

TRANSPORTADORA DE GAS DEL NORTE S.A.

Financial Statements as of year ended December 31, 2007, presented  
in comparative form

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
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**To the Shareholders:**

In compliance with legal and bylaw provisions in force, the Board of Directors of Transportadora de Gas del Norte S.A. -hereinafter "TGN" or "the Company"- submits for the consideration of the Shareholders' Meeting the annual report, the business highlights, the balance sheet and income statements, the statement of changes in shareholders' equity, cash flow statement, notes and exhibits corresponding to the fiscal year number sixteen closed December 31, 2007.

**President of the Board of Directors**

Eduardo Ojea Quintana

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Leonardo Fernández  
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Jorge Iglesias

**Syndics' Committee**

**Regular syndics**

Matías María Brea  
Juan José Valdez Follino  
Alfredo Fernández Quiroga

**Alternate syndics**

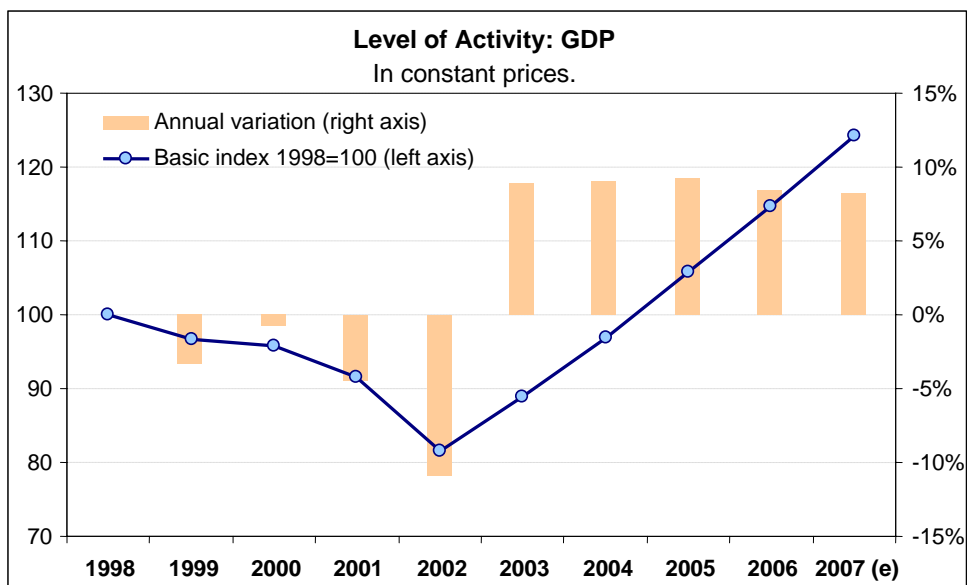
Juan Carlos Pitrelli  
Julio Abínzano  
Luis Ayarragaray

**ANNUAL REPORT OF TRANSPORTADORA DE GAS DEL NORTE S.A. AT DECEMBER 31, 2007**

**MACROECONOMIC CONTEXT**

During 2007 the Argentine economy continued with the cycle of recovery and expansion begun in 2003, recording a variation of GDP estimated at over 8.5%. In this way, the economy accumulates an average annual growth of 8.7% during the last five years. Consumption continued to lead the growth of GDP, encouraged by the increase in available income, the rise in retirement pensions and the increase of employment, among other factors. In addition, public consumption also continued to record high growth rates. On the other hand, investment also continued to record two-digit year-on-year variations.

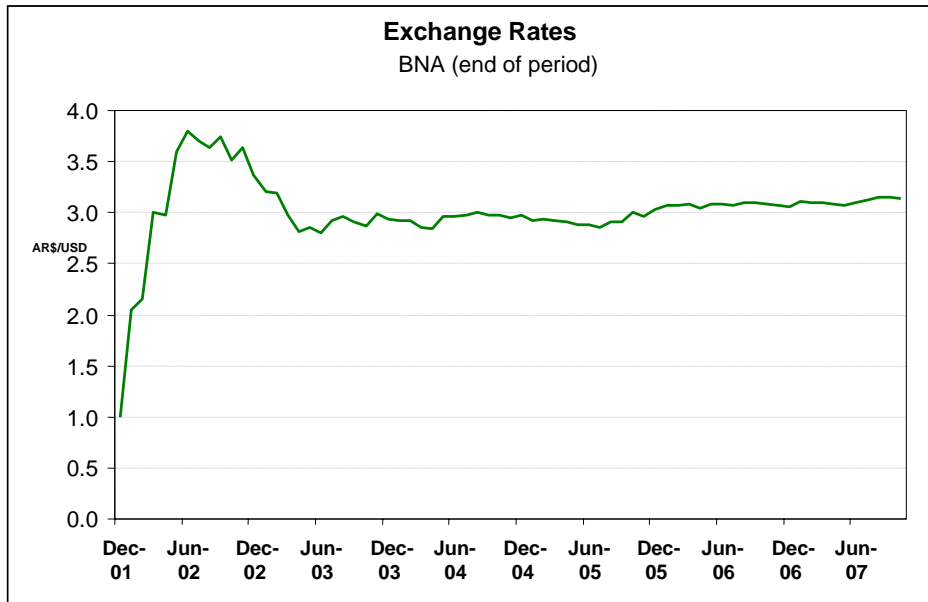
On the side of supply, commerce and transportation stood out for their dynamism, as did industry and construction.



The international context was altered after the crisis of the real estate market in the USA exploded. However, the slowdown of the American economy would have been offset by a greater growth in the rest of the main world regions.

The prices of raw materials continued to be at high levels, despite the turbulences in financial markets, which, among other elements, drove exports to a record level of approximately US\$ 56 thousand million. Imports also continued to growth at a very high rhythm, so that the commercial balance, although still large, closed at the lower value of the last few years, in the range of US\$ 11 thousand million.

Despite the diminution, commercial surplus during the last year continued to be the main source for the supply of foreign currency in the exchange market, which was mainly absorbed by the purchases of the BCRA, which continued its policy of maintaining the exchange rate at a high level. The exchange rate \$/US\$ oscillated throughout the year between a range of \$ 3.10 / \$ 3.16.

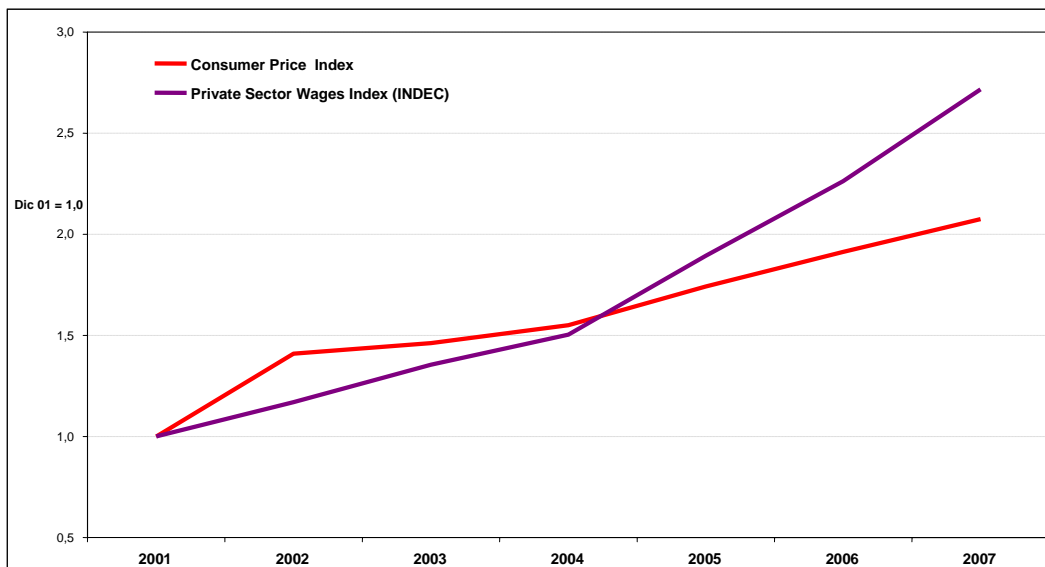


Although the purchase of foreign currency in the exchange market had an expansive impact on the supply of currency, the BCRA was able to maintain itself within its monetary program by monetary sterilization, basically through the placement of BCRA securities, cancellation of rediscounts and public sector operations.

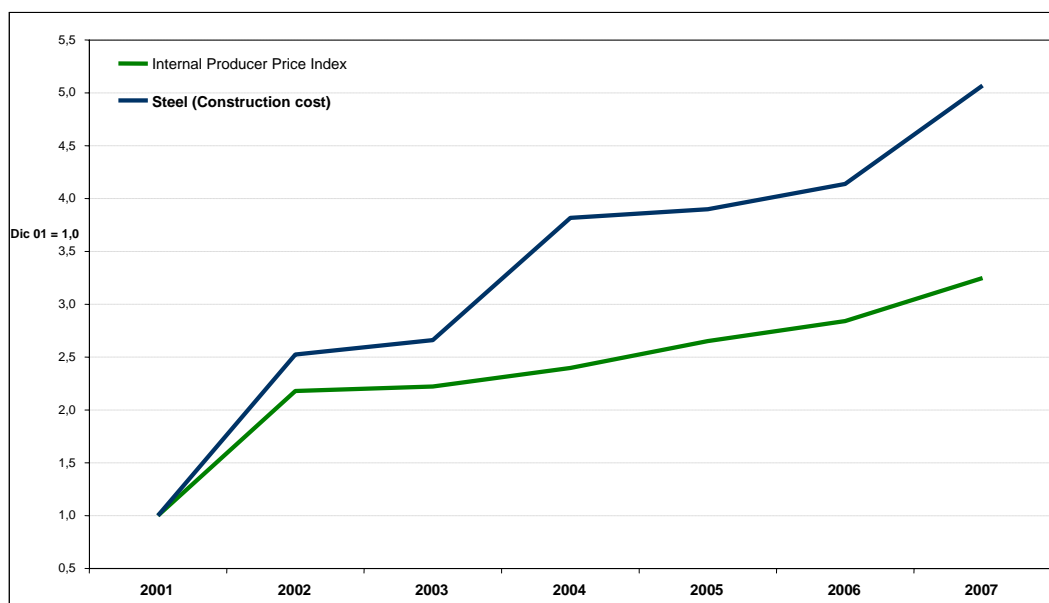
In the fiscal area, tax collection recorded another year of good performance, leveraged by the higher income of social security, among other elements. This permitted to reach, despite the strong expansion of public expenditure, a primary surplus which would have exceeded 3% of the GDP.

Social indicators continued to show improvements matching the greater economic activity. The unemployment rate, which was 8.7% in the fourth quarter of 2006, would have been below 8% at the end of the last year. On the other hand, although the percentage below the poverty line continued to descend in the last year, it is still high in international terms.

As for the evolution of internal prices, the CPI recorded an annual variation of 8.5% (December/December), while the IPIM increased by 14.4%. Furthermore, private sector wages increased 20%, continuing with the real income recovery process.



As can be seen, the process for changes in relative prices of the main inputs used by the Company still continues.



In the month of October 2007 there took place the elections for President of the Nation. In these, there won by a wide margin Cristina Fernandez de Kirchner, who entered into office on December 10<sup>th</sup> last. Despite the change in President, in general terms there is expected a continuity in the main policies that guided the economy through the last few years.

Lastly, there is still pending the negotiation of the utility contracts, a matter which, in an environment where the high inflation and salary claims repeatedly impact on costs, is essential for the future of the Company.

#### **THE GAS INDUSTRY IN ARGENTINA**

Natural gas is the main source of energy in Argentina; its use is even 30% higher than the average use in the region.

Demand of primary energy by source (2006) [%]:

	Oil	Natural Gas	Coal	Nuclear Energy	Hydro-electricity
USA	40.4	24.4	24.4	8.1	2.7
Canada	30.7	27.0	10.9	6.9	24.5
Mexico	56.4	31.6	6.0	1.6	4.4
<b>Total North America</b>	<b>40.1</b>	<b>25.1</b>	<b>21.8</b>	<b>7.6</b>	<b>5.4</b>
Argentina	29.7	53.0	1.2	2.4	13.7
Brazil	44.6	9.2	6.3	1.5	38.4
Chile	40.8	24.4	10.8	-	24.0
Colombia	35.7	22.7	8.3	-	33.3
Ecuador	78.8	2.4	-	-	18.8
Peru	53.3	11.4	6.4	-	28.9
Venezuela	37.1	36.7	0.1	-	26.1
Others, South and Central America	60.1	20.0	1.5	-	18.4
<b>Total South and Cent. America</b>	<b>44.7</b>	<b>22.2</b>	<b>4.1</b>	<b>0.9</b>	<b>28.1</b>

Source: BP Statistical Review of World Energy

Since the privatization of the natural gas utility service at the end of 1992, there has been recorded an accumulated growth of 93% in the domestic consumption of the fluid, with a 282% growth in the demand for CNG and a 62% growth in industrial consumption. Also, the segment of power plants for electricity generation recorded an important increase of 101%, due to the intensification of the electric energy consumption recorded in this period.

**Local gas consumption - Millions of m<sup>3</sup>/day:**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Residential	16.2	16.3	16.5	16.6	16.6	16.9	18.8	20.0	19.3	19.3	20.1	20.1	21.8	21.7	26.0
Commercial	2.4	2.4	2.6	2.5	2.7	2.6	2.8	2.9	2.8	2.7	2.8	3.1	3.0	3.0	3.5
Industrial	18.0	20.9	21.0	21.5	22.9	23.6	22.5	23.2	22.7	22.9	25.3	26.5	27.1	29.8	29.2
Electricity Generators	16.3	15.7	19.6	23.8	23.6	23.4	29.3	29.8	24.4	21.3	24.0	28.3	29.4	31.2	32.7
GNC	2.1	2.6	2.8	3.0	3.5	3.9	4.1	4.6	5.1	5.6	7.2	8.3	8.7	8.3	8.0
Other*	12.3	12.4	14.3	16.0	16.6	18.0	17.5	19.9	23.4	25.7	29.3	31.2	31.7	29.9	30.4
<b>Total</b>	<b>67.3</b>	<b>70.2</b>	<b>76.8</b>	<b>83.5</b>	<b>86.0</b>	<b>88.4</b>	<b>95.1</b>	<b>100.3</b>	<b>97.7</b>	<b>97.5</b>	<b>108.7</b>	<b>117.4</b>	<b>121.6</b>	<b>124.0</b>	<b>129.7</b>
Index	100	104	114	124	128	131	141	149	145	145	162	174	181	184	193

\*Considers consumption of RTP, fuel gas, consumption of fields and other users.  
Source: ENARGAS; includes Off System and physical by-pass.

During 2007, the consumption of gas in Argentina increased 4.6% with regard to 2006.

The residential and commercial consumption of natural gas grew strongly, 19% with regard to 2006, driven by a very cold winter, the harshest of the last decade.

The industrial segment recorded a fall of 2.1% with regard to 2006, which can be explained mainly by the winter seasonal growth of the residential demand.

Consumption of CNG, which last year had for the first time recorded a fall in consumption, maintained its negative trend, falling this year 3.6% with regard to 2006, and thus accumulating, in the last two years, a decrease of 8.0%.

Overall demand for energy rose 2.9% in 2007, as against 2006. As a result of the lower generation of hydroelectricity, the higher consumption of liquid fuel, gas and the importation of energy exceeded the average increase in demand. Consumption of natural gas for the generation of electricity increased 8.8% in 2007, as against 2006.

In 2007, the annual production of natural gas was of 51.3 MM<sup>m<sup>3</sup>/d</sup>, 59% of those coming from the Neuquén basin, 13% from the Northwestern basin, 9% from the San Jorge Gulf basin, and 19% from the Austral basin.

The proved reserves of natural gas in Argentina at the end of 2006 were of 406 MM<sup>m<sup>3</sup>/d</sup> (14.4 TCF), and the actual horizon of reserves is of 7.9 years.

The decrease in the proved reserves, besides being related to the maturity of some of its sources, is directly related to other two aspects: the rise in the demand, driven by the control of prices in the gas chain (which includes the freezing of transportation and distribution tariffs), with the consequent growing dispersion of the price of alternative fuels, and the incentives to the investment necessary for their renewal.

**Natural gas - Reserves and Production at December 2006 [Millions of cubic meters]**

Basin	Proved reserves	Probable reserves	Proved +50% Probable	Production	Horizon: [Proved reserves/Production] (Years)
<b>Austral</b>	116,712	78,132	155,778	10,215	11.4
<b>San Jorge Gulf</b>	36,655	10,063	41,687	4,605	8.0
<b>Neuquén</b>	184,258	78,178	223,347	29,798	6.2
<b>Northwestern</b>	68,661	26,684	82,003	7,048	9.7
<b>TOTAL ARGENTINA</b>	<b>406,286</b>	<b>193,057</b>	<b>502,815</b>	<b>51,666</b>	<b>7.9</b>

Source: National Energy Secretariat

In the last three years, the Argentine Government has executed agreements for importing natural gas from Bolivia, which in 2005 represented a 4% of the total volume injected into the transportation system, in 2006 a 4.5% and in 2007 a 4.4%. These volumes to a certain extent contributed to covering the decrease in domestic supply.

#### **REGULATORY ASPECTS**

In its capacity as provider of a national utility service, TGN is subject to a significant state regulation, based in the Gas Law No. 24,076 and exercised by the National Gas Regulation Agency ("ENARGAS").

In January 2002, the Public Emergency and Exchange Regime Reformation Law No. 25,561 ("LEP") unilaterally modified the amount of the considerations of the License Agreements executed in 1992 between the National Government and the licensees who provided the services of natural gas transportation and distribution within the framework of Law No. 24,076.

Subsequently, the National Executive Branch ("PEN") issued Decree No. 293/02, by which the Ministry of Economy was put in charge of renegotiating the agreements. The original date contemplated for finishing the process, for which norms and work plans were established, was June 2002. This date was successively extended by the National Congress to December 2008.

On the other hand, the PEN's 2002 attempts to implement limited and transitory adjustments to attenuate the impact of the evolution of the exchange rate and macroeconomic indicators on the activities of the utility services providers, which were the purpose of the renegotiation process, were successively blocked by judicial decisions.

In July 2003, by the decision of the Kirchner Administration, the Renegotiation Committee created by Decree No. 293/02 was replaced by the Utility Contract Analysis Department ("UNIREN"), created by Decree No. 311/03 within the framework of the Ministries of Economy and Production and Federal Planning, Public Investment and Services. The Department's duties include that of carrying out the process for the renegotiation of contracts established in Law No. 25,561, executing agreements subject to the concurrence of the PEN, submitting legislative projects concerning possible tariff adjustments, and preparing a Project for a General Regulatory Framework.

In July 2004, UNIREN sent TGN a proposal from the National Government, which basically contemplated a tariff increase of 7% as from January 2005 and until the coming into force of a comprehensive revision scheduled for January 2007. In its founded refusal answer, TGN requested to take up again the established work schedule, in order to negotiate an equitable agreement between the parties.

In May 2005, there was held a public hearing called by the UNIREN for the purpose of considering the unilateral proposal for the adjustment of TGN's license, prepared by the UNIREN in July 2004. In November 2005, UNIREN sent TGN a new project for the contractual renegotiation memorandum of agreement, informing the latter that said project "*represents the limit of the possibilities that the National Government can offer in order to reach an agreement*". Although said project incorporated some elements discussed between the parties, it received certain observations from the Company, such as the fact that it fails to offer a temporary adjustment proposal and a methodology for approaching a comprehensive tariff revision, and that it requires from TGN an indemnity in favor of the National Government for potential adverse rulings in the context of judicial or arbitral proceedings initiated by third parties due to the effects of the LEP on the License.

In fiscal year 2006 the UNIREN sent TGN two draft memoranda of understanding introducing a new transitional rate increase of 10%, with a cap of 15% of the average gas rate charged to end users. TGN stated that although those proposals involved a rate of progress in the negotiation process, major issues previously raised by the Company still persisted.

A new proposal of memorandum of understanding sent by the UNIREN in April 2007, together with a summons for executing it within an automatically expiring period, was also rejected by the Company on the grounds that the UNIREN had failed to consider several proposals and counterproposals formulated by TGN between 2004 and 2006.

At the date of issuing the Financial Statements of TGN, no substantial progress has been made which guarantees that the objective of executing an agreement in the short term will be achieved. Also, nothing ensures that the potential result of the negotiation will effectively reestablish the balance of the License and procure TGN a fair compensation for the damages suffered as a consequence of the LEP.



In the course of 2005, the Executive Power advanced in the implementation of the Electronic Gas Market ("MEG"), which had been created by Decree No.180/04. Resolution No. 752/05 of the Energy Secretariat set the commencement of operations of sale-purchase of natural gas at wellhead for certain users (excluding residential) through the MEG, at September 1, 2005. In May 2005, the MEG started administering the resale of capacity and services provided by the gas distributors.

As of December 31, 2007, there has been no impact on the sales income of TGN. TGN considers that the impact that future commercialization in that market of interruptible gas transportation systems may have on its results is uncertain.

#### **FINANCIAL SITUATION**

After four years of negotiations with its financial creditors, at the end of September 2006, the Company consummated the voluntary restructuring of its financial debt. The corresponding swap tender, which was made public at the beginning of October of that year, obtained a level of acceptance nearing unanimity (99.94%). Consequently, the Company was able to formalize the execution of the corresponding Extrajudicial Preventive Agreement privately, without needing to procure its judicial approval.

Until the date of completion of the debt swap, unpaid and outstanding loans amounted to US\$ 288.7 million in capital and US\$ 109.8 million in interest.

The pro rata swap offer consisted in: (i) a US\$ 52.4 million cash payment, (ii) the delivery of 87,874,754 new shares, Class C, representing 20% of the Company Capital, to be issued by the capitalization of US\$ 68.0 million in financial debt, and (iii) the delivery of new common, non-convertible, "A" series Bonds for US\$ 249,999,970 and new common, non-convertible, "B" series Bonds for US\$ 203,630,111 (equivalent to the capital owed and interest accrued up to December 31, 2004 for the debt under restructuring, net from the cash payment indicated in item (i) above and from the delivery of the new Class A bonds).

The normalization of the contractual bond with its financial creditors implied the end of a critical stage in the Company's life.

With regard to the new issuance of bonds, Available Cash is calculated on a half-yearly basis. This is done on the basis of the cash flow and the cash balance at the close of the calculation period.

