at the end of the year
Short term investments		
Mutual investments funds in \$	18,686,359	12,861
Stock exchange securities in \$	3,008,546	-
Mutual investments funds abroad in US\$	174,378,047	50,186,390
Time deposits in Banks abroad in US\$	166,333,314	-
Trust fund abroad in US\$ (Note 9 (iv))	-	187,474,320
Program of Medium-Term Foreign Bonds in US\$:	6,276,791	6,118,429
Allowance for impairment of investments (Note 8 and Exhibit E)	(4,707,593)	(4,588,870)
Total	363,975,464	239,203,130

Jorge Valdez Rojas
Chairman

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TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** as of December 31, 2004 and 2003
(In pesos)**ALLOWANCES AND PROVISIONS****EXHIBIT E**

Caption	12.31.04				12.31.03
	Balances at the beginning of the year	Increases net of recoveries	Transfers	Decreases	Balances at the end of the year
Deducted of Assets					
Current					
Allowance for impairment of investments					
Bonds under medium-term external bill program	4,588,870	118,723 (1)	-	-	4,707,593
Allowances for doubtful accounts					
Accounts receivable - trade	1,877,840	3,083,092 (3)	-	-	4,960,932
Accounts receivables in foreign currencies and other restatements	38,198,695	3,082,979 (2)	-	(29,280,442) (6)	12,001,232
Other receivables	213,253	64,543 (3)	-	-	277,796
Allowance for attachments, and deposits in court and other receivables for actions for recovery	-	-	4,234,062	-	4,234,062
Subtotal	44,878,658	6,349,337	4,234,062	(29,280,442)	26,181,615
Non Current					
Inventories					
Slow-moving consumption material and spares	20,000,000	16,031,673 (4)	-	-	36,031,673
Subtotal	20,000,000	16,031,673	-	-	36,031,673
Total allowances deducted from assets	64,878,658	22,381,010	4,234,062	(29,280,442)	62,213,288
Included in Liabilities					
Provisions					
For labor, civil and contentious-administrative lawsuits	47,636,477	16,039,184 (5)	(4,234,062)	(120,308)	59,321,291
Total provisions included in liabilities	47,636,477	16,039,184	(4,234,062)	(120,308)	59,321,291
Total	112,515,135	38,420,194	-	(29,400,750)	121,534,579

(1) Charged to Other financial and holding results Generated by assets - Depreciation in the value of investments (Note 4.g.i))

(2) Charged to Net revenues (Note 4.f))

(3) Charged to Selling expenses - Doubtful accounts (Exhibit H)

(4) Charged to Other financial and holding results generated by assets (note 4.g.i))

(5) Charged to Administrative expenses-Lawsuits

(6) Use of the allowance for customer TermoAndes deccribed inNote 3.5.b)

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, 2004 and 2003**ASSETS AND LIABILITIES IN FOREIGN CURRENCY****EXHIBIT G**

	12.31.04			12.31.03		
	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\$ 5,271	2.9390	15,490	US\$ 6,398	18,426	
Banks	US\$ 3,779,412	2.9390	11,107,693	US\$ 4,223,916	12,164,879	
			11,123,183		12,183,305	
SHORT-TERM INVESTMENTS						
Mutual investments funds abroad in US\$	US\$ 59,332,442	2.9390	174,378,047	US\$ 17,425,830	50,186,390	
Time deposits in Banks abroad in US\$	US\$ 56,595,207	2.9390	166,333,314		-	
Trust fund abroad in US\$			-	US\$ 65,095,250	187,474,320	
Program of Medium-Term Foreign Bonds in US\$	US\$ 2,135,689	2.9390	6,276,791	US\$ 2,124,455	6,118,429	
			346,988,152		243,779,139	
ACCOUNT RECEIVABLE-TRADE						
Transport Services Clients	US\$ 9,445,513	2.9390	27,760,363	US\$ 9,161,727	26,385,773	
Other Services Clients	US\$ 1,041,290	2.9390	3,060,351	US\$ 1,451,645	4,180,738	
			30,820,714		30,566,511	
OTHER RECEIVABLES						
Prepaid expenses	US\$ 107,431	2.9390	315,740	US\$ 451,208	1,299,479	
Prepaid expenses by account and order of third parties	R\$ 92,869	1.0696	99,333	R\$ 88,247	91,962	
	US\$ 824,189	2.9390	2,422,291	US\$ 202,741	583,894	
			2,837,364		1,975,335	
Total current assets			391,769,413		288,504,290	
NON-CURRENT ASSETS						
OTHER RECEIVABLES						
Attachments and deposits in court	US\$ 567,336	2.9390	1,667,400	US\$ 578,607	1,666,389	
Guarantee deposits	US\$ 162,300	2.9390	476,999	US\$ 146,768	422,693	
			2,144,399		2,089,082	
LONG-TERM INVESTMENTS						
Comgas Andina (Exhibit C)	\$ ch 851,894,450	0.00513	4,370,219	\$ ch 653,039,457	3,128,059	
COPERG (Exhibit C)	R\$ 70,160	1.0696	75,044	R\$ 60,531	63,079	
			4,445,263		3,191,138	
Total non-current assets			6,589,662		5,280,220	
Total assets			398,359,075		293,784,510	
LIABILITIES						
CURRENT LIABILITIES						
ACCOUNTS PAYABLE						
Suppliers	US\$ 2,642,884	2.9790	7,873,151	US\$ 1,592,409	4,665,758	
	L 14,350	5.4117	77,658		-	
			7,950,809		4,665,758	
CARRIED FORWARD			7,950,809		4,665,758	