TGN is required to allocate a part of the Available Cash, as per the proportions established in the contract described in the Prospectus of the Program for the Issuance of Bonds, to the purchase of Bonds in the secondary market and/or prepaying at par the outstanding capital installments of the A-series Bonds until exhausting them, and then continuing with the prepayment of the B-series Bonds.

The remainder of the Available Cash is the Available Basket Amount, which is the cash TGN can count on for certain purposes defined in the debt contract in force. In case TGN decides not to apply this Amount to any specific purpose, it will begin to accrue, and will not be computed for the calculation of the Available Cash of the next semester.

By Resolution of the Board of Directors dated December 14, 2007, there was approved the distribution of a cash dividend of \$ 25.7 million, which was paid to the Shareholders at the closing of the fiscal year.

By virtue of the resolutions adopted by the Board of Directors of TGN on December 11, 2007, and of the Ordinary Shareholders' Meeting held on January 22, 2008, there was resolved the creation of a new global program for the issuance of common bonds, non-convertible into shares, which qualify as bonds under the terms of Law No. 23,576 (text given by Law No. 23,962) with a face value of up to US\$ 400 million, or their equivalent in other currency in circulation at any moment. The duration of this Global Program shall be five years counted as from the date of its approval by the Argentine Securities Commission. Once the Program has been approved by that Commission, it will be used as a tool to facilitate implementation at the proper time of decisions to be made by the Company in terms of financial policy, particularly, the renewal of current debt at the due date and/or the obtainment of improvements under the terms and conditions currently in force.

#### **THE ACTIVITY OF TGN**

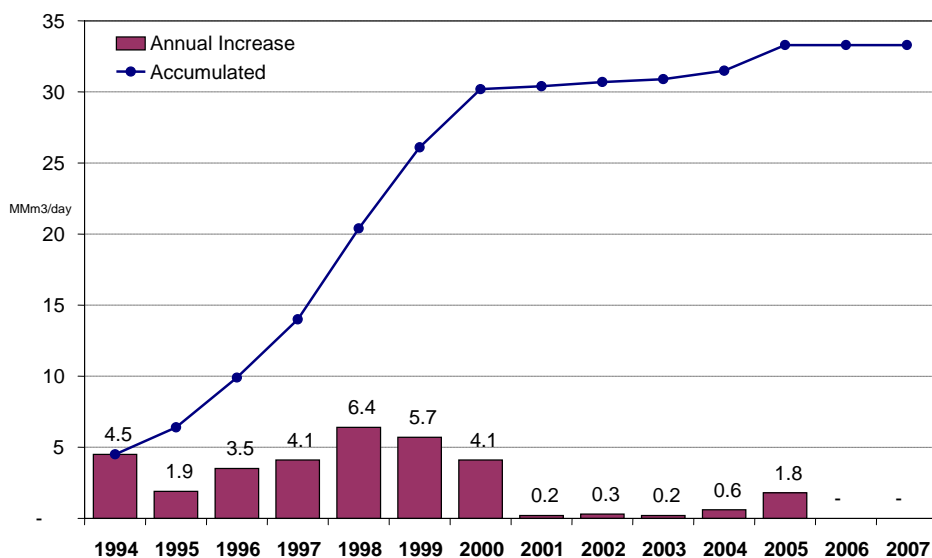
Throughout its 5,716 km of pipelines, TGN is the company dedicated to the transportation of natural gas via high-pressure pipelines for the central and northern regions of Argentina.

Through its two main route pipelines, the Northern and the Central Western, the Company supplies 8 of the 9 distributors, and numerous electricity generation plants and industries of the local market, located across 14 Argentine provinces.

In addition, TGN's system transports gas to central and northern Chile, through the Gas Andes and NorAndino pipelines, to the Province of Entre Ríos and the Uruguayan riverside area through the Entrerriano pipeline, and to southern Brazil by the pipeline to Uruguayana.

Since the beginning of its activities in 1992, TGN expanded its transportation capacity from 22.7 MMm<sup>3</sup>/day to 54.4 MMm<sup>3</sup>/day, which represents an increase of more than 140%<sup>1</sup>. This policy required investments in an approximate amount of US\$ 1,100 million, mainly allocated to the construction of 1,553 km of new pipelines, the construction of 5 new compressor plants, and the setting up of 12 turbocompressor equipments in existing plants, which added 175,710 HP in installed capacity<sup>2</sup>.

**New transportation capability - Annual and accumulated [MM<sup>3</sup>/d /day]**



**Evolution of the TGN system**

	1994 - 1995	1996 - 1997	1998 - 1999	2000 - 2001	2002 - 2003	2004 - 2005	2006 - 2007	Totals
km of new pipelines incorporated	242	504	118	380	-	310	-	1,553
HP of compression capacity added	27,600	-	90,800	23,900	-	33,410	-	175,710
Increase in capacity [MM <sup>3</sup> /day]	6.4	7.6	12.1	4.3	0.5	2.4	-	33.3

<sup>1</sup> The 31.8 MMm<sup>3</sup>/day do not take into consideration the Termoandes contract (1.4 MMm<sup>3</sup>/day), which was not renewed in 2004.

<sup>2</sup> 232.5 km of pipelines, 25,710 HP and 3 turbocompressor equipments were structured under the National Government-created methodology of financial trusts, which enabled an enlargement of the Northern Pipeline of 1.8 MMm<sup>3</sup>/d.

During this fiscal year, the Company continued to successfully develop other activities relating to the transportation for exports, such as services of operation and maintenance of transportation facilities belonging to third parties. TGN provides these services directly in Argentina, and -through related companies- in Chile and Brazil.

At the closing of the fiscal year, the Company's uninterrupted transportation contracts totaled 54.44 MMm<sup>3</sup>/day, of which 22.57 MMm<sup>3</sup>/day corresponded to the Northern System and 31.87 MMm<sup>3</sup>/day corresponded to the Central Western System.

In the context of the current difficulties in the process of recomposing its License, and of the severe winter restrictions that have characterized the last few years, there should be highlighted the role played by the Company in the modernization and improvement of its assets, which facilitated the quality and reliability of the natural gas service for large sectors of our economy.

During 2007 there have been no enlargements; work has been done on preparing a coming expansion organized by the National Government acting as Project Manager, as per Trusts based on Decree No. 180/04.

As a consequence of the restrictions which since 2004 have affected the availability of gas in the point of entrance to the transportation system for exports, the use of uninterrupted transportation hired by loaders and destined for exports has been progressively decreasing. In 2007, since the imposition of the restrictions (in May) and January 2008, as against 2007, such capacity was used at 20% on average.

This led to some export loaders formulating their difficulty in continuing to pay the fixed cost of a transportation capacity reserve for a limited use.

In December 2007, Eléctrica Santiago S.A. ('ESSA'), one of the export customers in Chile, informed TGN that an arbitral tribunal had declared the rescission of the gas purchase and sale agreement entered into by ESSA and a consortium of local producers, without any liability for the parties; consequently, that loader would have no supply contracts at present.

After February 2008 ESSA notified TGN of its unilateral decision to rescind the firm gas transportation contract entered into by them and to stop payments for the transportation service as from January 2008. The Company rejected ESSA's decision by reason of considering it to be in breach of the contract and in violation of the applicable law, demanded performance of the contract and started legal action seeking collection of the unpaid invoice.

Without prejudice to these loaders' contractual obligation to pay for the reservation of firm transportation capacity until expiration of the contract, ESSA's behavior, in addition to the decline in exportable balances of natural gas, generate uncertainty as to the future fulfillment of export customer contractual obligations.

#### ***BUSINESS STRATEGY***

TGN has stood out since its beginnings for its clear aim towards reinvestment and growth, proactively accompanying the growing supply of internal demand. Thus was also built the main pillar of the integration of the Argentine energy matrix with that of other countries in the region.

However, during the recent fiscal years, and mainly as a consequence of the lack of concrete results in the process of recomposing the License, the economic and financial conditions that would enable TGN to approach with its resources the enlargement of the existing transportation capacity have not been present.

In the current context, the National Government has promoted the expansion of the system through the Trusts created by the Executive Branch Decree No. 180/04.

TGN has actively participated in the execution of the System expansion as per the 2005 Trust. Also, during the fiscal year 2007, TGN has worked on a new expansion project organized by the National Government under the same methodology. The participation of the Company encompasses the stage of design up to the future start-up of the works, known as Expansion 2006/2008, fulfilling the role of Project Manager and providing all its knowledge and experience.

TGN's activity as project manager was marked during the fiscal year by several difficulties, due to the complications in the setting up of the operation and to the mode of interrelationship between the different players involved.

TGN maintains its confidence in reaching, in the near future, a full understanding with the National Government as regards the adjustment of its License. This will enable the Company to again put in motion the dynamics of the increase of assets necessary to satisfy the demands of a growing economy.

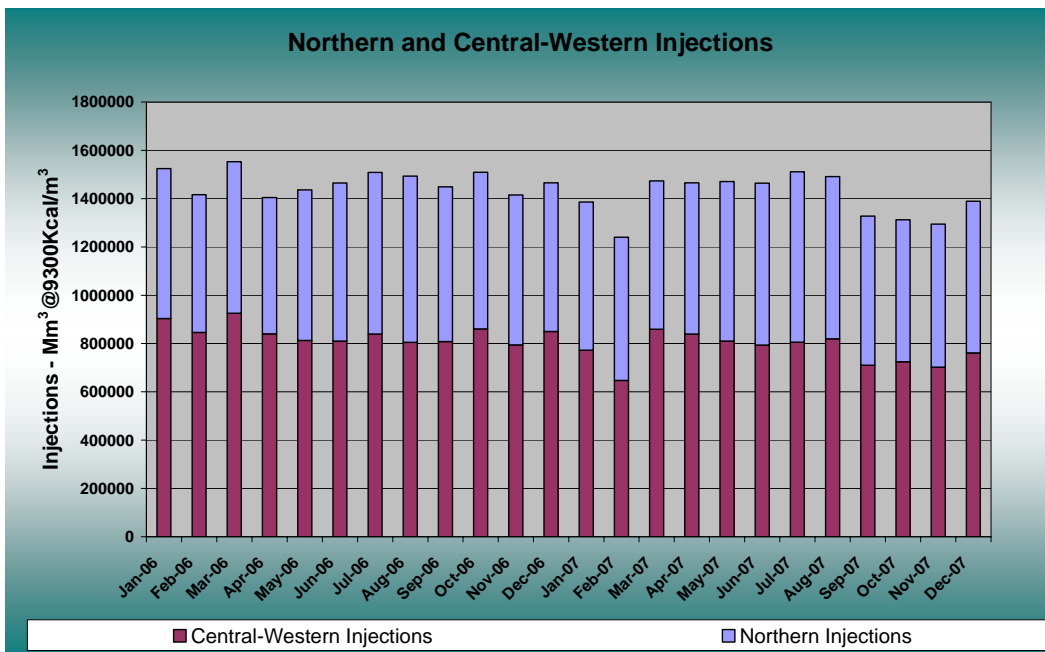
Due to the geographical location of its pipeline system, TGN is in a strategic position to satisfy the growth of the Argentine demand with gas coming from Bolivia or other alternative sources in the region.

In addition, the Company continues to develop other business segments related to the operation and maintenance of third-party pipelines, and providing technical assistance and consultancy in the region.

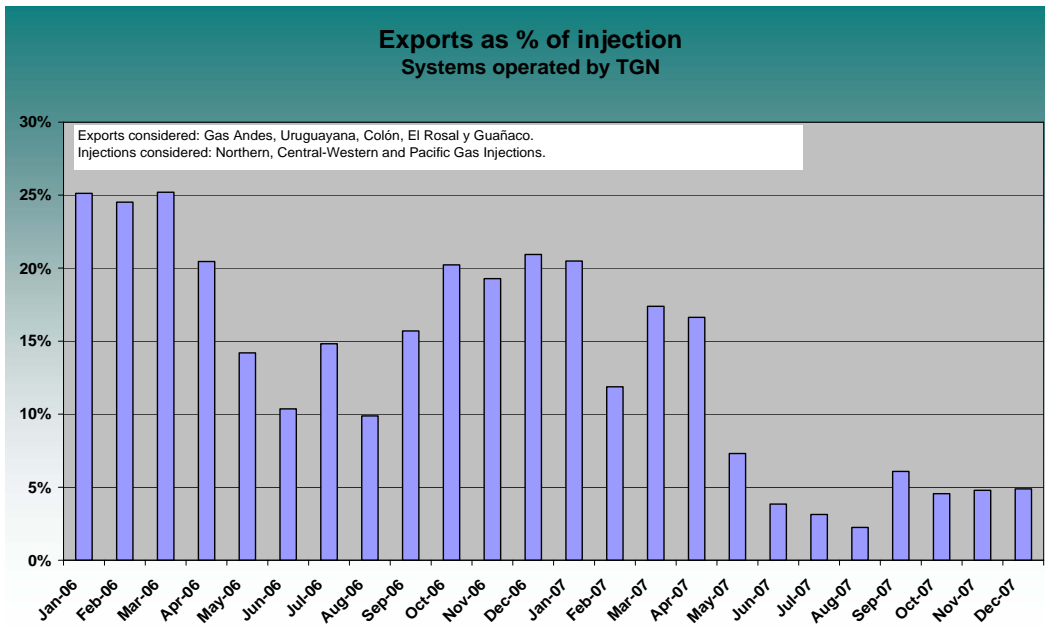
**MAIN OPERATIONAL ASPECTS**

**Gas transportation**

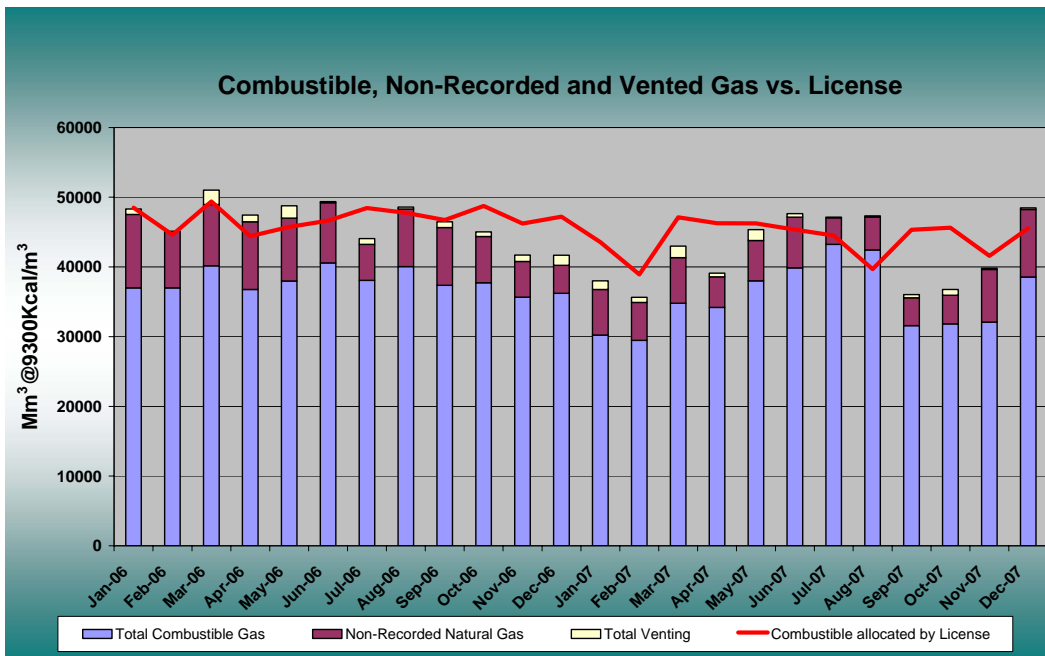
The annual transported volume reached a value of 18,359 MMm3, which is 3.4% less than that of the previous fiscal year. Although the average of the fiscal year recorded a decrease of 3,6 MMm3/day, during the months spanning March to August transportation remained at practically the same levels of 2006.



The decrease of the transported volumes was a consequence of the lower production of gas. With the aim of prioritizing the supply of internal demand, exports were curtailed.



The National Government, through different agencies, intervened in the gas assignment market, and ordered the redirecting of volumes towards the residential and CNG markets and electricity production thermal stations. Originally, said volumes had been contractually allocated to industrial and export clients. The affected volumes represented approximately 10% of the total transported.



The low temperatures recorded during the winter, which reached historic records, required an intensive use of the system, which made it difficult to program and execute maintenance activities, and required more power than usual for transportation and more volume of combustible gas; the latter exceeded the limits established by the license.

During the end of the fall and throughout the winter there were activated, in order to face the difficulties arisen, special mechanisms contemplated in the legislation in force, so that operational decisions, during several weeks, were adopted by an Emergency Committee consisting of the Energy Secretariat, the Enargas, Licensees and gas producers. Once the critical stage was over, and until the closing of the fiscal year, there continued to be performed (although to a lesser extent) controls and interventions on the part of governmental entities which had an impact on the Company's gas dispatch activity.

### ***Maintenance and integrity of premises***

During the fiscal year, the Company executed several works and projects aimed at the maintenance and improvement of the integrity of its premises, both surface and underground.

The indicators of operational equipment reliability and availability surpassed the established objectives (96% and 90% respectively).

Major maintenance was carried out in five turbocompressors and three motocompressors (Overhaul's/Exchange).

A special case was that of the Recreo Compressor Plant, for which a reliability increase project was prepared; the execution will begin in 2008.

With regard to the pipelines, the campaign continued for the repair of erosion and low-covering crossroads. A total of 20 locations were repaired with regard to erosions, as well as an approximate 120 crossroads.

In 2007, there was started a plan for the updating and replacement of regulation and safety valves in several measurement and regulation stations, giving those facilities more reliability and safety.

In addition, to comply with the 2007 program of internal pipe inspection (ILI), running tests were performed in different sections throughout the pipeline system, taking the measures necessary to stop the corrosion processes.

Within the Integrity plan, there is annually developed a program of investigation digging, for the purposes of verifying the integrity level of the pipes, which may be affected by some of the following reasons:

- Mechanical damage
- Coating condition
- Direct evaluation (ECDA pipes without possibility of ILI)
- Flaw verification

During 2007, four hundred and seventy-nine (479) excavations were performed.

During the fiscal year, numerous tasks relating to cathodic protection were performed:

- Replacement of 19 dispersers exhausted over existing Cathodic Protection stations,
- Installing of 2 new Cathodic Protection stations on the Northern System,
- Surveys of pipe - terrain potential, etc.

As part of the Facilities Integrity program during 2007, which includes the assessment of the integrity of the compressed air system, the pumps in the cooling circuit, and aero-cooling equipment in the motocompressor plants, studies have been made on the facilities of the following Plants: Miraflores, Lumbreras, Tucumán, Lavalle, Deán Funes and Ferreyra.

Integrity Studies (visual inspection, thickness measurement in air pipes, calculation of remaining useful life, updating of plans and survey, etc.) were also carried out in numerous measurement and regulation stations.

During 2007, there was completed the change in coating (pipe relining) in a total of 76 km of pipes.

Also, in 2007 there were performed works of river crossroad adjustment. The most important ones are described below:

#### ***Northern Pipelines:***

Tranquitas Stream - Profiling of the stream's bed and applying coating of mats and gabions, with mechanical protection of pipelines.

Erosion of cultivated fields: Works for the control of erosion caused by rainwater channeled through the ditches of National Highway No. 34 and overflowing into the fields. Berm systems and mechanic protections agreed upon with owners.

De las Piedras River: Construction of deflecting jetties to protect the northern shore, complemented by the channeling of the river.

*Central Western Pipeline:*

El Gato Stream: adjustment of a fall with a threshold and a succession of dissipation bowls, downriver from the crossing.

***Expansions to the pipeline networks***

With regard to expansions in the transportation capacity, the year 2007 was marked by the relevant fact of the actual commencement, in terms of construction, of the 2006-2008 enlargements, projects structured under the methodology of financial trusts created by the National Government for financing expansions in gas transportation.

Resolution No.185/04 of the Ministry of Federal Planning, Public Investment and Services, issued in accordance with Decree No. 180/04, regulates the creation of a Gas Trusts Program to be organized by the Energy Secretariat, dedicated to the financing of natural gas transportation and distribution infrastructure works.

The ENARGAS allocated a capacity of 15.2 MM<sup>m<sup>3</sup>/d</sup> to be expanded in the system operated by TGN. The recipients of this capacity were: (i) electric energy generators for the internal market (49% of the total capacity to be expanded); (ii) gas distributors for the supply of residential users and CNG (38%); and (iii) other industrial users and commercializing companies (13%).

During the fourth quarter of the year, there began the works of enlargement in the sections of the Northern Pipeline allocated to the first stage of the project. This enlargement will increase the transportation capacity by 1.5 MM<sup>m<sup>3</sup>/d</sup> in the section of the Northern Pipeline located between the Lumbreras and San Jerónimo Compressor Plants, towards the end of June 2008.

This project will imply the construction of approximately 1,850 km of parallel pipelines, and the incorporation of 55,000 HP in additional power in four new plants and in existing compressor plants.

TGN, in its capacity as works manager, executed on 6 December 2006, with the Energy Secretariat and with Nación Fideicomisos S.A., the Supplementary Financial Trust Contract for the Northern Pipeline Works, the first Addenda to this Contract, and the Technical Project Management Contract. As of this date, the negotiation and execution of the Operation and Maintenance Contract is pending.

The assets resulting from the trust's enlargement works will be a part of the trust estate until its cancellation. Once the repayment of the whole of the work has been made, the transfer of the essential asset to the corresponding party will be carried out, as per the legislation in force.

TGN will finance 34% of the price of the Management Contract through the reception of trust securities (Trust Securities or VRDs). The total fee to be collected by TGN during the performance of the Management Contract will amount to \$ 75.8 million (before Value Added Tax).

It is also contemplated that TGN will receive a Charge for Access and Use by the new loaders as a contribution to the operation and maintenance of the new facilities and for the use of the current pipeline system.

Unlike the 2005 expansion, this time the loaders who requested new transportation capacity were able to finance all or part of the works associated with the expansion, whether through the advance prepayment of the specific charges created for the expansion of the transportation system, or through the subscription of equity certificates or debt securities with the trust.

Of the 15.2 MM<sup>m<sup>3</sup>/d</sup> allocated, 9.5 MM<sup>m<sup>3</sup>/d</sup> are under a financing commitment from the grantees.