US\$: United States dollars

\$ch: Chilean pesos

R\$: Reales

L: Pounds

TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** at December 31, 2004 and 2003**ASSETS AND LIABILITIES IN FOREIGN CURRENCY (Contd.)****EXHIBIT G**

	12.31.04			12.31.03	
	Foreign currency class and amounts	Exchange rate	Amount in \$	Foreign currency class and amounts	Amount in \$
BROUGHT FORWARD			\$		\$
			7,950,809		4,665,758
LOANS					
Global Program of Negotiable Corporate Bonds - US\$ 300 MM	US\$ 83,181,476	2.9790	247,797,617	US\$ 81,239,676	238,032,250
Global Program of Negotiable Corporate Bonds - US\$ 320 MM	US\$ 140,466,119	2.9790	418,448,568	US\$ 93,153,664	272,940,235
Convertibility Risk Insured Bonds -Interest-	US\$ 35,202,054	2.9790	104,866,920	US\$ 20,030,696	58,689,939
Loan agreements	US\$ 111,415,593	2.9790	331,907,052	US\$ 67,639,823	198,184,681
Import finance	US\$ 972,364	2.9790	2,896,672	US\$ 952,239	2,790,060
Commissions to be paid			-	US\$ 50,000	146,500
			1,105,916,829		770,783,665
CUSTOMERS' ADVANCES	US\$ 1,015,980	2.9790	3,026,604	-	-
			3,026,604		-
PROVISIONS					
Contingencies and legal matters			-	US\$ 20,000	58,600
			-		58,600
Total current liabilities			1,116,894,242		775,508,023
NON-CURRENT LIABILITIES					
LOANS					
Global Program of Negotiable Corporate Bonds - US\$ 320 MM	US\$ 95,645,646	2.9790	284,928,380	US\$ 124,834,056	365,763,784
Convertibility Risk Insured Bonds	US\$ 175,000,000	2.9790	521,325,000	US\$ 175,000,000	512,750,000
Loan agreements			-	US\$ 35,000,000	102,550,000
			806,253,380		981,063,784
CUSTOMERS' ADVANCES	US\$ 483,201	2.9790	1,439,455	-	-
			1,439,455		-
Total non-current liabilities			807,692,835		981,063,784
Total liabilities			1,924,587,077		1,756,571,807

US\$: United States dollars

Jorge Valdez Rojas
Chairman

The independent auditors' report dated March 9, 2005 is issued as a separate document.

TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** as of December 31, 2004**TERMS AND GUIDELINES FOR THE RESTATEMENT OF INVESTMENTS,
RECEIVABLES AND LIABILITIES****EXHIBIT I**

	12.31.04			
	Investments (1)	Receivables (2)	Loans	Other liabilities (3)
	\$			
a) Past due				
12.31.2003	3,894,747	12,498,397	511,813,943	-
03.31.2004	1,199,204	3,024,710	152,200,308	-
06.30.2004	1,182,840	1,836,757	65,499,933	-
09.30.2004	-	1,891,533	49,244,703	-
12.31.2004	-	8,056,255	84,075,637	-
b) Without due date	362,406,266	87,565,185	48,264,006	956,549
c) To be due				
03.31.05	-	53,130,434	179,207,948	41,272,300
06.30.05	-	146,177	21,476,198	1,981,651
09.30.05	-	148,184	22,003,660	1,981,651
12.31.05	-	166,957	22,533,041	7,626,997
12.31.06	-	18,948,584	95,394,543	9,441,689
12.31.07	-	718,110	105,035,106	-
12.31.08	-	-	131,434,318	-
12.31.09	-	26,699,255	126,839,413	-
12.31.10	-	-	115,850,000	-
12.31.11	-	-	115,850,000	-
12.31.12	-	-	115,850,000	-

Total 2004	368,683,057	214,830,538	1,962,572,757	63,260,837
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a) Balances subject to adjustment	-	8,856,400	50,102,108	-
b) Non-interest bearing balances	368,683,057	205,974,138	1,912,470,649	63,260,837

Total 2004	368,683,057	214,830,538	1,962,572,757	63,260,837
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a) Interest bearing balances	-	160,808	1,741,612,567	-
b) Non-interest bearing balances	368,683,057	214,669,730	220,960,190	63,260,837

Total 2004	368,683,057	214,830,538	1,962,572,757	63,260,837
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- (1) Except Investments in other companies and allowances
(2) Includes accounts receivables - trade and other receivables, except its allowances
(3) Includes all non- financial debts, except Provisions.

Jorge Valdez Rojas
Chairman

The independent auditors' report dated March 9, 2005 is issued as a separate document.