In this occasion too the capacity grantees were permitted to contribute works as an alternative to their participation in the financing. It is estimated that an approximate 50% of the works will be built under this methodology.

For the repayment of these investments, the ENARGAS created a new specific charge through Resolution No. 3,689/07 and under the terms of Law No. 26,095, which is being applied to all the users of the gas system, excepting residential, CNG and General Service - Small Users, and which amounts to 380% of the transportation tariff in force.

#### **QUALITY, SAFETY, HYGIENE AND ENVIRONMENT**

During the current year, the activities developed in Quality, Safety, Hygiene and Environment were to a great extent dedicated to the design and development of the Integrated Management System ("SIG"). The system is destined to the facilitation of the interaction between the different sectors which make up the organization, enabling the continuous improvement of key processes.

Among the subjects developed by the SIG, there stand out the elaboration of its Handbook and associated documents, the Environmental Procedures Handbook and the document administration software. Towards the end of the year, Det Norske Veritas performed a diagnosis audit on its implementation, and its report made no relevant observations or important obstacles that will prevent TGN from certifying its operational processes during the course of the coming year.

With regard to the Company's Safety performance, it must be pointed out that the indicators reflect a rate of accidents involving injuries which is above the established objective. Contrarily, in the case of traffic accidents, despite Argentina's problems in this matter and considering that TGN staff travel over 6 million km per year, the indicators record a satisfactory result, below the established objective.

An ambitious safe-driving program started being taught to all the Central Offices staff. During 2007, this program was addressed to persons driving Company vehicles.

The training campaign for the prevention of accidents was extended to include each of the main companies providing services to TGN.

An environmental protection awareness campaign was launched: Climatic Change videos were distributed, and a handbook of environmentally responsible practices distributed to each employee.

An Industrial Risk Management System was launched, which provides a reference framework for the treatment of risks in the facilities.

TGN's specialists continued to participate in interdisciplinary forums (BCSD Argentina, IAPG, Sustainable Future), enabling the exchange of experiences, in accordance with the best practices of the Industry.

#### **INFORMATICS TECHNOLOGY MANAGEMENT**

The main objective of the informatics technology projects in 2007 was to begin an important procedure of technologic updating, aimed at maintaining through time a service level in accordance with the requirements of our business.

In the area of operational technology, the main procedure consisted in the replacement of our SCADA system. Through that system, the Control Room monitors and operates the pipelines on a 24/7 basis. This project required the participation of 15 people, and enabled the starting up of the new control system in the terms and at the cost originally contemplated.

In the communications area, a long-term project was launched, whose aim is to completely renew the radio equipments and the irradiating systems that make up the TGN network. As of this date, all the towers involved in the first stage of this plan have been strengthened, the new radios have been installed, and the first links are in the testing stage.

A second relevant project consists in the replacement of our current telephone communications system. During this year, different technology solutions were evaluated, and a system based on IP telecommunications was selected, which will enable a better use of the capacity of the communications network, as well as a decrease in the wiring necessary for its use.



## **HUMAN RESOURCES**

### **Development, training and employment**

The year 2007 was marked by an increase in the demand for technicians and professionals, as a consequence of the process of growth of the internal market, and especially of the workforce associated to production. In the industry there was also recorded an increase in the mobility of the technically qualified workforce, such as engineers and technicians in different specialties - mechanics, maintenance, quality, hygiene and safety. In that context, the challenge had to be addressed of attracting qualified staff and developing qualification procedures for attaining the competences required from new work posts in operation and maintenance and project execution. For that purpose, the following programs were implemented:

**Young technicians:** it covered operative posts in ten plants located in the Northern and Central-Western Pipelines. Graduates from technical schools residing in localities near to plants and bases were incorporated and then participated in a training program.

**Young professionals:** it contemplated the incorporation and training of six engineers in the specialties of Industrial, Mechanic and Electronic Engineering; they were incorporated into the operation and project execution control processes.

The learning processes were permeated by the need to maintain and develop the competences related to the central gas transportation technologies. There prevails the demand for activities of technical updating and of safety and hygiene. Beside these requirements, activities were carried out for the updating and improvement of management skills.

During this fiscal year, there were given 19,064 hours of training, distributed with a coverage rate of 78%, which is the relationship between the number of employees who participated in the activities and the total TGN payroll.

Among the programs in the training plan of the fiscal year 2007, there stood out those of Leadership Activities, Mid-Level Management Program, Systematization in the development of competences for Gas Controllers, Training Plan for Analysts in Condition, Safety, Hygiene and Environment, Safe Driving Training, etc.

As part of the annual plan, pre-graduate, graduate and postgraduate careers were financed. The post-graduate courses were given to staff with the potential for assuming responsibilities in management roles, while the graduate and pre-graduate careers were given to staff that had to be qualified in Safety, Hygiene and Environment.

### **Internal and external communications**

During this fiscal year, a strategy for internal and external communications was formulated, which enabled the coordination of the different media available for the purposes of reaching our different target audiences.

Some of the actions performed this year were the following:

- We continued to edit the *House Organ*, "Work, People & News", which reflects the life of the company: its people, the different cultures predominating in our influence areas, and the technical and operational projects undertaken by the company.
- The Intranet page was updated, redesigning the publication channels and its contents.
- There was developed, with our own professional resources, the new TGN website, for the purpose of updating the institutional image and its contents.
- All the communication pieces that summarize the main activities of the company were updated.
- We participated, whether through an exhibition booth or through sponsoring, of the main events in the industry, in different provinces of Argentina.

### **Corporate social responsibility**

The year 2007 stood out by our launching of policies aimed at strengthening our social work actions in the areas of higher interaction of different publics with the transportation of gas. The development of this Corporate Social Responsibility policy enables us to find projects that give balance to internal and external social relationships, while also seeking to reduce the impact of negative external elements inherent to the transportation service.

### ***Corporate Social Investment Funds***

There was strengthened the work dynamics aimed at managing and co-financing social investment projects in a joint manner, with other civil society organizations.

Among the most important there stand out FIDES II (Fund for Educational and Sustainable Development Initiatives), formed with INCIDE (Institute for Culture, Innovation and Development), the AVINA Trust and TGN.

Seven enterprises were implemented, of which five were carried out in the Province of Córdoba and two in Entre Ríos:

**-Alfonsina Storni Popular Library:** Conferences for training in the integral protection of children and adolescents for college students - Córdoba.

**-Institute for Citizen Training and Participation:** Conferences for strengthening the participation role of youths in the community - Bell Ville.

**-Acceso Ya (Access Now) Trust:** Awareness conferences aimed at improving the access to public and private spaces of people with special abilities - Córdoba.

**-Crespo D 33 Commercial Institute:** Training workshops in youth enterprise culture. Crespo - Entre Ríos.

**-Special School No. 7 - Edith Fitzgerald:** Exchange and discussion conferences for generating educational proposals for the deaf - Paraná - Entre Ríos.

**-Cáritas Diocesana Deán Funes:** Workshops for adults, youths and children affected by addictions or conditions of extreme poverty - Deán Funes, Córdoba.

**-Copacabana Basket-Weavers Group:** Training workshops for youths and adults, for training in the basketry techniques with plastic recycling - Deán Funes and Las Canteras.

Simultaneously with the execution of the aforementioned projects, a diagnosis process was carried out for the identification of social projects in La Mora, Cochico, Puelén, La Paz and Beazley.

### ***Educational and community projects***

-Lamadrid School (Province of Tucumán / 1996 - present date)

We continued giving economic support to the school's soup kitchen, and the Educational Institutional Project was prepared. Direct and indirect beneficiaries (students, teachers and parents): 260.

-Project for the Civil Association Center of Retired and Pensioned Citizens "Vivir el Tiempo" ("Living Time") (City of Buenos Aires / 1996 - present date)

### ***Public-private participation***

After the floods that affected the population of the San Martín Department of the Province of Salta during 2005, TGN promoted the qualification and training of local social actors in order to face climatic emergencies. 17 organizations from Tartagal, General Mosconi, Aguaray, and Salvador Mazza participated, sharing 240 hours of intense training. Some of the subjects approached were Disaster Management, First Aid, Psychosocial Support in Emergency Situations, Incident Command System, Post-Disaster Operational Continuity.

### **REMUNERATION POLICY**

The remuneration policy for the management staff of the Company establishes a basic, fixed monthly remuneration, and a variable additional payment payable on an annual basis. While the fixed portion is established according to the level of responsibility inherent to the post and to the corresponding market values, the variable remuneration, unlike the former, is associated to the objectives defined at the beginning of the fiscal year and their achievement during it.

The Company policy establishes no stock option plans or any such plans for its staff.

### **DECISION-MAKING POLICY**

The Board of the Company consists of thirteen regular Directors and thirteen alternate ones, and is responsible for the direction and management of TGN. The Directors' term of office is of one year from the moment in which they are appointed by the Shareholders' Meeting.

Gasinvest, TGN's controlling company, has the right to appoint the majority of the regular and alternate Directors. The shareholders of Gasinvest have executed a Shareholders' Agreement for the purpose of regulating certain aspects relating to their indirect participation in TGN, such as the number of Directors each shareholder can appoint, and the decisions and actions which must have their unanimous approval.

The Shareholders' Agreement establishes that the following actions and decisions must have the unanimous agreement of CGC, Techint and Total (jointly referred to as the Managing Companies):

- i. Amendments to the bylaws or other equivalent documents of TGN,
- ii. Any consolidation or merger of TGN with another Company,
- iii. The adoption of activity plans, investment plans and annual financial plans or budgets, and any modification to the same,
- iv. Increase of diminution of the TGN Board and/or any other committee of the Company,
- v. The issuance or redemption of TGN shares,
- vi. Dissolution, winding-up or reorganization proceedings of TGN,
- vii. The declaration or payment of dividends or another distribution by TGN, which is not in accordance with the dividends policy established in the activities plan,
- viii. Any investment of TGN in another company,
- ix. The execution of any contract to which TGN is a party and which involves total payment or the purchase or sale by TGN of assets which, valued at their book value, shall exceed US\$ 3.0 million in one or more operations within a six-month period,
- x. Any material change in the conduction of TGN, and
- xi. Selection of the independent auditor of TGN.

The Shareholders' Agreement establishes the creation of an Executive Committee consisting of the President of the Board, the General Manager and the Operations Manager. It is the Executive Committee's duty to analyze in a previous manner all the issues that must be resolved by CGC, Techint and Total as per the Shareholders' Agreement.

In addition, Gasinvest, its shareholders (CGC, Total, Techint) and CMS entered into an agreement establishing that all contracts for the supply of goods and/or provision of services are to be made through mechanisms to ensure the necessary participation of various economically and technically qualified bidders so that goods and services can be supplied and provided under market conditions, observing TGN organization and administration rules and policies. It was also established that the contracts for the purchase of goods and/or services with a company and/or its parent companies and/or subsidiaries which jointly exceed the amount of US\$ 4 million are to be approved by the Board of Directors.

This agreement also sets forth that in case of vacancy, the appointment of the Logistics and Supply Manager of TGN shall require the consent of 80% of TGN Board members, on condition that no appointment may be made of any officer belonging to any of the shareholders of TGN and/or Gasinvest and/or their parent companies and/or subsidiaries, which are goods and/or service providers of TGN.

Finally, it is established that the Internal Auditor of TGN, who shall have full time and exclusive dedication and report hierarchically to the General Manager of TGN and functionally to its Board of Directors, shall be appointed as proposed by CMS.

The internal supervision of the Company is the responsibility of a Syndics' Committee consisting of three regular syndics and three alternate ones.

The Syndics' Committee shall hold its sessions with the presence of the absolute majority of its members, and its decisions are adopted by the majority of votes present, without prejudice to the rights of the dissenting syndic.

The members of the Syndics' Committee have the duty and the right to attend Board and Shareholders' Meetings, call them, demand the inclusion of items in the agenda, and, in general, supervise all the affairs of the Company and its compliance with the law and the bylaws.

#### **AUDITING COMMITTEE**

As per the provisions of the Public Offering Transparency Regime contemplated in Decree No. 677/01, companies who publicly offer their shares must set up an Auditing Committee with several members, among which there must be no less than three members of the Board, and whose majority must be independent, as per the terms of General Resolution (National Securities Committee) No. 400/02.

During the fiscal year 2007, TGN's Auditing Committee performed the duties assigned to it by the law and its internal regulation, following an Annual Plan informed to the Board and the Supervision Committee, and whose results are included in the report issued when presenting and publishing the annual financial statements of the Company.

The Auditing Committee took all measures pertinent for exercising its powers. The Company ensured the attendance of its administrators, managers, supervision body members and external auditors to all the sessions they were summoned to; the Auditing Committee received ample cooperation and all the information required.

#### **INTERNAL CONTROL**

The Internal Audit Management, as the consulting body of the Board of Directors, is responsible for monitoring internal control systems and compliance with policies and procedures, so as to assure the correction, reliability, sufficiency and clarity of TGN's financial information contained in the annual and quarterly reports. To this end, the Internal Audit Management executes and carries out a follow-up of compliance with the Annual Audit Plan, which is focused on watching and facing critical and significant risks of an operative, financial, legal and regulatory compliance and information systems nature. In this regard, the Audit Committee of TGN is assisted by Internal Audit to become aware of the control weaknesses identified, as well as of the corrective measures adopted.

#### **DIRECTORS' REMUNERATION AND PROPOSAL FOR THE ALLOCATION OF RESULTS**

The Board of the Company proposes to the Shareholders' Meeting that the results of the fiscal year 2007, amounting to \$ 59,651 in earnings, be allocated as follows:

- To setting up the legal reserve contemplated in Law No. 19550, equivalent to 5% of the fiscal year's results, \$ 2,983
- To setting up a voluntary reserve for future dividends, \$ 56,668

Autonomous City of Buenos Aires, March 4, 2008

Juan José Valdez Follino  
Regular Syndic

Eduardo Ojea Quintana  
President

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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.<sup>(1)</sup> ("TGN" or "the Company") and its financial situation, which should be read together with the attached financial statements.

**I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION**

**\* Net Result for the year ended December 31, 2007**

	(in millions of pesos)					
	Year ended 12.31.					
	2007	2006	Variation \$	2005	2004	2003
<b>Net Revenues</b>						
Gas transportation service	521.8	474.2	47.6	433.7	410.2	417.1
Allowances for disputed amounts	(31.6)	4.0	(35.6)	(2.7)	(3.1)	(15.7)
Discount as per Decrees No 292/1520/814	(1.6)	(1.7)	0.1	(1.6)	(1.6)	(1.7)
<b>Subtotal Gas transportation service</b>	<b>488.6</b>	<b>476.5</b>	<b>12.1</b>	<b>429.4</b>	<b>405.5</b>	<b>399.7</b>
Gas Pipeline O&M services	18.7	19.0	(0.3)	17.1	16.5	18.4
Management fees - Gas Trust Program	11.3	11.3	-	3.9	-	-
<b>Subtotal Gas pipeline operation and maintenance service and other services</b>	<b>30.0</b>	<b>30.3</b>	<b>(0.3)</b>	<b>21.0</b>	<b>16.5</b>	<b>18.4</b>
<b>Net Revenues</b>	<b>518.6</b>	<b>506.8</b>	<b>11.8</b>	<b>450.4</b>	<b>422.0</b>	<b>418.1</b>
<b>Cost of services</b>						
Operating and maintenance costs	(149.2)	(132.1)	(17.1)	(141.4)	(119.7)	(118.0)
Fixed assets depreciation	(116.7)	(112.0)	(4.7)	(112.2)	(110.0)	(102.0)
Intangible assets amortization	-	-	-	-	(1.2)	(5.2)
<b>Subtotal</b>	<b>(265.9)</b>	<b>(244.1)</b>	<b>(21.8)</b>	<b>(253.6)</b>	<b>(230.9)</b>	<b>(225.2)</b>
<b>Gross Profit</b>	<b>252.7</b>	<b>262.7</b>	<b>(10.0)</b>	<b>196.8</b>	<b>191.1</b>	<b>192.9</b>
Administrative and selling expenses	(49.0)	(76.2)	27.2	(58.9)	(56.0)	(47.4)
<b>Operating Income</b>	<b>203.7</b>	<b>186.5</b>	<b>17.2</b>	<b>137.9</b>	<b>135.1</b>	<b>145.5</b>
Gain from equity investments, net	0.9	1.3	(0.4)	0.9	1.3	1.3
Financial and holding results	(134.2)	(195.4)	61.2	(210.6)	(205.0)	(181.0)
Gain on debt restructuring	-	243.9	(243.9)	3.8	9.9	-
Foreing of exchange differences capitalized in Fixed Assets	-	-	-	-	-	(277.9)
Other (expense) income, net	3.0	(4.7)	7.7	(2.9)	3.5	(10.7)
<b>Net income before income tax</b>	<b>73.4</b>	<b>231.6</b>	<b>(158.2)</b>	<b>(70.9)</b>	<b>(55.2)</b>	<b>(322.8)</b>
Income Tax	(13.7)	(16.3)	2.6	25.3	24.9	86.7
<b>Net income (loss) for the year</b>	<b>59.7</b>	<b>215.3</b>	<b>(155.6)</b>	<b>(45.6)</b>	<b>(30.3)</b>	<b>(236.1)</b>
<b>EBITDA(2)</b>	<b>337.3</b>	<b>307.5</b>	<b>29.8</b>	<b>256.6</b>	<b>258.3</b>	<b>269.7</b>

(1) Company not encompassed by the Optional Statutory System of Public Offering for Mandatory Purchase

(2) Income before financial and holding results, foreign exchange differences capitalized in fixed assets written off, gain on debt restructuring, depreciation, amortization, income tax and charges for consumable goods not entailing outlays of funds.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)**

*(in millions of pesos)*

	12.31.07	12.31.06	12.31.05	12.31.04	12.31.03
<b>Total Assets</b> <i>(in million of \$)</i>	2,614	2,648	3,113	2,983	2,865
<b>Total Liabilities</b> <i>(in million of \$)</i>	1,302	1,370	2,262	2,085	1,938
<b>Shareholders' Equity</b> <i>(in million of \$)</i>	1,312	1,278	851	898	927
<b>Shareholders' Equity / Total Liabilities</b>	1.01	0.93	0.38	0.43	0.48

The net result for the years ended December 31, 2007 and 2006 was a \$ 59.7 million gain and a \$ 215.3 million gain, respectively.

The following paragraphs describe the reasons for the main variations in TGN results and some economic-financial indexes will be disclosed in connection to the Company's equity.

**\* Net Revenues**

Below is a summary of the TGN's net revenues by type of service for the last five financial years:

*(in millions of pesos)*

Type of service	Year ended 12.31.									
	2007	%	2006	%	2005	%	2004	%	2003	%
Gas transportation	488.6	94.2	476.5	94.0	429.4	95.3	405.5	96.1	399.7	95.6
Gas Pipeline O&M services	30.0	5.8	30.3	6.0	21.0	4.7	16.5	3.9	18.4	4.4
<b>Total net Revenues</b>	<b>518.6</b>	<b>100.0</b>	<b>506.8</b>	<b>100.0</b>	<b>450.4</b>	<b>100.0</b>	<b>422.0</b>	<b>100.0</b>	<b>418.1</b>	<b>100.0</b>

**- Gas Transportation services**

The revenues corresponding to the gas transportation services amounted to \$ 488.6 million at December 31, 2007, compared to \$ 476.5 million recorded at December 31, 2006, the net increase of \$ 12.1 million resulting from the combined effect of the following main variations:

- i. An increase of \$ 31.2 million as a result of fines charged to certain customers by application of the Service Regulations, corresponding to the excess of nominated gas over that actually used in the gas transportation system;
- ii. An increase of \$ 2.9 million in revenues of firm transportation due to the expansion of the Northern Gas Pipeline transport capacity by 1.8 MMm3/d (as described in Note 14 to the Company's financial statements);
- iii. An increase of \$ 3.7 million as a result of the application of new agreements which put an end to a business dispute with certain customers;
- iv. Higher billings of interruptible services for \$ 6.3 million in view of the special weather conditions and availability of water for the performance of power plants, which impacted on demand of natural gas;
- v. An increase of \$ 3.6 million derived from the increase in the exchange rates used to post the US dollar invoicing;
- vi. A reduction of \$ 24.9 million because of the setting up of new allowances for disputed amounts at December 31, 2007 (Notes 3.p and 14), to the Company's financial statements). Furthermore, allowances for \$ 10.7 million originally set up for contract differences with certain customers were recovered at the end of the comparative year;

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)**

**\* Costs of services**

(in millions of pesos)

	Year ended 12.31.									
	2007	%	2006	%	2005	%	2004	%	2003	%
Fees for professional services	2.4	0.9	2.4	1.0	2.3	0.9	0.7	0.3	0.8	0.4
Salaries, wages and other personnel benefits and social security contributions	45.7	17.2	38.9	15.9	35.4	14.0	23.0	10.0	20.3	9.0
Fees for technical operator services	15.0	5.6	6.2	2.5	6.0	2.4	5.9	2.6	5.9	2.6
Foreign staff residence	2.2	0.8	1.6	0.7	1.7	0.7	2.5	1.1	2.0	0.9
Consumption of Spare parts and materials	13.6	5.1	12.8	5.2	14.3	5.6	14.0	6.1	10.9	4.8
Gas imbalance	0.2	0.1	2.4	1.0	4.1	1.6	2.3	1.0	0.7	0.3
Maintenance and repair of fixed assets and third party services and supplies	40.6	15.3	43.8	17.9	52.3	20.6	50.3	21.8	39.9	17.7
Communications, freight and transportation, travel expenses	6.0	2.3	6.0	2.5	7.4	2.9	6.4	2.8	6.1	2.7
Insurance	5.2	2.0	5.3	2.2	5.2	2.1	6.5	2.8	7.7	3.4
Rentals and office supplies	1.9	0.7	1.8	0.7	1.8	0.7	1.5	0.6	1.4	0.6
Easements	6.2	2.3	4.4	1.8	6.3	2.5	5.2	2.3	11.9	5.3
Taxes, rates and contributions	0.4	0.2	0.4	0.2	0.5	0.2	0.4	0.2	0.4	0.2
Fixed assets depreciation	116.7	43.9	112.0	45.9	112.2	44.2	110.0	47.6	102.0	45.3
Intangible assets amortization	-	-	-	-	-	-	1.2	0.5	5.2	2.3
Allowance for slow-moving and obsolescence	8.9	3.3	5.2	2.1	3.1	1.2	-	-	9.2	4.1
Others	0.9	0.3	0.9	0.4	1.0	0.4	1.0	0.3	0.8	0.4
<b>Total</b>	<b>265.9</b>	<b>100.0</b>	<b>244.1</b>	<b>100.0</b>	<b>253.6</b>	<b>100.0</b>	<b>230.9</b>	<b>100.0</b>	<b>225.2</b>	<b>100.0</b>
<b>% of Costs of services on net revenues</b>	<b>51.3%</b>		<b>48.2%</b>		<b>56.3%</b>		<b>54.7%</b>		<b>53.9%</b>	

Costs of services amounted to \$ 265.9 million in the year ended December 31, 2007 in comparison with \$ 244.1 million recorded in the previous year. The main reasons for the net increase of \$ 21.8 million were the following:

- i. \$ 8.8 million of higher costs of Fees for technical operator services corresponding to the remuneration foreseen in the Auditing and Technical Assistance Contract. In the year ended December 31, 2007 there was a limitation on the accrual of this remuneration because at that date the Company had not yet restructured its debt;
- ii. \$ 6.8 million in salaries, wages and other personnel benefits and social security contributions as a result of pay increases granted by the Company.
- iii. \$ 3.2 million of lower costs of maintenance and repair of fixed assets and third party services and supplies. From this variation, lower costs for \$ 6.2 million correspond to pipeline maintenance activities and lower costs for \$ 2.3 million, to river crossing works. The 2007 maintenance plan gave priority to the investment in pipeline recoating (Note 3.h) to the financial statements). The latter activity may be capitalized and had no impact on operating costs; it included works completed at year end for \$ 20.1 million. The principal maintenance activities which led to higher operating costs include improvements in the security of compressor plants and measurement and regulation stations for \$ 2.4 million more than in 2006 and 2006-2008 expansion related activities (Note 14 to the financial statements), such as environmental impact studies, line reviews and basic engineering of the changes introduced to the transportation system for \$ 1.5 million more than in 2006;

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**I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)**

**\* Costs of services (Cont.)**

iv. a decrease of \$ 2.2 million in gas imbalance because at December 31, 2007 there was a decline in consumption of fuel gas which led to an excess of only \$ 0.2 million over the limits authorized for such consumption, compared with the \$ 2.4 million used in the same period of 2006.

v. \$ 3.7 million corresponding to the increase in slow-moving and obsolete spare parts and materials for consumption because of the allowance recorded in view of the variation in the allowance for materials items that are not used in the minimum quantities required for regular maintenance;

**• Administrative and Selling expenses**

(in millions of pesos)

	Year ended 12.31.									
	2007	%	2006	%	2005	%	2004	%	2003	%
Salaries, wages and other personnel benefits and social security contributions	20.8	42.4	19.2	25.2	15.0	25.5	12.2	21.8	11.8	24.9
Fixed assets depreciation	1.7	3.5	1.6	2.1	1.6	2.7	1.6	2.9	1.6	3.4
Fees for professional services	4.0	8.2	3.2	4.2	2.2	3.7	2.6	4.6	2.9	6.1
Taxes, rates and contributions	25.1	51.2	19.4	25.5	18.2	30.9	14.9	26.6	15.5	32.7
Communications, freight and transportation, travel expenses	1.2	2.4	1.1	1.4	1.2	2.0	1.0	1.8	1.0	2.1
Maintenance and repair of fixed assets and third party services and supplies	1.9	3.9	1.9	2.5	1.9	3.2	1.9	3.4	1.4	3.0
Rentals and office supplies	0.8	1.6	0.6	0.8	0.7	1.2	0.7	1.3	0.8	1.7
Intangible assets amortization	-	-	-	-	-	-	0.2	0.4	1.1	2.3
Allowance for doubtful accounts	1.9	3.9	4.2	5.5	2.0	3.4	3.2	5.7	0.7	1.5
Provisions for contingencies	(12.6)	(25.7)	22.6	29.7	13.8	23.4	16.0	28.5	9.5	20.0
Fees for Directory and the Committee of Syndics	2.1	4.3	1.1	1.4	-	-	-	-	-	-
Fees for technical operator services	-	-	-	-	1.0	1.7	0.7	1.2	0.3	0.6
Others	2.1	4.3	1.3	1.7	1.3	2.3	1.0	1.8	0.8	1.7
<b>Total</b>	<b>49.0</b>	<b>100.0</b>	<b>76.2</b>	<b>100.0</b>	<b>58.9</b>	<b>100.0</b>	<b>56.0</b>	<b>100.0</b>	<b>47.4</b>	<b>100.0</b>
<b>% of Administrative and Selling expenses on net revenues</b>	<b>9.4</b>		<b>15.0</b>		<b>13.1</b>		<b>13.3</b>		<b>11.3</b>	

Administrative and selling expenses amounted \$ 49.0 million in the year ended December 31, 2007 in comparison with \$ 76.2 million recorded in the previous year. The main reasons for the net decrease of \$ 27.2 million were the following:

i. A decrease of \$ 35.2 million in the Lawsuits caption is substantially due to: a) a reduction of \$ 20.0 million in the estimate of income tax and value added tax charges assessed by the Federal Tax Authority on the interest accrued by the Global Negotiable Obligation Programs (Note 12.e) to the Company's financial statements) and b) a reduction of \$10.7 million compared with the provision set up at December 31, 2006 to reflect the effects of the ENARGAS resolutions on the redirected firm transportation capacity (Note 12.g.) to the Company's financial statements);



**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)**

**\* Administrative and Selling expenses (Cont.)**

- ii. A decrease of \$ 2.3 million in the charge against Doubtful Accounts, which was determined on the basis of the analysis of the long outstanding receivables of doubtful collectibility being negotiated or in litigation;
- iii. An increase of \$ 5.7 million in taxes, rates and contributions partly because of the increase of \$ 3.9 million in the verification and control rate accrued in favor of the ENARGAS and partly because of the higher levels of gross revenue taxes associated with higher sales volumes;
- iv. A net increase of \$ 1.6 million in salaries, wages and other personnel benefits and social security contributions as a result of pay increases granted by the Company.

**\* Financial and Holding Results**

*(in millions of pesos)*

	Year ended 12.31.				
	2007	2006	2005	2004	2003
Interests and indexing generated by liabilities	(100.0)	(205.8)	(187.7)	(179.5)	(164.2)
Bank commissions, expenses and taxes on banking and financial operations.	(7.5)	(6.2)	(8.2)	(6.1)	(7.7)
Loss on discounting of non current and current liabilities	(0.1)	0.2	-	-	-
Result of repurchases of debt	1.6				
Intangible asset amortization - programs of negotiable obligations	-	-	-	-	(25.0)
Fees for guarantee of loan agreements	-	(1.7)	(3.0)	(3.4)	(4.0)
<b>Subtotal financial result generated by liabilities before exchange rate differences</b>	<b>(106.0)</b>	<b>(213.5)</b>	<b>(198.9)</b>	<b>(189.0)</b>	<b>(200.9)</b>
Interests, indexing and expenses generated by assets	5.8	20.7	12.6	3.6	0.6
Holding results generated by assets	9.3	14.8	5.3	5.4	(0.8)
Loss on discounting of non-current and current assets	(10.7)	(0.5)	0.3	1.6	-
<b>Subtotal financial result generated by assets before exchange rate differences</b>	<b>4.4</b>	<b>35.0</b>	<b>18.2</b>	<b>10.6</b>	<b>(0.2)</b>
Exchange rate differences:					
Generated by liabilities	(34.0)	(30.3)	(36.3)	(31.0)	45.7
Generated by assets	1.4	13.4	6.4	4.4	(25.6)
<b>Subtotal exchange rate differences</b>	<b>(32.6)</b>	<b>(16.9)</b>	<b>(29.9)</b>	<b>(26.6)</b>	<b>20.1</b>
<b>Total</b>	<b>(134.2)</b>	<b>(195.4)</b>	<b>(210.6)</b>	<b>(205.0)</b>	<b>(181.0)</b>

Financial and holding losses for fiscal 2007 amounted to \$ 134.2 million, that is, lower losses for \$ 61.2 million compared with the loss for \$ 195.4 million recorded in the previous year. The most important reasons for the variations in financial and holding results are the following:

- i. At December 31, 2007, an exchange rate difference loss of \$ 34.0 million generated by liabilities was recorded, compared with the loss of \$ 30.3 million reported in the previous year. The stock of financial debt outstanding at the end of each fiscal year amounted to US\$ 363.3 million and US\$ 401.7 million at December 31, 2007 and 2006, respectively. The exchange rates in each fiscal year increased from 2.8% in 2007 (US\$ 1 = \$ 3.149 and \$ 3.062 at December 31, 2007 and 2006, respectively) and from 1.0% in 2006 (US\$ 1 = \$ 3.062 and \$ 3.032 at December 31, 2006 and 2005);
- ii. The interest and indexing generated by liabilities caption decreased significantly at December 31, 2007 compared with the previous year, totaling \$ 100.0 million and \$ 205.8 million, respectively, an impact that is directly related to the terms and conditions of the financial debt restructured by the Company in late September 2006;

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)**

**\* Financial and Holding Results (Cont.)**

- iii. During fiscal 2007 TGN repurchased US\$ 9.2 million of its financial debt balance for Series A Negotiable Obligations, paying US\$ 8.7 million. The net result of this repurchase amounted to \$ 1.6 million;
- iv. The Fees for debt guarantee account did not record charges in 2007, while in the year ended December 31, 2006 it accrued \$ 1.7 million because those fees were valid until the restructuring of the Company's financial debt;
- v. The Interest, indexing and expenses generated by assets caption recorded a net decrease of \$ 14.9 million and the Exchange rate differences generated by assets caption account also decreased by \$ 12.0 million between the two compared years, because of the variation in short-term investments of cash and bank surpluses;
- vi. The Holding results of assets caption showed a net gain of \$ 9.3 million in 2007, of which \$ 8.1 million is due to the higher replacement costs of consumer materials and spare parts. In 2006 holding results (gain) totaled \$ 14.8 million, including \$ 10.2 million for revaluation of inventories. Also, in 2007 and 2006, gains for \$ 0.5 million and \$ 5.1 million, respectively, were recorded for revaluation of gas stocks (Other assets) because of the higher replacement price of gas.

**\* Summary of the Statement of Cash Flows**

*(in millions of pesos)*

	Year ended 12.31.				
	2007	2006	2005	2004	2003
<b>Net income (loss) for the year</b>	59.7	215.3	(45.6)	(30.3)	(236.1)
Adjustments to arrive to cash net flow arising from operating activities					
Subtotal	274.4	71.3	286.8	270.0	521.1
Net changes in assets and liabilities	(31.9)	(83.3)	22.6	8.9	(45.8)
<b>Net cash flows provided by operating activities</b>	<b>302.2</b>	<b>203.3</b>	<b>263.8</b>	<b>248.6</b>	<b>239.2</b>
Purchase of fixed assets	(59.7)	(60.0)	(90.6)	(68.5)	(62.4)
Collection of cash dividends	5.3	-	0.5	-	-
Decrease (increase) of other investments	-	-	-	187.3	(186.7)
<b>Net cash used in provided by investing activities</b>	<b>(54.4)</b>	<b>(60.0)</b>	<b>(90.1)</b>	<b>118.8</b>	<b>(249.1)</b>
New loans	-	-	-	-	6.9
Payment of debt	(118.3)	(418.3)	(39.4)	(12.5)	-
Interest paid	(85.4)	(191.2)	(47.4)	(59.8)	(76.7)
Attachments on debt	-	-	(4.3)	-	-
Decrease in customer advances	(0.1)	(1.2)	(3.1)	4.4	(1.6)
Payment of cash dividends	(25.7)	-	-	-	-
<b>Net cash used in financing activities</b>	<b>(229.5)</b>	<b>(610.7)</b>	<b>(94.2)</b>	<b>(67.9)</b>	<b>(71.4)</b>
<b>Financial and holding result generated by cash and cash equivalents</b>	<b>6.7</b>	<b>33.6</b>	<b>18.4</b>	<b>7.1</b>	<b>(20.5)</b>
<b>Net (decrease) increase in cash</b>	<b>25.0</b>	<b>(433.8)</b>	<b>97.9</b>	<b>306.6</b>	<b>(101.8)</b>
Cash and cash equivalents as of beginning of the year	39.1	472.9	375.0	68.4	170.2
Cash and cash equivalents as of end of the year	64.1	39.1	472.9	375.0	68.4

*(in millions of pesos)*

	Year ended 12.31.				
	2007	2006	2005	2004	2003
<b>Cash and cash equivalents</b>					
Cash and banks	62.9	24.6	4.7	12.6	18.2
Mutual funds in foreign currency	-	2.9	309.9	174.4	50.2
Time deposits in foreign financial institutions	-	-	131.3	166.3	-
Mutual funds in \$	1.2	11.6	27.0	18.7	-
Stock exchange securities in \$ and others	-	-	-	3.0	-
<b>Cash and cash equivalents as of end of the year</b>	<b>64.1</b>	<b>39.1</b>	<b>472.9</b>	<b>375.0</b>	<b>68.4</b>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)**

**\* Summary of the Statement of Cash Flows (Cont.)**

In the exercise of the powers vested by the Ordinary Meeting of Shareholders, the Board of Directors of TGN approved on December 14, 2007 the distribution of a cash dividend of \$ 25.7 million which had already been paid at year end.

**II) BUSINESS PROSPECTS**

**\* Financial issues**

**Creation of a Global Program for the Issuance of Ordinary Negotiable Obligations, Not Convertible for Shares**

Resolutions adopted by the Board of Directors of TGN on December 11, 2007 and by the Ordinary Meeting of Shareholders held on January 22, 2008 established the creation of a global program for the issuance of ordinary Negotiable Obligations not convertible for shares, which qualify as Negotiable Obligations under the terms of Law No. 23576 (text pursuant to Law No. 23962), for a nominal value of up to US\$ 400 million or its equivalent in other currencies at any time. The duration of this Global Program shall be five years counted as from the date of its approval by the Argentine Securities Commission. Once the Program has been approved by that Commission, it will be used as a tool to facilitate implementation at the proper time of decisions to be made by the Company in terms of financial policy, particularly, the renewal of current debt at the due date and/or the obtainment of improvements under the terms and conditions currently in force.

**\* Commercial issues**

- i. At the date of issue of the Company's financial statements, no significant progress has been made in the renegotiation of the Licence 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. Despite the lack of results in the process embarked on by the Unit for the Renegotiation and Analysis of Public Utility Services Contracts ("UNIREN"), the Company has promoted this process whenever possible.
- ii. In April 2004, the National Executive Branch established the creation of the Gas Electronic Market ("MEG") with the intention of improving assignment efficiency in the gas industry. Consequently, the spot sales of natural gas and the remaining transport capacity are to be made through this market. Effective May 2005 the MEG started to administer the resale of capacity and services provided by gas distributors. Until December 31, 2007 no effects have been produced on the revenues from sales recognized by TGN. The Company considers that the start-up of the MEG will have an uncertain effect on income relating to the transported gas sold on that market.
- iii. In fiscal year 2006 the UNIREN sent TGN two draft memoranda of understanding establishing a transitional rate increase of 10%, with a cap of 15% of the average gas rate charged to end users. TGN stated that although those proposals involved a rate of progress in the negotiation process, major issues previously raised by the Company still existed. A new proposal of memorandum of understanding sent by the UNIREN in April 2007, together with a summons for executing it within an automatically expiring period, was also rejected by the Company on the grounds that the UNIREN had failed to consider several proposals formulated by TGN between 2004 and 2006.
- iv. Since May 2007 the gas transportation and distribution systems were affected by the gas shortage from satisfying demand. According to the declaration of most distributors, the severe shortage in gas injection in natural gas fields led to an insufficient transportation capacity available. It should be noted that, TGN has always worked at full committed transportation capacity, with no limitations.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**II) BUSINESS PROSPECTS (Cont.)**

**\* Commercial issues (Cont.)**

v. As a result of the restrictions on the availability of gas since 2004 at the entrance of the transportation system for export, the use of firm gas transportation hired by loaders for export has gradually and significantly decreased. This made it difficult for certain Chilean loaders to continue to pay the fixed cost of reservation of transportation capacity for limited use.

In December 2007, Eléctrica Santiago S.A. ("ESSA"), one of the export customers in Chile, informed TGN that an arbitral tribunal had declared the rescission of the gas purchase and sale agreement entered into by ESSA and a consortium of local producers, without any liability for the parties; consequently, that loader would have no supply contracts at present.

After February 2008 ESSA notified TGN of its unilateral decision to rescind the firm gas transportation contract entered into by them and to stop payments for the transportation service as from January 2008. The Company rejected ESSA's decision by reason of considering it to be in breach of the contract and in violation of the applicable law, demanded performance of the contract and started legal action seeking collection of the unpaid invoice.

Without prejudice to these loaders' contractual obligation to pay for the reservation of firm transportation capacity until expiration of the contract, ESSA's behavior, in addition to the decline in exportable balances of natural gas, generate uncertainty as to the future compliment of export customer contractual obligations.

vi. As mentioned in Note 12.g) to the Company's financial statements, in April 2006 the ENARGAS adopted resolutions whereby it reassigned firm transport capacity to the distributor GasNea and its sub-distributor Redengás for a term of one year (as from April 28, 2006). This capacity had originally been assigned under the firm transport contract entered into by TGN and YPF S.A. ("YPF") in 1998 for up to 2.8 MMm3/d destined to supply a power plant in Uruguayana, Brazil. Under those resolutions, TGN is also obliged to reimburse YPF for a certain portion of the transport rate in US dollars corresponding to the reassigned volume that was collected by TGN from April 29, 2004 to April 28, 2006. The Company carries an allowance for US\$ 3.5 million to cover this item, which had been set up at the end of the previous year.

In April 2007 the ENARGAS extended the redirecting of a firm transportation volume equal to 0.770 MMm3/day for one additional year in favor of GasNea and Redengás.

Furthermore, in May 2007 the ENARGAS instructed TGN to reassign in favor of the distributor Ecogás Cuyo a transport volume of 0.531 MMm3/day on a pro rata basis, originally destined for various direct chargers (other than distributors) of the Central-Western Gas Pipeline, for a term of one year counted as from the issue of the measure and renewable at the discretion of the ENARGAS. TGN has filed an administrative appeal against the measure before the administrative authority, despite that the Company considers that there are no economic effects requiring accounting recognition at the end of the year.

**III) COMPARATIVE BALANCE SHEET STRUCTURE AT DECEMBER 31, 2007, 2006, 2005, 2004 and 2003**

*(in millions of pesos)*

	As of 12.31.				
	2007	2006	2005	2004	2003
Current Assets	179	169	577	451	338
Non-current Assets	2,435	2,479	2,536	2,532	2,527
<b>Total</b>	<b>2,614</b>	<b>2,648</b>	<b>3,113</b>	<b>2,983</b>	<b>2,865</b>
Current Liabilities	208	195	1,533	1,269	946
Non-current liabilities	1,094	1,175	729	816	992
<b>Subtotal</b>	<b>1,302</b>	<b>1,370</b>	<b>2,262</b>	<b>2,085</b>	<b>1,938</b>
Shareholders' Equity	1,312	1,278	851	898	927
<b>Total</b>	<b>2,614</b>	<b>2,648</b>	<b>3,113</b>	<b>2,983</b>	<b>2,865</b>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

IV) COMPARATIVE STRUCTURE OF RESULTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2006, 2005, 2004 and 2003

*(in millions of pesos)*

	Year ended 12.31.				
	2007	2006	2005	2004	2003
Ordinary operating income	203.7	186.5	137.9	135.1	145.5
Financial and holding results, net	(134.2)	(195.4)	(210.6)	(205.0)	(181.0)
Foreign exchange differences capitalized in fixed assets - written off	-	-	-	-	(277.9)
Gain on debt restructuring	-	243.9	3.8	9.9	-
Gain from equity investments, net	0.9	1.3	0.9	1.3	1.3
Other (expenses) income, net	3.0	(4.7)	(2.9)	3.5	(10.7)
Income before income tax	73.4	231.6	(70.9)	(55.2)	(322.8)
Income Tax charge	(13.7)	(16.3)	25.3	24.9	86.7
<b>Net income for the year</b>	<b>59.7</b>	<b>215.3</b>	<b>(45.6)</b>	<b>(30.3)</b>	<b>(236.1)</b>

VI) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2007, 2006, 2005, 2004 and 2003

Volume delivered in millions of cubic meters:

According to the type of carrying agreement

	Year ended 12.31.				
	2007	2006	2005	2004	2003
Firm transportation	14,955	16,434	15,846	16,382	15,688
Interruptible transportation and exchange and shifting	3,404	2,575	2,241	1,791	1,286
<b>Total</b>	<b>18,359</b>	<b>19,009</b>	<b>18,087</b>	<b>18,173</b>	<b>16,974</b>

According to the type of source

	Year ended 12.31.				
	2007	2006	2005	2004	2003
Norte Gas pipeline	7,460	7,333	7,823	7,300	6,757
Centro-Oeste Gas pipeline	10,899	11,676	10,264	10,873	10,217
<b>Total</b>	<b>18,359</b>	<b>19,009</b>	<b>18,087</b>	<b>18,173</b>	<b>16,974</b>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**VII) COMPARATIVE INDICATORS AT DECEMBER 31, 2007, 2006, 2005, 2004 and 2003**

	Year ended 12.31.				
	2007	2006	2005	2004	2003
Current liquidity (1)	0.86	0.86	0.38	0.36	0.36
Solvency (2)	1.01	0.93	0.38	0.43	0.48
Ordinary profits before income tax (3)	0.05	0.20	(0.05)	(0.03)	(0.23)
Freezing Capital (4)	0.93	0.94	0.81	0.85	0.88

- (1) Current assets over current liabilities
- (2) Shareholders' Equity over total liabilities
- (3) Net income for the year over average Shareholders' Equity
- (4) Non-current assets over total assets

Autonomous City of Buenos Aires, March 4, 2008

The Board of Directors  
Eduardo Ojea Quintana

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Balance Sheets as of December 31, 2007 and 2006**  
(in thousands of Argentine Pesos, except per share amounts)

	December 31, 2007	December 31, 2006
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and banks .....	\$ 62,929	\$ 24,667
Short-term investments (Note 16.(c)) .....	4,099	16,905
Accounts receivables, net (Note 4.a)) .....	76,055	73,593
Other receivables, net (Note 4.b)) .....	24,430	43,582
Materials and spare parts, net (Note 4.c)) .....	11,359	10,145
<b>Total Current Assets</b> .....	<b>178,872</b>	<b>168,892</b>
<b>Non-current Assets</b>		
Other receivables (Note 4.b)) .....	180,958	160,155
Materials and spare parts, net (Note 4.c)) .....	34,866	35,536
Fixed Assets, net (Note 16.(a)) .....	2,196,075	2,257,148
Investments (Note 16.(b)) .....	1,778	6,181
Other assets .....	21,006	20,486
<b>Total Non-Current Assets</b> .....	<b>2,434,683</b>	<b>2,479,506</b>
<b>Total Assets</b> .....	<b>2,613,555</b>	<b>2,648,398</b>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable (Note 4.d)) .....	27,676	21,631
Debt (Note 10.a)) .....	104,931	93,154
Salaries and social security payable .....	11,368	7,436
Taxes payable (Note 4.e)) .....	10,945	886
Customer advances .....	-	149
Others (Note 4.f)) .....	3,818	7,095
<b>Subtotal</b> .....	<b>158,738</b>	<b>130,351</b>
Contingencies (Note 12 and 16.(d)) .....	49,378	65,408
<b>Total Current Liabilities</b> .....	<b>208,116</b>	<b>195,759</b>
<b>Non-Current Liabilities</b>		
Accounts payable (Note 4.d)) .....	153	-
Debt (Note 10.b)) .....	1,049,404	1,138,606
Others (Note 4.f)) .....	15,527	8,436
<b>Subtotal</b> .....	<b>1,065,084</b>	<b>1,147,042</b>
Contingencies (Note 12 and 16.(d)) .....	28,593	27,803
<b>Total Non-Current Liabilities</b> .....	<b>1,093,677</b>	<b>1,174,845</b>
<b>Total Liabilities</b> .....	<b>1,301,793</b>	<b>1,370,604</b>
<b>Shareholders' Equity</b> .....	<b>1,311,762</b>	<b>1,277,794</b>
<b>Total Liabilities and Shareholders' Equity</b> .....	<b>\$ 2,613,555</b>	<b>\$ 2,648,398</b>

The accompanying notes are an integral part of these financial statements

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Statements of Operations for the years  
ended December 31, 2007 and 2006**

(in thousands of Argentine Pesos, except per share amounts)

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Net revenues (Note 4.g) .....	\$ 518,544	\$ 506,820
Cost of services (Note 16.(f)) .....	<u>(265,941)</u>	<u>(244,083)</u>
<b>Gross Profit</b> .....	<b>252,603</b>	<b>262,737</b>
Selling expenses (Note 16.(f)) .....	(20,855)	(31,096)
Administrative expenses (Note 16.(f)) .....	<u>(28,111)</u>	<u>(45,159)</u>
<b>Operating income</b> .....	<b>203,637</b>	<b>186,482</b>
Gain from equity investments, net .....	884	1,282
 Financial and holding results, net		
Generated by assets:		
Interest and indexing .....	6,244	21,038
Exchange rate differences .....	1,415	13,361
Others (Note 4.h)) .....	<u>(1,814)</u>	<u>13,988</u>
Subtotal .....	5,845	48,387
Generated by liabilities:		
Interest and indexing .....	(99,977)	(205,850)
Exchange rate differences .....	(33,996)	(30,317)
Others (Note 4.h)) .....	<u>(6,033)</u>	<u>(7,622)</u>
Subtotal .....	(140,006)	(243,789)
Gain on debt restructuring (Note 10) .....	-	243,870
Other incomes (expense), net (Note 4.i)) .....	<u>3,014</u>	<u>(4,649)</u>
<b>Income before income tax</b> .....	<b>73,374</b>	<b>231,583</b>
Income tax charge (Note 7) .....	<u>(13,723)</u>	<u>(16,337)</u>
<b>Net income for the year</b> .....	<b>\$ 59,651</b>	<b>\$ 215,246</b>
Income per share in pesos (Note 6)	0.1358	0.4899

The accompanying notes are an integral part of these financial statements



**TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Statements of Changes in Shareholders' Equity  
for the years ended December 31, 2007 and 2006**  
(in thousands of Argentine Pesos, except per share amounts)

	Shareholders' contributions			Legal reserve	Voluntary reserve for future dividends	Retained earnings (accumulated deficit)	Total shareholders' equity
	Common stock	Inflation adjustment of common stock	Total				
Balances as of December 31, 2005 .....	351,499	506,053	857,552	46,205	125,588	(177,869)	851,476
Net income for the year .....	-	-	-	-	-	215,246	215,246
Issuance of new shares for capitalized debt (Note 10)	87,875	-	87,875	-	-	123,197	211,072
<b>Balances as of December 31, 2006 .....</b>	<b>439,374</b>	<b>506,053</b>	<b>945,427</b>	<b>46,205</b>	<b>125,588</b>	<b>160,574</b>	<b>1,277,794</b>
Resolution adopted by the Ordinary Meeting of Shareholders held on April 10, 2007:							
Setting up of the legal reserve	-	-	-	8,029	-	(8,029)	-
Allocation to the voluntary reserve for future dividend distributions	-	-	-	-	152,545	(152,545)	-
Board Meeting Resolution dated December 14, 2007:							
Distribution of cash dividends (Note 11 d))	-	-	-	-	(25,683)	-	(25,683)
Net income for the year .....	-	-	-	-	-	59,651	59,651
<b>Balances as of December 31, 2007 .....</b>	<b>439,374</b>	<b>506,053</b>	<b>945,427</b>	<b>54,234</b>	<b>252,450</b>	<b>59,651</b>	<b>1,311,762</b>

The accompanying notes are an integral part of these financial statements

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Statements of Cash Flows for the years  
Ended December 31, 2007 and 2006**

(in thousands of Argentine Pesos, except per share amounts)

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Cash and cash equivalents as of beginning of the year .	\$ 39,191	\$ 472,989
Cash and cash equivalents as of end of the year (Note 4.j))	<u>64,131</u>	<u>39,191</u>
<b>Net increase (decrease) in cash.....</b>	<b><u>24,940</u></b>	<b><u>(433,798)</u></b>
<b>Cash flows from operating activities</b>		
Net income for the year .....	59,651	215,246
Adjustments to arrive to cash net flow arising from operating activities:		
Income tax .....	13,723	16,337
Depreciation of fixed assets .....	118,378	113,551
Net book value of fixed assets written off .....	2,367	5,650
Increase in allowances and provisions, net .....	30,339	28,137
Financial and holding results generated by liabilities	99,977	205,850
Gain on debt restructuring .....	-	(243,870)
Other financial and holding results .....	10,543	(52,991)
Gain on equity investments .....	(884)	(1,282)
Net changes in assets and liabilities:		
Increase in accounts receivable .....	(35,061)	(16,275)
Increase in other receivables .....	(18,932)	(15,127)
(Increase) decrease in materials and spare parts and other assets .....	(1,345)	497
Increase (decrease) in accounts payable .....	6,198	(36,714)
Increase in salaries and social security payable	3,932	260
Increase (decrease) in taxes payable .....	10,059	(12,635)
Increase in other payables .....	3,814	1,036
Decrease in contingencies .....	(525)	(4,352)
<b>Net cash flows provided by operating activities.....</b>	<b><u>302,234</u></b>	<b><u>203,318</u></b>
<b>Cash flows from investing activities</b>		
Collection of cash dividends .....	5,287	-
Purchase of fixed assets .....	(59,672)	(59,976)
<b>Net cash used in investing activities.....</b>	<b><u>(54,385)</u></b>	<b><u>(59,976)</u></b>
<b>Cash flows from financing activities</b>		
Payment of debt .....	(118,292)	(418,273)
Interest paid .....	(85,429)	(191,250)
Payment of cash dividends .....	(25,683)	-
Decrease in customer advances .....	(149)	(1,169)
<b>Net cash used in financing activities.....</b>	<b><u>(229,553)</u></b>	<b><u>(610,692)</u></b>
<b>Financial and holding results generated by cash and cash equivalents</b>		
Interests, exchange rate differences and other results generated by cash and cash equivalents .....	<u>6,644</u>	<u>33,552</u>
<b>Total financial and holding results generated by cash</b>	<b><u>6,644</u></b>	<b><u>33,552</u></b>
<b>Net increase (decrease) in cash and cash equivalents.</b>	<b>\$ <u>24,940</u> \$</b>	<b>\$ <u>(433,798)</u></b>

The accompanying notes are an integral part of these financial statements

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the years  
ended December 31, 2007 and 2006  
(In thousands of Argentine Pesos, except per share amounts)

### 1. The Company and its operations

#### (a) Formation of the Company

Transportadora de Gas del Norte S.A. ("the Company" or "TGN") was organized on November 24, 1992 as a result of the enactment of Laws Nos. 23696 and 24076 ("Law on Gas") and the issuance of National Executive Branch ("PEN") Decree No. 1189/92, whereby the privatization of the natural gas transportation and distribution services and the setting up of the companies that would receive the licenses to operate those services were established.

The Company was granted a license (the "License") pursuant to which TGN is authorized to provide the public service of gas transportation through the exclusive utilization of two former Gas del Estado S.E. ("GdE") pipelines in the northern and central-western regions of Argentina.

#### (b) Argentine economic context, energy crisis and its impact on the economic and financial position of the Company

In view of the major changes in the main macroeconomic variables Argentina has recorded since the end of 2001, as from January 2002 the National Government issued laws, executive orders and regulations that involved a profound change to the then prevailing economic model, which had the following material effects on the Company:

- (i) Law No. 25561 on public Emergency and Exchange System Reform established the pesification of the rates of transportation of natural gas destined for the domestic market at the exchange rate of \$ 1 = US\$ 1, its determination in pesos at the effective date of that law and the repeal of the semi-annual adjustment mechanism based on the Producer Price Index ("PPI"). Furthermore, this law authorized the National Executive Branch to renegotiate the public works and services contracts and rates.

Note 1.c) details the issues relating to the rates, the License and the implications of the amendments introduced by that law within the Company's regulatory framework.

- (ii) As from 2004 the Argentine Government adopted a series of measures to redistribute in the short term the effects of the energy sector crisis derived from a natural gas and electricity shortage. The Energy Secretariat, the Fuel Undersecretariat and the ENARGAS have issued a number of rules establishing precautionary measures to prevent a shortfall in domestic natural gas supply and its effects on the wholesale electricity supply, including measures severely restricting exports of natural gas to first ensure supply of domestic consumption, the preparation of a schedule of interruptions to the volumes of gas for export and generation of electricity for export. The creation of a trust fund was established to finance investments in the expansion of the capacity of the natural gas transport and distribution systems. Note 12.g) describes certain rules issued by the ENARGAS on the redirecting of the transport capacity and its impact on the transport service provided by the Company. TGN cannot assure that these government measures will not produce adverse effects on its transportations services contracts.
- (iii) Additionally, in April 2004, the National Executive Branch established the creation of the Gas Electronic Market ("MEG") with a view to improving assignment efficiency in the gas industry. Consequently, the spot sales of natural gas and the remaining transport capacity are to be made through this market. Effective May 2005 the MEG started to administer the resale of capacity and services provided by gas distributors.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the years  
ended December 31, 2007 and 2006  
(In thousands of Argentine Pesos, except per share amounts)

### 1. The Company and its operations (Continued)

#### (b) Argentine economic context, energy crisis and its impact on the economic and financial position of the Company (Continued)

Until December 31, 2007 no effects have been produced on the revenues from sales recognized by TGN. The Company considers that the start-up of the MEG will have an uncertain effect on income relating to the transported gas sold on that market.

- (iv) The change in the economic environment and the legal and regulatory conditions in which the Company is currently operating and the current status of the renegotiation of the License, give rise to uncertainty as to the future net cash that will enable it to recover non-current assets.

The impact generated by all the measures adopted so far by the National Government on the balance sheet and financial position of the Company at December 31, 2007 was calculated on the basis of evaluations and estimates made by the Company's Board of Directors at the date its financial statements were prepared.

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

#### (c) Regulatory framework

##### *General*

The Law on Gas and its regulations, together with the License, the Transfer Agreement, the Bidding Terms and Conditions for the privatization of GdE and the resolutions adopted by the National Gas Regulatory Entity ("ENARGAS") establish the legal framework within which the Company carries out its business activities.

The License was granted for an original term of thirty five years. However, the Natural Gas Act and the License provide that TGN may apply to ENARGAS for a renewal of the License for an additional ten-year term. ENARGAS is required at that time to evaluate the Company's performance and make a recommendation to the Executive Branch of the Argentine Government.

##### *Regulation of transportation rates*

The regulatory regime applicable to gas transportation companies is established under the Natural Gas Act and the License. Rates are regulated by ENARGAS. The Law on Gas establishes that rates must cover reasonable operating costs, taxes and amortization charges, enable obtaining reasonable profit margins similar to those derived from other comparable or equivalent risky activities and must be related to the degree of efficiency in the providing of the services.

In accordance with the original conditions of the License, rates were subject to the following until expiration thereof:

- (i) Adjustments for the five-yearly review of rates by the ENARGAS, which affect as far as possible the "X" efficiency factor and "K" investment factor, where "X" reduces the rate as a counterpart for increased efficiency and "K" increases rates to encourage unprofitable investments;
- (ii) Non-recurring adjustments to reflect the variations in the costs resulting from changes in tax regulations (except in the case of variations in income tax), and

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the years  
ended December 31, 2007 and 2006  
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### 1. The Company and its operations (Continued)

#### (c) Regulatory framework (Continued)

##### *Regulation of transportation rates (Continued)*

(iii) Unplanned adjustments for other objective and justifiable reasons at the discretion of the ENARGAS.

With regard to the rate setting mechanism, Law No 25,561 on Public Emergency established the pesification of the rates of transportation of natural gas destined for the domestic market at the exchange rate of \$1 = US\$1, its determination in pesos at the effective date of that law and the repeal of the semi-annual adjustment mechanism based on the PPI. Furthermore, the process for the second five-year review that had to be concluded with the setting of new rate schemes for the 2003-2007 five-year period was suspended while being carried out in 2001.

##### *Renegotiation of public service agreements*

Under the provisions of Law 25,561, the Argentine Government is entitled to renegotiate the terms of the licenses granted for the provision of public services based on the following criteria:

- The impact of the rates on the competitiveness of the economy and the distribution of people's income;
- The quality of the services and the investment plans, as contractually agreed;
- The customers' interests and accessibility to the services;
- The safety of the systems; and
- The profitability of the companies.

At present, the Unit for the Renegotiation and Analysis of Public Utility Services Contracts ("UNIREN") is responsible for the renegotiation process. This Unit was created in July 2003 within the jurisdiction of the Ministries of Economy and Production ("MEP") and Federal Planning, Public Investment and Services ("MPFIPyS") and its mission consists in providing advice and assisting in the process for the renegotiation of public utility services contracts established by Law No. 25,561.

In August 2004, the Argentine Government submitted a draft of the Public Utilities Regime Bill (the "Public Utilities Bill") to the House of Representatives for approval. The Public Utilities Bill is characterized by the discretionary powers retained by the Argentine Government; it modifies basic aspects of the Natural Gas Act and restricts the business decision-making capacity of service providers under the current regulatory framework. It also establishes that in the event of irreconcilable inconsistencies between the Public Utilities Bill and any preexisting regulatory frameworks, the former prevails over the latter.

In addition, Law No. 25,790 dated October 2003 established that the decisions to be made by the PEN throughout the renegotiation process would not be limited to or conditioned by the stipulations contained in the regulatory frameworks for the concession or license contracts involving the respective public utility services.

No significant developments have occurred to date in connection with the renegotiation process so the Company cannot anticipate the future development of the process, how long it will take, or its final outcome. In fact, the term for the renegotiation of the public utility services contracts has been extended successively. The deadline for this renegotiation, was further extended to December 31, 2008 (Law 26,339).

## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the years  
ended December 31, 2007 and 2006**  
(In thousands of Argentine Pesos, except per share amounts)

### **1. The Company and its operations (Continued)**

#### **(c) Regulatory framework (Continued)**

##### *Renegotiation of public service agreements (Continued)*

As from March 2005 various public hearings were called to deal with the adaptation proposals formulated by the UNIREN or the preliminary agreements reached between the companies and the UNIREN, as the case may be. The hearing attended by TGN was held on May 18, 2005, at which only a unilateral proposal that had been formulated by the UNIREN in July 2004 and that TGN considers unsatisfactory was analyzed. So far, the Company has not been able to negotiate or reach any agreement with the UNIREN considered reasonable for TGN.

##### *Technical assistance agreement*

Within its regulatory framework, TGN receives auditing assistance and technical assistance from its shareholders and their related companies. Such assistance covers issues relating to system performance, security, environment, preventive maintenance, in-house procedures, training, information technology systems and compliance with certain international standards governing the gas transportation industry.

The contract for Auditing and Technical Assistance currently in force, with the latest amendment made in February 2006, will expire on December 17, 2017. In consideration for the services under the contract, an annual compensation is envisaged, which shall be the higher of (i) US\$ 3,000,000 or (ii) 7% of EBITDA for each year.

There are certain restrictions and limitations on payments of the technical assistance fee (TAF), as explained in Note 10.

### **2. Preparation of financial statements**

#### **(a) Purpose of these financial statements**

The financial statements have been translated from the original Financial Statements for the year ended December 31, 2007 including the summary of information required by General Resolution N° 368/01 prepared in Spanish originally issued in Argentina. The translation into English has been made solely for the convenience of English - speaking readers, and certain notes have been rephrased to facilitate the understanding of legislation and the local economic environment. The additional information to the notes to the financial statements required by section 68 of the Buenos Aires Stock Exchange Regulations for local purpose has not been included.

#### **(b) Basis of presentation**

These financial statements are stated in thousands of pesos, and were prepared in accordance with accounting disclosure and valuation standards contained in Technical Pronouncements issued by the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE"), as approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("CPCECABA"), and with CNV resolutions.

Furthermore, the provisions of ENARGAS Resolution No. 1660/00 (as amended by Resolution No. 1903/00) regulating certain valuation and disclosure criteria for the regulated natural gas transport and distribution activity have been applied. These criteria are similar to those established by professional accounting standards in force.

## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the years  
ended December 31, 2007 and 2006**  
(In thousands of Argentine Pesos, except per share amounts)

### **2. Preparation of financial statements (Continued)**

#### **(c) Presentation of financial statements in constant Argentine Pesos**

The financial statements have been prepared in constant currency recognizing the overall effects of inflation through August 31, 1995. Restatement of financial statements was discontinued from that date to December 31, 2001 because this was a period of monetary stability. From January 1, 2002 to March 1, 2003 the effects of inflation were recognized due to the existence of an inflationary period. As from that date, restatement of financial statements was discontinued again.

The criterion required by the CNV differs from that previously required by professional accounting standards in force, under which financial statements were to be restated until September 30, 2003. Nevertheless, at December 31, 2007 this deviation has not had a significant impact on the financial statements of TGN.

The rate used for restatement of items for the pertinent year was the internal wholesale price index.

#### **(d) Use of estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year.

The Company's management makes estimates to be able to calculate at a given time the allowance for doubtful accounts, depreciation charges, the recoverable value of assets, the income tax charge and provisions for contingencies. Future actual results may differ from those estimates and assessments made at the date these financial statements were prepared.

The changes in the economic environment and the legal and regulatory framework in which the Company is currently operating and the current status of the renegotiation of the License affect management's estimates. There can be no assurance as to the future net cash inflows sufficient to recover the net book value of non-current assets.

#### **(e) Comparative Information**

The figures at December 31, 2006 that are disclosed in these financial statements for comparative purposes arise from financial statements at these date.

Certain reclassifications of the comparative information have been made to conform to the current year presentation.

### **3. Summary of significant accounting policies**

Below is a detail of the most important accounting standards and policies used by the Company in preparing these financial statements, which have been applied consistently with those of the previous year.

#### **(a) Cash and banks**

Cash and banks are stated at face value.

#### **(b) Foreign currency assets and liabilities**

Foreign currency assets and liabilities have been valued at year end exchange rates.

## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the years  
ended December 31, 2007 and 2006**  
(In thousands of Argentine Pesos, except per share amounts)

### **3. Summary of significant accounting policies (continued)**

#### **(c) Short-term investments**

Short-term investments in mutual funds have been valued at the prices of units at the end of each fiscal year. Government securities have been valued at estimated net realizable value.

#### **(d) Accounts receivables, net and Accounts payable**

Accounts receivables and accounts payable have been stated at nominal value. The values thus obtained do not differ significantly from those that would have been obtained if current accounting standards had been applied, which require those items to be valued at the cash price estimated at the transaction date plus interest and implicit financial components accrued at the internal rate of return determined at that time.

#### **(e) Other receivables, net and debt**

Other non-current receivables, prepaid expenses and other receivables of a similar nature have been valued on the basis of the best estimate of the sum to be used, discounted at a rate reflecting the time value of money and the specific risks attaching to the transaction estimated at the date of their addition to assets. The assets and liabilities derived from deferred tax and minimum presumed income tax have been stated at nominal value.

Other sundry receivables and liabilities have been stated at nominal value plus financial results accrued at year end, where applicable. The values thus obtained do not differ significantly from those that would have been obtained if current accounting standards had been applied, which require those items to be valued based on the best estimate of the amount receivable and payable, respectively, discounted at a rate reflecting the time value of money and the specific risks attaching to the transaction estimated at the date of their addition to assets and liabilities, respectively.

#### **(f) Investments**

The investments in the foreign related companies Comgas Andina S.A. ("COMGAS") and Companhia Operadora de Rio Grande do Sul ("COPERG") have been valued according to the equity method of accounting, on the basis of the financial statements of those companies at December 31, 2007 and 2006 (Note 16.(b)).

The professional accounting standards used by those related companies in the preparation of their financial statements are similar in all material respects to those used by the Company.

The Company has decided to fully cover with an allowance its investment in the Brazilian company COPERG because that business fell short of expectations. This company had been originally established to provide operation and maintenance services involving the gas pipeline that would extend from Uruguayana to Porto Alegre. The construction of this pipeline has been postponed and the possibility of this infrastructure work being actually performed is unknown. At present, the service provided by COPERG is limited to a region adjoining the Brazilian-Argentine border. Consequently, it is estimated that the reduced level of activity of that company will not allow recovering the value of the investment in it.



## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the years  
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### **3. Summary of significant accounting policies (continued)**

#### **(g) Materials and spare parts, net**

Materials and spare parts are stated at replacement cost. Where necessary, provision is made for obsolete, slow moving or defective inventory. Materials and spare parts have been broken down into current and non-current on the basis of the estimated consumption plan approved by the Company's Board of Directors.

Considering the economic and financial projections prepared by the Company based on their best estimates as pointed out in Note 2.d), and the resolution of the uncertainties mentioned in Notes 1.b) and 1.c), the book value of materials and spare parts does not exceed their net recoverable value.

#### **(h) Fixed assets, net**

Fixed assets received from GdE have been valued at their transfer price stated in the Transfer Agreement. The assets acquired or built after the takeover date have been valued at acquisition or construction cost, including the costs of materials, labor and overheads.

The Company has considered as elements forming part of the value of addition to assets of fixed assets the net costs of financing investment works with third parties' capital, the construction of which extends over time, until they are placed into service.

All amounts have been restated for inflation in accordance with applicable regulations (See Note 2.c)), and are disclosed net of their accumulated depreciation.

Accounting and tax depreciation charges are calculated according to the straight line method at annual rates sufficient to extinguish the original values at the end of their useful lives. In determining the useful life, the ENARGAS regulations have been considered, among other parameters.

Furthermore, from 2005 to December 31, 2007 a pipeline relining campaign was carried out over a length of 179 km. In accordance with ENARGAS Resolutions Nos. 1660 and 1903, \$57.8 million were capitalized, becoming part of the Company's Essential Fixed Assets and, consequently, of its Tariff Base.

In this regard, the Company has considered certain assumptions in the determination of its cash flow estimate projections to evaluate a potential impairment of its fixed assets. Based on these projections, the Company considered an impairment charge not to be necessary for its fixed assets.

#### **(i) Other assets-Gas stored**

Gas stored in pipelines is stated at replacement value plus the average cost of transportation, which does not exceed its estimated realizable value.

#### **(j) Debt**

Debts have been valued on the basis of the best estimate of amounts payable, discounted at the internal return rate determined at the beginning of the transaction. These rates do not differ significantly from market rates which reflect the evaluation of the time value of money and specific risks attaching to those debts.

## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the years  
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### **3. Summary of significant accounting policies (continued)**

#### **(k) Income tax**

The Company has recognized the income tax charge according to the deferred tax method, thus considering the timing differences between measurements of accounting and taxable assets and liabilities. The main timing differences stem from the provisions for contingencies, the allowance for doubtful accounts and the materials and spare parts obsolescence allowance, and from the valuation and useful life of fixed assets.

For purposes of determining the deferred assets and liabilities, the tax rate that is expected to be in force at the moment of their reversal or use has been applied to the timing differences identified and tax loss carry-forwards, under the legal regulations enacted at the date of issue of these financial statements.

As mentioned in Note 7, given that future years' taxable income is unlikely to absorb all accumulated tax losses, the Company has computed a partial impairment of value of that credit.

#### **(l) Minimum presumed income tax (MPIT)**

The Company is subject to a tax on minimum presumed income. This tax is supplementary to income tax. The tax is calculated by applying the effective tax rate of 1% on certain production assets valued according to the tax regulations in effect as of the end of each year. The Company's tax liabilities will be the higher of these two taxes. However, if the tax on minimum presumed income exceeds income tax during one fiscal year, such excess may be computed as a prepayment of any income tax excess over the tax on minimum presumed income that may arise in the next ten fiscal years.

The Company has determined an additional proportional charge for the year ended December 31, 2007, which, together with the prior years' charges, were deferred as "Other non-current receivables", and it has been estimated as recoverable based on the Company's tax projections and its legal expiration terms. According to Argentine GAAP, MPIT credits were nominal-valued. See Note 7 for details.

#### **(m) Allowances and provisions**

- Allowances for doubtful accounts and disputed amounts: set up on the basis of an individual analysis of the recoverability of the receivables portfolio.

- Allowance for slow-moving and obsolete spare parts and materials has been set up in accordance with TGN policies on those materials and other items which remain in stock of inventories for security and regular maintenance purposes, and have recorded no turnover over a period of time.

- Provision for contingencies: set up to cover possible payments claimed from the Company under lawsuits to which it is a defendant (Note 12).

#### **(n) Shareholders' equity accounts**

The account "Common stock" is shown at its historical nominal value. The difference between common stock stated in constant currency and the historical nominal capital stock is shown under "Inflation Adjustments of common stock", making up the shareholders' equity.

The voluntary reserve for future dividends and retained earnings (accumulated deficit) have been restated in accordance with the guidelines indicated in Note 2.c).

## **TRANSPORTADORA DE GAS DEL NORTE S.A.**

**Notes to the Financial Statements as of and for the years  
ended December 31, 2007 and 2006**

(In thousands of Argentine Pesos, except per share amounts)

### **3. Summary of significant accounting policies (continued)**

#### **(o) Profit and loss accounts**

Statements of operation accounts have been stated in nominal currency except for: (i) charges for used assets (fixed assets depreciation and disposals), calculated according to the values of those assets; (ii) results from equity investments, calculated by the equity method of accounting and (iii) the use of inventories and the charge for spare parts, slow-moving and obsolete consumption materials determined based on the value of those assets.

#### **(p) Revenue recognition**

Firm transportation revenues are recognized based on the accrued contracted capacity reserved regardless of actual usage. For interruptible transportation service contracts, revenues are recognized upon the delivery of natural gas. For operating and maintenance service contracts, revenues are recognized when services are provided.

Decrees No. 292, 1520 and 814 of the Argentine Government provided for a reduction in certain social security benefits paid by companies. However, Resolution 234/95 of ENARGAS stated that gas transportation companies should pass this benefit through their customers via a reduction in their monthly billings. The benefits passed by the Company on to the customers have been disclosed under a net revenues line adjustment account.

The Company records an allowance for certain differences between the total amount invoiced and the estimate of the recoverability of balances in contractual and regulatory dispute, such as the cases described in Note 12.g) to these financial statements (redirection of gas), fines and index-adjustments. This allowance is recorded adjusting the Sales line.

Total gross revenue taxes are included in selling expenses for all periods indicated. Following ENARGAS resolutions, the effect of gross revenue tax rates are passed through the customers via an increase in the monthly billings for regulated services.

Revenues from Management Contract fees relating to gas trust programs (as described in Note 14) have been recognized on the basis of the degree of progress of the respective jobs and the portion incurred of the expenses budgeted for them.

#### **(q) Balances and transactions with related parties**

Intercompany receivables and debts arising from sundry transactions have been valued according to the conditions agreed by the parties involved.

Also, TGN is to comply with a series of negative covenants under its current financial agreements. Restrictions on operations with related parties are described in Note 10.

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**4. Breakdown of the main accounts**

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
<b>a) Accounts receivable, net</b>		
<b>Gas transportation services</b>		
Billed		
Distributors .....	\$ 14,049	\$ 17,649
Industrial .....	63,799	16,864
Generators .....	8,608	15,329
Unbilled .....	<u>38,584</u>	<u>38,247</u>
Subtotal .....	125,040	88,089
<b>Other services</b>		
Billed .....	112	2,420
Unbilled .....	<u>1,342</u>	<u>924</u>
Subtotal .....	1,454	3,344
Allowance for doubtful accounts (Note 16.d) .....	(9,289)	(8,386)
Allowance for disputed amounts (Note 16.d) .....	<u>(41,150)</u>	<u>(9,454)</u>
<b>Total</b> .....	<u>\$ 76,055</u>	<u>\$ 73,593</u>
<b>b) Other receivables, net</b>		
<b>Current</b>		
<b>Gas transportation services</b>		
Tax credits .....	\$ 1,568	\$ 1,519
VAT, net .....	-	1,821
Other tax credits .....	837	-
Minimum presumed income tax prepayment .....	-	1,847
Directors' and management fees (Note 5) .....	1,863	959
Advances to employees .....	559	213
Deposit in escrow .....	16	387
Prepaid expenses .....	7,691	13,141
Receivables from transactions on behalf of third parties .....	<u>7,834</u>	<u>6,716</u>
Subtotal .....	<u>20,368</u>	<u>26,603</u>
<b>Other services</b>		
Management fees - Gas Trust Program (Note 14) .....	830	13,738
Receivable with controlling shareholder (Note 5) ....	8	8
Receivables with equity investees (Note 5) .....	469	373
Other related parties (Note 5) .....	250	889
Sundry .....	<u>5,615</u>	<u>3,614</u>
Subtotal .....	<u>7,172</u>	<u>18,622</u>
Allowance for doubtful accounts (Note 16.(d)) .....	<u>(3,110)</u>	<u>(1,643)</u>
<b>Total</b> .....	<u>24,430</u>	<u>43,582</u>
<b>Non-current</b>		
<b>Gas transportation services</b>		
Deferred tax asset, net (Note 7) .....	74,602	88,325
MPIT (Note 7) .....	84,379	70,717
Gross revenue tax withholdings .....	602	996
Deposit in escrow and disputed tax payments .....	6,888	4,797
Guarantee deposits .....	444	-
Allowance for deposit in escrow and disputed tax payments (Note 16.(d)) .....	<u>(6,888)</u>	<u>(4,797)</u>
Subtotal .....	<u>160,027</u>	<u>160,038</u>
<b>Other services</b>		
Management contract fees relating to gas trust programs (Note 14) .....	20,416	-
Sundry .....	<u>515</u>	<u>117</u>
Subtotal .....	<u>20,931</u>	<u>117</u>
<b>Total</b> .....	<u>\$ 180,958</u>	<u>\$ 160,155</u>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

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4. Breakdown of the main accounts (Continued)

	December 31, 2007	December 31, 2006
	<u>2007</u>	<u>2006</u>
<b>c) Materials and spare parts</b>		
<b>Current</b>		
Materials and spare parts .....	\$ 11,359	\$ 10,145
<b>Total</b> .....	<u>11,359</u>	<u>10,145</u>
<b>Non-current</b>		
Materials and spare parts .....	88,127	79,900
Allowance for slow-moving and obsolescence (Note 16.(d)) .....	(53,261)	(44,364)
<b>Total</b> .....	<u>\$ 34,866</u>	<u>\$ 35,536</u>
<b>d) Accounts payable</b>		
<b>Gas transportation services</b>		
<b>Current</b>		
Suppliers .....	\$ 2,961	\$ 2,867
Others related parties (Note 5) .....	6,450	1,006
Unbilled services .....	18,265	17,758
<b>Total</b> .....	<u>27,676</u>	<u>21,631</u>
<b>Non-Current</b>		
Others related parties (Note 5) .....	153	-
<b>Total</b> .....	<u>\$ 153</u>	<u>\$ -</u>
<b>e) Taxes payable</b>		
VAT, net .....	\$ 785	\$ -
Gross revenue tax .....	1,237	4
MPIT .....	4,904	-
VAT withholdings .....	1,310	186
Income tax withholdings .....	2,585	334
Gross revenue tax withholdings .....	124	362
<b>Total</b> .....	<u>\$ 10,945</u>	<u>\$ 886</u>
<b>f) Others</b>		
<b>Current</b>		
Easements .....	\$ 1,410	\$ 5,828
Other related parties (Note 5) .....	85	-
Directors' and management fees (Note 5) .....	2,029	1,106
Others .....	294	161
<b>Total</b> .....	<u>3,818</u>	<u>7,095</u>
<b>Non-current</b>		
Easements .....	15,527	8,436
<b>Total</b> .....	<u>\$ 15,527</u>	<u>\$ 8,436</u>
<b>g) Net revenues</b>		
<b>Gas transportation services</b>		
Gas transportation services .....	\$ 521,762	\$ 474,163
Discounts as per Decrees No. 292/1520/814 (Note 3.(p)) .....	(1,582)	(1,651)
Allowance for disputed amounts (Note 3.(p)) .....	(31,610)	4,000
Subtotal Gas transportation services .....	<u>488,570</u>	<u>476,512</u>
<b>Other services</b>		
Pipeline O&M services .....	18,677	19,004
Management fees - Gas Trust Program (Note 14) .....	11,297	11,304
Subtotal other services .....	<u>29,974</u>	<u>30,308</u>
<b>Total</b> .....	<u>\$ 518,544</u>	<u>\$ 506,820</u>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

Notes to the Financial Statements as of and for the years  
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**4. Breakdown of the main accounts (Continued)**

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
<b>h) Financial and holding results, net:</b>		
<b>Generated by assets:</b>		
Bank commissions and expenses .....	\$ (433)	\$ (373)
Holding results .....	9,279	14,819
Loss on discounting of non-current and current assets	(10,660)	(458)
<b>Total .....</b>	<b><u>(1,814)</u></b>	<b><u>13,988</u></b>
<b>Generated by liabilities:</b>		
Bank commissions, expenses and taxes on banking and financial operations .....	(7,545)	(6,199)
Result of repurchases of debts .....	1,629	-
Fees for guarantee of loan agreements (Note 5) .....	-	(1,698)
Loss on discounting of non-current and current liabilities .....	(161)	197
Others .....	44	78
<b>Total .....</b>	<b><u>\$(6,033)</u></b>	<b><u>\$(7,622)</u></b>
<b>i) Other (expense) income, net</b>		
Loss on disposal of fixed assets and other expenses	\$ 1,799	\$ (4,460)
Recovery of contingencies .....	1,311	261
Donations .....	(96)	(450)
<b>Total .....</b>	<b><u>\$ 3,014</u></b>	<b><u>\$(4,649)</u></b>
<b>j) Cash and cash equivalents:</b>		
Cash and banks .....	\$ 62,929	\$ 24,667
Mutual funds in foreign currency .....	-	2,869
Mutual funds in \$ .....	1,202	11,655
<b>Cash and cash equivalents as shown in the statements of     cash flows .....</b>	<b><u>\$ 64,131</u></b>	<b><u>\$ 39,191</u></b>

**5. Balances and transactions with related parties**

**Balances with related parties**

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
<b>Accounts receivable:</b>		
Other .....	\$ 266	\$ 249
<b>Other receivables:</b>		
<b>Current:</b>		
Receivable with controlling shareholder (Note 4.b)) ..	8	8
Receivables with equity investees (Note 4.b)) .....	469	373
Other (Note 4.b)) .....	250	889
Directors' and management fees (Note 4.b)) .....	1,863	959
<b>Accounts payable:</b>		
<b>Current:</b>		
Other related parties (Note 4.d)) .....	6,450	1,006
<b>Non-Current:</b>		
Other related parties (Note 4.d)) .....	153	-
<b>Others:</b>		
Other related parties (Note 4. f)) .....	85	-
Directors' and management fees (Note 4.f)) .....	2,029	1,106

**TRANSPORTADORA DE GAS DEL NORTE S.A.**

Notes to the Financial Statements as of and for the years  
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**5. Balances and transactions with related parties (Continued)**

**Transactions with related parties**

	December 31, 2007	December 31, 2006
<b>Controlling shareholder:</b>		
Other income.....	\$ 25	\$ 25
<b>Equity investees:</b>		
Net revenues.....	66	38
Others.....	117	162
<b>Others:</b>		
Net revenues.....	2,601	2,498
Cost of services.....	(17,225)	(7,809)
Financial and holding results, net (Note 4.h).....	-	(1,698)
Others.....	50	779
Purchases of other assets.....	-	26
Full expenses by third party account.....	140	140
<b>Directors' and management fees:</b>		
Fees related to administrative tasks (Note 16.(f))...	(2,069)	(1,071)
Professional fees.....	(888)	(544)

**6. Income per share**

Income per ordinary share have been calculated as the quotient obtained by dividing the results for the years ended December 31, 2007 and 2006, by the weighed average of outstanding ordinary shares, which made a total of 439,373,939 shares at those dates.

At December 31, 2007 and 2006 there are no debt securities convertible into shares, so no diluted earnings per share have been disclosed.

**7. Income tax and MPIT**

The Company is subject to income tax, however no income tax provision has been recorded for the years ended December 31, 2007 and 2006, as the Company has experienced net losses for income tax purposes.

Income tax benefit for the years ended December 31, 2007 and 2006 consist of the following:

	December 31, 2007	December 31, 2006
Current tax expense .....	\$ -	\$ -
Deferred tax charge .....	(13,723)	(16,337)
Income tax charge .....	\$ (13,723)	\$ (16,337)

The Company accounts for income taxes in accordance with the guidelines of RT No. 17. prescribes the use of the deferred tax method whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax based assets and liabilities and are measured using the enacted tax rates.

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are presented below:

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**7. Income tax and MPIT (Continued)**

	December 31, 2007	December 31, 2006
<b>Deferred tax assets and liabilities:</b>		
Accounts receivable .....	\$ 17,405	\$ 5,995
Other receivables .....	11,445	875
Fixed assets .....	(22,043)	(20,092)
Materials and spare parts .....	18,641	15,527
Other assets .....	(5,700)	(5,518)
Accounts payable .....	1,992	(69)
Expenses related to debt restructuring .....	10,822	10,532
Contingencies .....	22,189	34,303
Tax loss carry forwards .....	87,621	148,115
Allowance for tax loss carry-forwards .....	(67,770)	(101,675)
Others .....	-	332
<b>Net deferred tax asset .....</b>	<b>\$ 74,602</b>	<b>\$ 88,325</b>

Income tax charge for the years ended December 31, 2007 and 2006 differed from the amounts computed by applying the Company's statutory income tax rate to pre-tax loss as a result of the following:

	December 31, 2007	December 31, 2006
Net income before income tax .....	\$ 73,374	\$ 231,583
Income tax rate .....	35%	35%
(Income) loss tax charge at statutory tax rate .....	(25,681)	(81,054)
Permanent differences:		
Inflation adjustment .....	(18,909)	(19,924)
Donations and non-deductible expenses .....	(7,609)	(4,691)
Effect of the issue of new shares as a result of the capitalization of debt .....	-	(43,119)
Variation in the estimated tax loss carry-forward compared with the actual tax loss carry-forward for fiscal year 2006 .....	4,164	-
Change in valuation allowance .....	33,905	134,902
Adjustment of non-capitalizable interest .....	-	(1,572)
Gain from equity investments, net .....	309	448
Others .....	98	(1,327)
<b>Income (loss) tax charge .....</b>	<b>\$ (13,723)</b>	<b>\$ (16,337)</b>

As of December 31, 2007, the Company had accumulated tax loss carry forwards of approximately \$ 56.7 million.

The remaining tax loss carry-forward of \$ 193.6 million for fiscal 2002 expired at December 31, 2007.

In assessing the realizability of deferred income tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Based on the foregoing, the current expiration period of tax loss carry forwards and due to the fact that the Company anticipates insufficient future taxable income over the periods in which the differences which created the deferred income tax assets are deductible, the ultimate realization of a significant portion of deferred income tax assets for income tax purposes is not considered more likely than not. As such, the Company has established a valuation allowance against a significant portion of its net



## TRANSPORTADORA DE GAS DEL NORTE S.A.

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### 7. Income tax and MPIT (Continued)

deferred tax assets. The Company will continue to monitor the need for a change in the valuation allowance that has been provided.

As established by CNV regulations and professional accounting standards in effect in the Autonomous City of Buenos Aires as from the current year, the deferred tax assets and liabilities are stated at nominal values.

Since 2006, the CPCECABA issued Resolution CD N° 93/05 which provides for two approaches to the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes, when companies prepare price-level restated financial statements.

In one approach, temporary differences are determined based on the difference between the price-level restated amount of assets and liabilities reported in the financial statements and the related tax basis amounts.

The other approach considers that differences between the tax basis and the related indexed amounts of fixed assets are permanent differences rather than being considered temporary.

Based on the foregoing, the Company has decided to continue treating the differences between the tax basis and price-level restated amounts of non-monetary assets and liabilities as permanent. The effect of the unrecognized deferred liability was \$ 373.8 million as of December 31, 2007 and would have been reversed over the term of 20 years (as from December 31, 2007).

The Company has recorded tax credits in relation to the MPIT. These tax credits amount to \$ 84.4 million as of December 31, 2007. Taking into account that the expiration period extends at various times from the year 2012 through 2016, the Company considers its ultimate realization to be more likely than not based on current projections.

### 8. Segment information

The following table shows additional information about the income statements at December 31, 2007 and 2006 and the main balance sheet captions of the Company at December 31, 2007 and December 31, 2006 segregated by business segment:

	Gas transportation services		Others	Total
	Domestic	Exports		
<b>For the year ended December 31, 2007</b>				
Net revenues	\$ 267,558	221,012	29,974	518,544
Cost of services, administrative and selling expenses (before depreciation and amortization)	(150,336)	(30,357)	(15,836)	(196,529)
Depreciation and amortization	(100,266)	(18,041)	(71)	(118,378)
Other expenses	2,553	459	2	3,014
Gain from equity investments, net	-	-	884	884
Financial and holding results, net	(113,634)	(20,446)	(81)	(134,161)
Income tax benefit	17,601	(28,543)	(2,781)	(13,723)
<b>Net income for the year</b>	<b>\$ (76,524)</b>	<b>124,084</b>	<b>12,091</b>	<b>59,651</b>
<b>As of December 31, 2007</b>				
	Gas transportation services		Others	Total
	Domestic	Exports		
Fixed assets, net	\$ 1,860,075	334,682	1,318	2,196,075
Accounts receivable, net	17,065	57,536	1,454	76,055
Debt	977,721	175,921	693	1,154,335
Other net assets	164,289	29,560	118	193,967
Shareholders' equity	1,063,708	245,857	2,197	1,311,762
Purchase of fixed assets	\$ 50,542	9,094	36	59,672

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**8. Segment information (Continued)**

	Gas transportation services		Others	Total
	Domestic	Exports		
<b>For the year ended December 31, 2006</b>				
Net revenues	\$ 243,286	233,226	30,308	506,820
Cost of services, administrative and selling expenses (before depreciation and amortization)	(155,391)	(41,659)	(9,737)	(206,787)
Depreciation and amortization	(96,178)	(17,305)	(68)	(113,551)
Other expenses	(3,937)	(708)	(4)	(4,649)
Gain from equity investments, net	-	-	1,282	1,282
Financial and holding results, net	(165,505)	(29,780)	(117)	(195,402)
Gain on debt restructuring	206,558	37,166	146	243,870
Income tax benefit	(13,836)	(2,491)	(10)	(16,337)
<b>Net income for the period</b>	<b>\$ 14,997</b>	<b>178,449</b>	<b>21,800</b>	<b>215,246</b>

	Gas transportation services		Others	Total
	Domestic	Exports		
<b>As of December 31, 2006</b>				
Fixed assets, net	\$ 1,911,804	343,989	1,355	2,257,148
Accounts receivable, net	37,306	32,943	3,344	73,593
Debt	1,043,301	187,720	739	1,231,760
Other net assets	151,454	27,251	108	178,813
Shareholders' equity	1,057,263	216,463	4,068	1,277,794
Purchase of fixed assets	\$ 50,800	9,140	36	59,976

**9. Restricted assets**

*Certain restrictions with respect to Essential Assets*

- (i) A substantial portion of the assets transferred by GdE (mainly pipelines, high-pressure branch lines, compressor plants and high-pressure control and measurement stations), has been defined in the License as "Essential Assets" for the performance of the licensed service. Pursuant to the License, the Company is required to segregate and maintain the Essential Assets, together with any future improvements, in accordance with certain standards defined in License. The Company may not, for any reason, dispose of, encumber, lease, sublease or lend Essential Assets for purposes other than the provision of the licensed service without ENARGAS' prior authorization.
- (ii) As established in the new financial agreements held for the restructuring of the financial debt, TGN may not sell assets, unless certain conditions are met, as described in Note 10.
- (iii) In May 1999, TGN brought legal action against the Undersecretariat of Patrimonial Regularization and General Notary of the Argentine Government, requesting the execution of a title deed to certain real estate property that was conveyed by GdE.

On April 18, 2006, a ruling was issued in favor of TGN ordering the General Notary of the Argentine Government to grant TGN the title deeds to twenty real estate property within the term of forty five days and also that within the term of sixty days, the Notary should report on the status of the registration of the other real estate properties included in the complaint filed by TGN.

Between December 2006 and December 2007 the National State executed in favor of TGN twelve title deeds for the buildings referred to above.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

### Notes to the Financial Statements as of and for the years ended December 31, 2007 and 2006

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#### 10. Debt

In view of the circumstances indicated in Note 1.b), as from 2002 the Company needed to postpone payment of certain financial debts which included negotiable obligation issue programs and loans from domestic and foreign financial institutions.

In August 2006 TGN publicly launched an offer to exchange its financial debt, which was accepted by 99.94% of creditors of the total debt subject to restructuring and, upon execution of the Out-of-court Reorganization Agreement with the accepting creditors, on September 29, 2006 TGN consummated the exchange privately, without requesting approval from the court. Until the date of consummation of the debt exchange, the past due and unpaid loans amounted to US\$ 288.7 million (principal) and interest thereon, to US\$ 109.8 million.

This pro rata offer consisted of (i) a cash payment of up to US\$ 52.4 million, (ii) the delivery of up to 87,874,754 new Class C Common shares representative of 20% of the Company's Capital to be issued as a result of the capitalization of the US\$ 68.0 million financial debt, (iii) new ordinary non-convertible Class A negotiable obligations for up to US\$ 249,999,970, and (iv) new ordinary non-convertible Class B negotiable obligations denominated in US dollars for US\$ 203,630,111 (an amount equivalent to the principal due and interest accrued until December 31, 2004 on the debt being restructured, net of the cash payment and of the delivery of the new Class A negotiable obligations indicated in points (i) and (iii), respectively).

The abovementioned issuance of Class C shares was approved by the ENARGAS on June 23, 2006. This amendment was registered with the Public Registry of Commerce on August 18, 2006. The public offering of the Negotiable Obligations under the exchange and Class C shares was authorized by CNV Resolution No. 15466 dated September 14, 2006.

In this date, the net gain on the restructured debt exchange amounted to \$191.1 millions (including the waiver of the right to collect interest and penalty charges, the reversal of expenses related to the issuance of the Negotiable Obligations and the accrual of interest, commissions and expenses related whit the reestructuring) and has been charged to Gain on debt restructuring in the statements of operations as of December 31, 2006.

The Negotiable Obligations outstanding at December 31, 2007 and 2006 have the following characteristics:

	Ordinary non-convertible Class A negotiable obligations	Ordinary non-convertible Class B negotiable obligations
Amount	VN US\$ 250.0 millios	VN US\$ 203.6 million
Due date	December 31, 2012	December 31, 2012
Amortization	They be amortized: at 9% in 2005, 12% during 2006 and 2007, 13.5% in 2008 and 2009, 15% in 2010 and 2011, and 10% in 2012	In a one-off payment
Interest	They accrue interest at an annual rate of 6.0% during 2005, at 6.5% between 2006 and 2010, and at 7.5% during 2011 and 2012, payable quarterly on March 31, June 30, September 30 and December 31 of each year.	They acruce interest at an annual rate of 7.0% during 2005, 7.5% during 2006 y 2007, 8.0% during 2008 y 2009, 9.0% during 2010, 9.5% during 2011 y 10% during 2012, payable quarterly on March 31, June 30, September 30 and December 31 of each year.

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### 10. Debt (Continued)

The main restrictions under the indebtedness agreements, the terms and conditions of which are detailed in the pertinent Offering Circular under the Negotiable Obligation issue program, which was published at the CNV on September 14, 2006, are the following:

(i) TGN shall use a portion of any excess cash either to mandatory prepayments or market purchase. The proceeds from any prepayment of principal shall be used first in proportion to the reduction of unpaid installments of the Series A negotiable obligations until their exhaustion and, upon redemption of the latter, to redeem Series B negotiable obligations.

Such *excess cash* is calculated semi-annually on the basis of the cash flow for the period and the computation of the cash balance at the end of the period. This cash shall be allocated to the redemption in advance or purchase of the negotiable obligations subject to the exchange, based on certain proportions defined in the contract, and then to the available basket amount.

The *available basket amount* is the amount in cash that TGN may use for certain purposes and is determined on the basis of the excess cash and certain ratios of cash flows for the period to total financial debt.

(ii) TGN may not sell assets, unless the sales price is at least equal to the fair market value of those assets or at least 75% of the sales price is collected in cash or cash equivalents. In addition, the proceeds from the sale of an asset are to be used for purchases and/or advance repayments of principal on the negotiable obligations under the exchange, unless the proceeds from those sales are reinvested in new assets within twelve months following the carrying out of the operation.

(iii) TGN may not make dividend payments if it has incurred in default or if any grounds for default exist or if such payment is in excess of the available basket amount in each calculation period.

(iv) TGN may incur additional indebtedness for the following items: (a) for a total outstanding principal amount not exceeding US\$ 15 million at any time and such indebtedness shall be incurred to finance the Company's business activities; (b) letters of credit, bank acceptances and similar obligations issued in the normal course of business not as security for indebtedness; (c) voluntary refinancing; (d) project finance investment provided that when allocating such indebtedness and the net proceeds thereof, the debt/EBITDA ratio for the latest four fiscal quarters is equal to or lower than 3:1, and the proceeds shall be applied exclusively to the financing of investments in capital goods; (e) TGN's indebtedness that is subordinated to the prior and full payment of the negotiable obligations under the exchange for a total outstanding principal amount not in excess of US\$ 35 million; (f) hedge or exchange rate agreements not entered into for speculative purposes, which will be prudent or necessary to cover or manage the risk attaching to the negotiable obligations under the exchange or to any permitted indebtedness; (g) for the purchase, settlement or payment of non-participating debt.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the years  
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### 10. Debt (Continued)

(v) TGN may incur capital expenditure for the following items: (a) non-programmed repair and maintenance of fixed assets or capital goods in case of emergency, taking into account the regulatory requirements, technical breakthroughs or improvements and environmental considerations; (b) maintenance for increasing amounts since 2006, except that if the amount of those investments in a given fiscal year is higher than the investment amount actually incurred, such difference may be added to the amount of permitted investments in maintenance only in the immediately following fiscal year; (c) development, purchase or construction, modification, expansion, enlargement and/or betterments of fixed assets or capital goods, except that such investments shall be made or paid by TGN only to the extent that they are financed or paid with customer advances; (d) investments financed

with funds disbursed under permitted indebtedness or the proceeds from the issuance of shares; (e) investments relating to the purchase, construction, modification, development, expansion, enlargement and/or betterments of fixed assets or capital goods, provided that they are financed with the proceeds from the sale or any other type of disposal of fixed assets or capital goods; (f) investments in capital goods required by the Government with certain limitations.

(vi) The technical assistance fee (TAF) for each fiscal year may not exceed 4% of the EBITDA for that year, of which: (1) the amount the Company can pay in cash with funds not belonging to the Available Basket Amount may not exceed US\$ 3 million for the fiscal year, or US\$ 1 million for the fiscal year if an event of default or a ground for default has occurred and is continuing, and (2) all amounts in excess of the maximum established in clause (1) above shall be paid exclusively out of the Available Basket Amount. If in a given fiscal year TGN fails to pay the fees for technical assistance accrued for that fiscal year in full, the unpaid amount may be settled only during the immediately following fiscal year.

(vii) TGN may carry out transactions with related parties (such as purchase, sale, lease or exchange of goods or the providing of services, etc.) only to the extent that those transactions are arranged observing the arm's length principle.

At December 31, 2007 and 2006, the breakdown of the Company's loans is as follows:

	12.31.07	12.31.06
	Thousands of \$	
a) Current		
Ordinary non-convertible Class A	100,923	91,860
Creditors not accepting the exchange offer	2,105	1,818
Adjustment to arrive at present value	1,903	(524)
<b>Total current</b>	<b>104,931</b>	<b>93,154</b>
b) Non Current		
Ordinary non-convertible Class A	399,956	512,885
Ordinary non-convertible Class B	641,231	623,515
Adjustment to arrive at present value	8,217	2,206
<b>Total Non-current</b>	<b>1,049,404</b>	<b>1,138,606</b>
<b>Total Debt</b>	<b>1,154,335</b>	<b>1,231,760</b>

Below is a reconciliation between the accounting balance of Series A and Series B Negotiable Obligations and the balance calculated at their nominal value under the financial agreements in effect since September 2006:

Total loans as per financial condition	1,154,335	1,231,760
Adjustments to arrive at the present value	( 10,120)	(1,682)
Nominal capital plus interest accrued at a contractual rate	<b>1,144,215</b>	<b>1,230,078</b>

## TRANSPORTADORA DE GAS DEL NORTE S.A.

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### 10. Debt (Continued)

To December 31, 2007 TGN repurchased of its financial debt US\$ 9.2 million corresponding to the Series A Negotiable Obligations and paid US\$ 8.7 million. The result of those repurchases, which amounted approximately to \$ 1.6 million, will be allocated to Financial and Holding Results generated by liabilities.

#### Creation of a Global Program for the Issuance of Ordinary Negotiable Obligations, Not Convertible for Shares

Resolutions adopted by the Board of Directors of TGN on December 11, 2007 and by the Ordinary Meeting of Shareholders held on January 22, 2008 established the creation of a new global program for the issuance of ordinary Negotiable Obligations not convertible for shares, which qualify as Negotiable Obligations under the terms of Law No. 23576 (text pursuant to Law No. 23962), for a nominal value of up to US\$ 400 million or its equivalent in other currencies at any time. The duration of this Global Program shall be five years counted as from the date of its approval by the Argentine Securities Commission. Once the Program has been approved by that Commission, it will be used as a tool to facilitate implementation at the proper time of decisions to be made by the Company in terms of financial policy, particularly, the renewal of current debt at the due date and/or the obtainment of improvements under the terms and conditions currently in force.

### 11. Shareholders' equity

#### (a) Common stock

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

Item	Date	thousands of \$	Registration in the Superintendency of Corporations			
			Date	Nº	Book	Volume
Incorporation of the Company	11.24.92	12	12.01.92	11667	112	A
Capitalizations of irrevocable contributions:	12.28.92	267,255	03.07.94	1894	114	A
	03.25.94	84,232	06.09.94	5589	115	A
Issuance of new shares for capitalized loans (Note 10)	09.29.06	87,875	08.18.06	13005	32	-
<b>Total</b>		<b>439,374</b>				

#### (b) Limitation on the transferring of the Company's shares

Gasinvest, the controlling shareholder of the Company, and Gasinvest's shareholders, are restricted by the Pliego and the Transfer Agreement as to dispose of a portion of their interests in the Company and Gasinvest, respectively. Unless a prior regulatory approval from ENARGAS is obtained, Gasinvest is precluded from reducing its interest in the Company to less than 51%. Likewise, the shareholders of Gasinvest are precluded from reducing their interest in Gasinvest without prior regulatory approval. However, restrictions are not applicable where shares are transferred among related parties of each shareholder. ENARGAS may approve the transfer of shares provided that (i) the shares are transferred in whole but not in part, or the new acquirer purchases all of the outstanding Class A shares of common stock and (ii) the quality of the service is not affected.

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### 11. Shareholder's equity (Continued)

#### (c) Restriction on distribution of profits

Under the Argentine Commercial Law, the by-laws of the Company and rules and regulations of the CNV, a minimum of 5% of net income for the year calculated in accordance with Argentine GAAP must be appropriated by resolution of the shareholders to a legal reserve until such reserve reaches 20% of the outstanding capital (common stock plus inflation adjustment of common stock accounts). This legal reserve may be used only to absorb deficits.

Under the terms of the new financial agreements executed by the Company, TGN may make dividend payments only in accordance with the negative covenants described in Note 10.

#### (d) Voluntary reserves for future dividends

The sums included in this item were set up by the Shareholders' Meetings that approved the respective annual financial statements.

This reserve may be reversed by the Company's Board of Directors which, according to the powers vested in it by the Meeting of Shareholders, is empowered to dispose, at any time it may deem appropriate in the Company's interests, of its cash distribution, fully or partially, pro rata the respective shareholdings.

By Board resolution dated December 14, 2007 the distribution of a cash dividend of \$ 25.7 million was approved, which was paid to the Shareholders at year end.

### 12. Contingencies

The Company is a party to several civil, taxes, commercial and labor proceedings and claims that have arisen in the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company's management based upon the information available at this time and consultation with external and internal legal counsel, that the expected outcome of these claims and legal actions, individually or in the aggregate, will not have a material effect on the Company's financial position, cash flows or results of operations in excess of the reserves that the Company has established to cover for potential losses under these claims. However, the actual outcome of these claims could differ from the estimated recorded amounts.

Following is a summary of the most significant claims and legal actions. At December 31, 2007 the allowance set up by the Company amounted to \$ 78.0 million (Note 16.(d)).

#### (a) Gross Revenue Tax - Province of Salta

The Company has objected before the courts having jurisdiction in the Province of Salta to certain official assessments made by the Revenue Bureau of that province for the tax on the business activities for the market price of the so-called "retained gas". The Tax Authority claims payment of \$ 2 million for the tax, \$ 1.7 million for interest and \$ 1 million for fines, corresponding to the fiscal periods from January 1996 to March 2004.

TGN paid the tax amount claimed for \$ 2.0 million and interest for \$ 2.4 million (including, in addition to the \$ 1.7 million amount claimed by the Tax Authority, interest accrued between the official assessment date and the actual payment date).

The district attorney ruled in favor of TGN, in one of the two lawsuits initiated before the above-mentioned court. In view of the uncertain outcome of this issue, reserving the pertinent rights, the Company paid the amounts claimed and has been paying the accrued tax since April 2004.

## TRANSPORTADORA DE GAS DEL NORTE S.A.

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### 12. Contingencias (Continued)

#### *(b) Las Mesitas accident*

In October 1999, ENARGAS fined the Company \$5.6 million due to allegations that the Company improperly operated a parallel 16" gas pipeline causing a serious accident in Las Mesitas, Province of Salta, Argentina. The Company believes that the accident was an isolated event and was not related to the Company's operation of the pipeline. The Company believes that it operated the pipeline with due care and below the resistance levels approved based on information available at that time. After being notified of the administrative appeals lodged by TGN, in October 2002 the Ministry of Finance confirmed eleven of the fines imposed, for an accumulated amount of \$ 5.1 million. The Company appealed that resolution before a court, on which no ruling had been issued at the date of these financial statements.

#### *(c) Rescission of firm gas transportation contract with AES Parana S.C.A.*

In July 1999, AES Parana S.C.A. ("AES") and the Company had entered into a firm gas transportation contract (the "AES-TGN Agreement"), whereby the Company committed to transport up to 1.81 MMm<sup>3</sup>/day of natural gas as from an agreed-upon date for a period of 20 years. The gas transportation rate set in the contract was the ENARGAS-regulated rate for Loma La Lata - Litoral zones and included an additional contribution equal to 5.6% of such regulated rate. The execution of the contract would create the need to substantially expand the transportation system. In view of the political and economic changes occurred in December 2001, which led to the pesification and freezing of the transportation rates in January 2002, in February 2003 the Company had the pressing need to request the ENARGAS to rescind the gas transportation contract because performance thereof would become too burdensome.

In the alternative, TGN had previously called for a stay of the effects of the contract because of force majeure that prevented it from fulfilling its obligations arising under that contract. AES Paraná answered the complaint in May 2003, objecting to its prosecution and claiming damages for non-compliance with the contract.

In June 2006, both parties reached an agreement by which they will: (i) suspend the prosecution of their respective claims and (ii) rescind the firm transportation contract if AES Parana obtains the providing of the transportation service of at least 1.5 MM m<sup>3</sup>/d (minimum volume) before December 1, 2008.

Between December 2008 and December 2027, TGN will pay compensation equivalent to 36% of the Access and Use Charge ("AUC") applicable at each moment on the daily volume that remains available to AES after the required expansion works have been concluded, provided that such volume is not lower than the minimum volume. The AUC is equivalent to 63% of the current regulated rate, and has been defined as the monthly compensation per cubic meter of transport capacity per day that each carrier will pay TGN while the firm transportation service for access, use and supply of that capacity is provided.

At December 31, 2007, the allowance amount recorded to settle possible claims being made by AES was calculated on the basis of the present value of compensation.



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### 12. Contingencies (Continued)

#### *(d) Municipal taxes*

In July 2003, the Municipality of Aguaray, Province of Salta, claimed from TGN payment of \$ 4.6 million for the "Contribution that impacts on the Business, Industrial and Services Activities", plus interest and a fine of \$ 3.3 million for alleged tax fraud. In February 2008, a final ruling issued by the Federal Court of Salta confirmed a lower court decision that had dismissed the tax authorities' claim.

Furthermore, on February 1, 2006 the Municipality of General Mosconi, Province of Salta, claimed from TGN payment of \$ 34.8 million for the same tax (including interest, index-adjustments and expenses). Its claim covers the January 1995 - July 2005 period.

TGN has lodged the corresponding appeal for reconsideration of the administrative authority's resolution and challenged the debt assessment before the Arbitration Commission, on the understanding that it is in breach of the provisions of the Multilateral Tax Sharing Agreement. In March 2006 the Municipality reduced the amount claimed to \$14.0 million, although the Company did not abandon the administrative appeal.

On July 23, 2007 TGN was notified of Resolution No. 37/07 adopted by the Arbitral Commission, whereby the appeal filed by the Company was sustained concluding that the Municipality of General Mosconi may not determine the contribution claimed on the basis of the taxpayer's gross revenue. The local tax authority has failed to appeal that resolution within the established time frame that expired on September 5, 2007, so such resolution has become firm.

#### *(e) Tax assessments related to payments to note holders*

In December 2004 the Company was notified of two resolutions whereby the Argentine Tax Authority officially assessed income and value added tax amounts of \$ 50.7 million and \$ 31.7 million, respectively. These amounts include compensatory interest and fines calculated based on the interest accrued on the Global Negotiable Obligation Issue Programs. TGN appealed these resolutions before the National Tax Tribunal.

Those resolutions are related to the verification of compliance with the necessary requirements for the yields paid to holders of Negotiable Obligations to be entitled to the benefits granted by Section 36 bis of Law No. 23576.

In August 2007 the National Tax Authority acquiesced to the Company's claim dropping its claim of income tax in its entirety and in September 2007, it partially acquiesced to Company's claim regarding value added tax. The settlement of these claims was consented to by TGN, the National Tax Tribunal having yet to render judgment approving it. As a result of the acquiescence to the Company's claim by the Tax Authority, the latter's claim, which is restricted exclusively to value added tax on the Program relating to the International Finance Corporation ("IFC") and continues to be in dispute with the Company, was reduced to \$ 14.6 million.

On the basis of these developments, TGN recovered \$ 20.0 million of the provision originally set up, allocating such recovery to Administrative Expenses - Lawsuits.

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### 12. Contingencias (Continued)

#### *(e) Tax assessments related to payments to note holders (Continued)*

In December 2007 the Company was notified of a resolution whereby the Tax Authority assessed interest and fines relating to value added tax corresponding to those programs (for the period from January to May 2002, subsequent to that included in the assessments alluded to above). The claim amounts to \$ 3.6 million.

The Company has appealed this new debt assessment resolution before the National Tax Tribunal.

#### *(f) Tax assessment related to fixed asset useful life*

In December 2005, the Company received notices from federal tax authorities asserting deficiencies in corporate income taxes for the Company's 1999 to 2002 tax years. The total additional tax, including penalties and interest, through December 2005, amounts to \$21.1 million. Tax authorities asserted that the Company underpaid income taxes through improper tax depreciation deductions. Tax authorities asserted that the tax depreciation should be 45 years representing the original term of the license plus the renewal period of 10 years. The Company believes that it properly reported its income tax in accordance with applicable laws and regulations. The Company filed an appeal with the tax authorities on February 17, 2006 in response to that notice. The appeal is pending resolution.

#### *(g) Redirecting of the transportation capacity*

In April 2006, the ENARGAS adopted two resolutions establishing: (i) the reassignment for the term of one year as from April 28, 2006 -renewable at the discretion of the ENARGAS- to the distributor GasNea and the sub-distributor Redengás of a firm transportation capacity volume equal to 0.268 MM m<sup>3</sup>/d (between May and September 2006) and 0.579 MM m<sup>3</sup>/d (between October 2006 and April 2007) which originally corresponded to the firm transportation contract entered into by and between TGN and YPF S.A. ("YPF") in 1998 for up to 2.8 MM m<sup>3</sup>/d to supply a power plant in Uruguayana, Brazil; (ii) that the rate payable by GasNea and Redengás to TGN for the reassigned volume is the peso rate as opposed to the US dollar rate applicable to the contract entered into by and between TGN and YPF; (iii) that GasNea and Redengás must pay TGN the peso rate for the capacity reassigned between April 29, 2004 and April 28, 2006, and (iv) obliging TGN to reimburse YPF for the proportional part of the transportation rate in US dollars collected by TGN from April 29, 2004 to April 28, 2006 for the reassigned volume. In relation to the latter point, the Company carries the allowance set up at year end in the amount of US\$ 3.5 million.

The motions for reconsideration of the two resolutions filed by TGN were dismissed by the ENARGAS in June 2007. TGN filed an appeal before a higher administrative authority as it considered that the ENARGAS lacks jurisdiction over the adoption of those resolutions, which also infringe the Company's vested rights.

In April 2007 the ENARGAS apportioned the reallocations in favor of GasNea and Redengás for a volume of firm transportation capacity equal to 0.770 MMm<sup>3</sup>/día for a further year.

In May 2007 the ENARGAS instructed TGN to apportion the reallocation of 0.531 MMm<sup>3</sup>/day of the transportation capacity originally destined for various direct loaders (other than distributors) of the Central-Western Gas Pipeline, in favor of

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### 12. Contingencies (Continued)

*(g) Redirecting of the transportation capacity (Continued)*

the distributor Ecogás Cuyo, for a term of one year counted as from the implementation of the measure, renewable at the discretion of the ENARGAS. TGN requested that the precautionary measure be reconsidered because it understands that the ENARGAS does not have jurisdiction to take that measure, as it affects the

Company's vested rights and, in the alternative, that the ENARGAS dispenses with the application of the "useful disruption of supply" criterion. At the date of issue of these financial statements TGN considered that there were no economic effects which should be charged against the Company's earnings.

*(h) Stamp duty - Salta- Operation and Maintenance Contract*

Revenue Bureau of Salta Resolution No. 1649 dated November 7, 2006 confirmed an official assessment for \$ 181.9 million including compensatory interest calculated until November 30, 2006 and imposed a fine on TGN for twice the amount assessed for \$ 262.5 million because of alleged commission of tax fraud. TGN considers that the assessment made by the tax authority is excessive as it has resulted from serious calculation errors.

The instrument object of this assessment was the contract for the operation and maintenance of the expansion works under the Gas Trust Agreement entered into by TGN, the National State (Secretariat of Energy) and Nación Fideicomisos S.A. in December 2004, within the framework of the Basic Gas Infrastructure Investment Regime established by Decree No. 180/04 and (MPFIPyS) Resolution No. 185/04 (Note 14.a)).

On November 29, 2006 TGN lodged a special appeal before the Governor, although holding Nación Fideicomisos S.A. liable for the damage the Company could suffer as a result of this legal proceeding. It should be borne in mind that the operation and maintenance contract contains a provision, which is valid between the parties but ineffective as against the Tax Authority, pursuant to which the final liability for payment of stamp duty, where applicable, should fall exclusively on the Trust.

### 13. TGN financial trusts

On March 8, 2004, in accordance with ENARGAS Resolution 2877, the Company (as "Trustor") and HSBC Bank Argentina S.A. (as "Trustee") entered into a Trust Agreement. Under the Trust Agreement, the trusts can be funded by private and/or public placement of securities for up to a total amount of US\$ 50 million within a 5-year timeframe.

The Program envisages the possibility of financial trusts being set up for the issue of securities that are authorized for their public offering or not, so as to finance the expansion of the capacity of the Company's gas pipeline systems.

The Program also establishes that, at expiration of the trust, the enlarged assets shall be exclusively assigned to the Company only, free of charge or encumbrances. While the trust is in force, the Company shall be responsible for the operation and maintenance of those assets.

On March 26, 2004, the TGN Serie 01 Trust was funded by the issuance of US\$ 7.5 million in principal amount of securities to private contributors, the proceeds from which were used to finance the expansion of transportation capacity of 303,000 m<sup>3</sup>/d contracted by Metrogas S.A. (a Chilean gas distribution company). The TGN Serie 01 Trust expires on the earlier of September 30, 2019 or when securities are repaid, whichever occurs first.

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### 13. TGN financial trusts (Continued)

On April 16, 2004, the TGN Serie 02 Trust was funded by the issuance of US\$ 6.3 million in principal amount of securities to private contributors, the proceeds from which were used to finance the expansion of transportation capacity of 247,000 m<sup>3</sup>/d contracted by Colbun S.A. The TGN Serie 02 expires on the earlier of March 30, 2019 or when the securities are repaid, whichever occurs first.

The TGN Serie 01 Trust and the TGN Serie 02 Trust are not consolidated in the Company's financial statements.

Under the Trust Agreement, neither the Company nor the Trustee are liable with their own respective assets to pay, if principal and/or interest and/or taxes and expenses on the securities issued by the Trusts are dishonored. The holders of the securities will have no right to claim such difference from TGN or the Trustee and the limitation on TGN's liability as Technical Operator has been established in the contract.

The projects have been completed. At December 31, 2007 the investment amounts to \$ 29 million and its residual value is approximately \$ 24 million at that date.

### 14. Financial trusts for expansion on the local market organized by the Argentine Energy Secretariat

MPFIPyS Resolution No. 185/04, adopted under the aegis of Decree No. 180/04, provides for a Gas Trusts Program to be organized by the Energy Secretariat for the purpose of financing infrastructure works for the transportation and distribution of natural gas.

On April 26, 2006 the National Congress enacted a law vesting the PEN with the power to apply rate charges destined to finance expansions in the natural gas and electricity transport and distribution systems.

#### *a) Trust for the 2005 Northern Gas Pipeline expansion work*

Within the framework of Resolution No. 185/04, the Government requested the participation of TGN as licensee and of other companies as investors in order to undertake the expansion of the capacity of its system for the transportation of additional 1.8 MMm<sup>3</sup>/day of gas in the Northern Gas Pipeline. The principal in charge of the project, a local trust (the "trust") organized by the Energy Secretariat in December 2004 and administered by Nación Fideicomisos S.A., as trustee, entrusted TGN with the management of the Northern Gas Pipeline expansion works, for which the Company will receive 1% of the work amount before value added tax (approximately US\$ 1.5 million), and with its subsequent operation and maintenance.

TGN contributed US\$ 8.4 million to the total cost of the works, which coincides with the net present value of the amounts receivable for the regulated (pesified) rate charged for the firm transportation services as a result of the incremental capacity until expiration of the License, taking into account the extension works operation and maintenance costs.

Expanded assets form part of the Gas Trust until it is liquidated, on which date, the Company has the option to have the ownership of the trust assets transferred to it.

As instructed by the ENARGAS through Note No. 3767, in July 2005 TGN began to bill certain customers for the "Gas Trust Charge" on behalf of the "Gas Trust - Extension of the Northern Gas Pipeline" and for its account.

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### 14. Financial trusts for expansion on the local market organized by the Argentine Energy Secretariat (Continued)

#### *b) Trust for the 2006-2008 expansion work*

Pursuant to the same regulatory framework applicable to the above-mentioned expansion works, and again at the request of the Ministry of Energy, in September 2005, we called for a new open bid for capacity for the expansion of the Gasoductos Norte system. As a result of this call for bids, proposals were received for more than 15.2 MMm<sup>3</sup>/d.

The works will be performed under the trust regime established by MPFIPyS Resolution No. 185/04 for which purpose on December 6, 2006 the Company, the Energy Secretariat and Nación Fideicomisos S.A. entered into the Supplementary Financial Trust Agreement for the Northern Gas Pipeline Work and the Management Contract. The Operation and Maintenance Contract has not yet been entered into.

TGN will finance up to 34% of the price under the Management Contract through the receipt of trust securities, plus an additional 15% as part of the price, if the Financial Trust for the Northern Gas Pipeline Work does not have funds to pay the balance in cash. The assets arising from the expansion works under the trust agreement will form part of that trust until termination of the agreement. Upon termination of the trust agreement, the ownership of the assets will be transferred to whom it may concern, in accordance with current legislation.

The total fee to be collected by TGN during the term of the Management Contract will be \$ 75.8 million (before value added tax). At December 31, 2007, the Company has billed its fees according to the contract schedule. At that date, revenues for \$22.6 million had been accrued until December 31, 2007, which have been recognized following the criteria described in Note 3.p), last paragraph, to these financial statements.

ENARGAS Resolution No. 3689 established application of a new rate to certain customers effective January 1, 2007.

For reasons that are beyond TGN's control, the expansion works have been delayed, so the Company considers that changes could be agreed on the schedule of those works and on the conditions of the contracts originally signed, its effects having been unable to be estimated at the financial statements date.

### 15. Subsequent events

Subsequent to December 31, 2007, 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.

### 16. Other financial statement information

The accompanying tables present additional statement disclosures required under Argentine GAAP.

- (a) Fixed assets, net
- (b) Investments
- (c) Short-term investments
- (d) Allowances and provisions
- (e) Assets and liabilities in foreign currency
- (f) Cost of services, administrative and selling expenses
- (g) Aging of assets and liabilities

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**16. Other financial statement information (Continued)**

**(a) Fixed Assets, net**

Account	12.31.2007											12.31.2006	
	Original values				Depreciation							Net book value	Net book value
	At the beginning of the year	Increases	Disposals	Transfers	At the end of the year	At the beginning of the year	For the year %	amount	Disposals	Transfers	Accumulated at the end of the year		
Land.....	3,275	-	-	-	3,275	-	-	-	-	-	-	3,275	3,275
Buildings and constructions...	76,402	59	-	34	76,495	17,165	2	1,529	-	(4)	18,690	57,805	59,237
Installations and fixtures....	2,067	-	-	-	2,067	473	4	81	-	-	554	1,513	1,594
Gas pipelines.....	2,018,091	-	(488)	1,847	2,019,450	524,505	3.33 and 2.22	55,052	(143)	1,026	580,440	1,439,010	1,493,586
Recoating (i) .....	37,702	-	-	20,073	57,775	1,041	5.88	3,573	-	-	4,614	53,161	36,661
High-pressure branch lines ...	620	-	-	41	661	209	3.33 and 2.22	18	-	22	249	412	411
Compressor Plants .....	817,749	-	(2,270)	24,629	840,108	294,668	4	44,142	(1,099)	(507)	337,204	502,904	523,081
High pressure control and/or measurement stations .....	66,728	852	(1)	6	67,585	28,552	5	3,639	-	(1)	32,190	35,395	38,176
Other technical installations	46,531	-	(1,195)	17	45,353	21,434	6.67 and 10.20	2,463	(537)	12	23,372	21,981	25,097
Machinery, equipment and tools	22,393	-	(474)	1,357	23,276	17,853	10 and 50	1,406	(453)	174	18,980	4,296	4,540
Computer and telecommunications system.....	72,742	15	(770)	292	72,279	41,845	10 and 20	4,382	(742)	(27)	45,458	26,821	30,897
Vehicles.....	15,987	-	(141)	628	16,474	12,872	20	1,071	(108)	98	13,933	2,541	3,115
Furniture and fixtures.....	9,656	-	(12)	125	9,769	8,400	10	336	(7)	11	8,740	1,029	1,256
Assets held at third parties..	7,571	-	-	(1,022)	6,549	5,373	12.5	686	-	(804)	5,255	1,294	2,198
Work in process.....	33,722	55,906	(105)	(45,737)	43,786	-	-	-	-	-	-	43,786	33,722
Advances to suppliers .....	302	2,840	-	(2,290)	852	-	-	-	-	-	-	852	302
<b>Total as of 12.31.2007 .....</b>	<b>3,231,538</b>	<b>59,672</b>	<b>(5,456)</b>	<b>-</b>	<b>3,285,754</b>	<b>974,390</b>		<b>118,378</b>	<b>(3,089)</b>	<b>-</b>	<b>1,089,679</b>	<b>2,196,075</b>	<b>-</b>
<b>Total as of 12.31.2006 .....</b>	<b>3,183,490</b>	<b>59,976</b>	<b>(11,928)</b>	<b>-</b>	<b>3,231,538</b>	<b>867,117</b>		<b>113,551</b>	<b>(6,278)</b>	<b>-</b>	<b>974,390</b>	<b>-</b>	<b>2,257,148</b>

(i) See Note 3.h.for details.

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
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**16. Other financial statement information (Continued)**

**(b) Investments**

Issuer	Class	Par value	Amount	Cost value	Book value		Principal activity	Information on the issuer					
					12.31.2007	12.31.2006		Date	Latest financial statements				
									Capital stock and capital adjustment	Other Reserves	Retained earnings	Shareholders' equity	% of direct holding
<b>Non-current investments</b>													
Comgas Andina S.A. ....	Common	(a) 1	490	246	1,778	6,181	Gas pipeline services	12.31.07	7	-	3,621	3,628	49.0
Companhia Operadora de Rio Grande do Sul (Note 16.(d) and 3.f) .....	Common	(b) 1	49	0.1	210	131	Gas pipeline services	12.31.07	-	107	321	428	49.0
Impairment of investment .					(210)	(131)							
Total .....				246.1	1,778	6,181							

- a. Chilean Pesos  
b. Brazilian Reais

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and**  
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**16. Other financial statement information (Continued)**

**(c) Short-term investments**

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Mutual funds in foreign currency .....	\$ -	\$ 2,869
Mutual funds in \$ .....	1,202	11,655
Government bonds - Discount bond .....	<u>2,897</u>	<u>2,381</u>
Total .....	\$ <u>4,099</u>	\$ <u>16,905</u>



**TRANSPORTADORA DE GAS DEL NORTE S.A.**

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**16. Other financial statement information (Continued)**

**(d) Allowances and provisions**

	12.31.2007			12.31.2006	
	Balances at the beginning of the year	Net increases	Decreases	Balances at the end of the year	Balances at the end of the year
<b>Deducted from assets</b>					
<b>Current</b>					
Allowance for doubtful accounts.....	8,386	903	-	9,289	8,386
Allowance for disputed amounts and others .....	9,454	31,696	-	41,150	9,454
Allowance for other receivables.....	1,643	1,467	-	3,110	1,643
<b>Subtotal .....</b>	<b>19,483</b>	<b>34,066</b>	<b>-</b>	<b>53,549</b>	<b>19,483</b>
<b>Non Current</b>					
Allowance for disputed tax payments and judicial escrow accounts.....	4,797	2,091	-	6,888	4,797
Allowance for slow-moving and obsolescence .....	44,364	8,897	-	53,261	44,364
Allowance for impairment of COPERG (Note 16.(b) and 3.(f)).....	131	79	-	210	131
<b>Subtotal .....</b>	<b>49,292</b>	<b>11,067</b>	<b>-</b>	<b>60,359</b>	<b>49,292</b>
<b>Total allowances deducted from assets .....</b>	<b>\$ 68,775</b>	<b>45,133</b>	<b>-</b>	<b>113,908</b>	<b>68,775</b>
<b>Included in Liabilities</b>					
<b>Current</b>					
Provision for contingencies.....	65,408	(15,505) (*)	(525)	49,378	65,408
<b>Non Current</b>					
Provision for contingencies.....	27,803	790	-	28,593	27,803
<b>Total provisions included in liabilities .....</b>	<b>93,211</b>	<b>(14,715)</b>	<b>(525)</b>	<b>77,971</b>	<b>93,211</b>
<b>Total as of 12.31.2007 .....</b>	<b>\$ 161,986</b>	<b>30,418</b>	<b>(525)</b>	<b>191,879</b>	<b>-</b>
<b>Total as of 12.31.2006 .....</b>	<b>\$ 138,189</b>	<b>28,149</b>	<b>(4,352)</b>	<b>-</b>	<b>161,986</b>

(\*)Charged to Administrative Expenses - Provision for contingencies (Note 16.f and Note 12.e)) \$ 18.518 income, and to Selling Expenses \$ 86 - Provision for contingencies (Note 16.f)

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
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	12.31.2007			12.31.2006		
	Foreign currency class and amounts	Exchange rate	Amount in Thousands of \$	Foreign currency class and amounts	Amount in Thousands of \$	
<b>Assets</b>						
<b>Current assets</b>						
<b>Cash and banks</b>						
Cash .....	US\$	11	3.109	\$	33	US\$ 4 \$ 12
Banks .....	US\$	18,572	3.109		57,739	US\$ 5,549 16,769
					<u>57,772</u>	<u>16,781</u>
<b>Short-term investments</b>						
Mutual funds in foreign institutions .....	US\$				-	US\$ 949 2,869
Government bonds - Discount bonds .....	US\$	932	3.109		2,897	US\$ 788 2,381
					<u>2,897</u>	<u>5,250</u>
<b>Accounts receivable</b>						
Gas transportation services .....	US\$	19,057	3.109		59,248	US\$ 11,434 34,554
Other services .....	US\$	874	3.109		2,717	US\$ 1,066 3,221
					<u>61,965</u>	<u>37,775</u>
<b>Other receivables</b>						
Prepaid expenses .....					-	US\$ 1,793 5,418
					-	£ 83 506
Guarantee deposits .....					-	US\$ 200 604
Prepaid expenses on behalf of third parties and others .....	R\$	114	1.680		192	R\$ 105 142
	US\$	609	3.109		1,893	US\$ 343 1,037
					<u>2,085</u>	<u>7,707</u>
<b>Total current assets.....</b>				\$	<u><b>124,719</b></u>	\$ <u><b>67,513</b></u>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and**  
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**16. Other financial statement information (Continued)**

**(e) Assets and liabilities in foreign currency (Continued)**

	12.31.2007			12.31.2006		
	Foreign currency class and amounts	Exchange rate	Amount in Thousands of \$	Foreign currency class and amounts	Amount in Thousands of \$	
<b>Non-current assets</b>						
<b>Other receivables</b>						
Guarantee deposits .....	US\$	200	3.109	622		-
				<u>622</u>		<u>-</u>
<b>Investments</b>						
Comgas Andina (Note 16.b) .....	\$ch	276,705	0.0064	1,778	\$ch 1,059,283	6,181
				<u>1,778</u>		<u>6,181</u>
<b>Total non-current assets .....</b>				<b><u>2,400</u></b>	<b>\$</b>	<b><u>6,181</u></b>
<b>Total assets .....</b>				<b><u>127,119</u></b>	<b>\$</b>	<b><u>73,694</u></b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
<b>Accounts payable</b>						
Suppliers .....	US\$	48	3.149	151	US\$ 314 \$	961
	£	53	6.278	335		-
Other related parties .....	US\$	1,977	3.149	6,225		-
				<u>6,711</u>		<u>961</u>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
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**16. Other financial statement information (Continued)**

**(e) Assets and liabilities in foreign currency (Continued)**

	12.31.2007			12.31.2006			
	Foreign currency class and amounts	Exchange rate	Amount in Thousands of \$	Foreign currency class and amounts	Amount in Thousands of \$		
<b>Loans</b>							
Ordinary non-convertible Class A.....	US\$	32,049	3.149	100,923	US\$	30,000	91,860
Creditors not accepting the exchange offer...	US\$	668	3.149	2,105	US\$	594	1,818
				<u>103,028</u>			<u>93,678</u>
<b>Customers' advances</b> .....				-	US\$	49	149
				-			149
<b>Total current liabilities</b> .....				<u>109,739</u>		\$	<u>94,788</u>
<b>Non-current liabilities</b>							
<b>Accounts payable</b>							
Other related parties.....	US\$	49	3.149	153	US\$	-	-
				<u>153</u>			<u>-</u>
<b>Loans</b>							
Ordinary non-convertible Class A.....	US\$	127,010	3.149	399,956	US\$	167,500	512,885
Ordinary non-convertible Class B.....	US\$	203,630	3.149	641,231	US\$	203,630	623,515
				<u>1,041,187</u>			<u>1,136,400</u>
<b>Total non-current liabilities</b> .....				<u>1,041,340</u>		\$	<u>1,136,400</u>
<b>Total liabilities</b> .....				<u>1,151,079</u>		\$	<u>1,231,188</u>

US\$ : United States dollars  
\$ch : Chilean Pesos  
R\$ : Brazilian Reais  
£ : Pounds

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
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**16. Other financial statement information (Continued)**

**(f) Cost of services, administrative and selling expenses**

	Cost of services			Selling expenses			Administrative expenses	Investments in fixed assets	Total At 12.31.2006	
	Total At 12.31.2007	Transportation service	Other services	Total	Transportation service	Others services				Total
Fees for Directory and the Committee of Syndics .....	2,069	-	-	-	-	-	2,069	-	1,071	
Fees for professional services ....	6,871	857	1,575	2,432	52	-	3,959	428	5,463	
Salaries, wages and other personnel benefits .....	55,468	31,661	5,601	37,262	753	-	17,044	409	49,072	
Social security contributions .....	11,364	7,422	980	8,402	180	-	2,782	-	9,402	
Fees for technical operator services .....	15,012	15,012	-	15,012	-	-	-	-	6,201	
Foreing staff residences .....	2,208	2,208	-	2,208	-	-	-	-	1,601	
Consumption of spare parts and materials .....	17,547	13,229	354	13,583	-	-	301	3,663	18,220	
Gas imbalance .....	164	164	-	164	-	-	-	-	2,433	
Third party services and supplies .	4,302	3,488	352	3,840	24	-	438	-	3,594	
Maintenance and repair of fixed assets .....	63,233	33,140	3,608	36,748	14	-	1,434	25,037	66,667	
Travel expenses .....	5,775	3,975	817	4,792	35	-	736	212	5,533	
Freight and transportation .....	2,018	566	53	619	-	-	96	1,303	1,086	
Communications .....	943	484	127	611	20	-	306	6	932	
Insurance .....	6,161	5,228	3	5,231	1	-	929	-	5,717	
Office supplies .....	1,470	545	159	704	11	-	744	11	1,232	
Rentals .....	1,326	779	424	1,203	6	-	40	77	1,196	
Easements .....	6,173	6,173	-	6,173	-	-	-	-	4,423	
Taxes, rates and contributions ....	25,572	432	17	449	15,531	1,746	17,277	-	19,784	
Fixed assets depreciation .....	118,378	116,652	71	116,723	234	-	1,421	-	113,551	
Fixed assets expenses .....	5,315	20	-	20	-	-	-	5,295	4,814	
Allowance for doubtful accounts ...	1,931	-	-	-	1,931	-	1,931	-	4,225	
Provision for contingencies .....	(12,624)	-	-	-	305	-	(12,929)	-	22,580	
Allowance for slow-moving and obsolescence .....	8,897	8,897	-	8,897	-	-	-	-	5,228	
Others .....	1,807	848	20	868	12	-	895	32	1,789	
<b>Total at 12.31.2007 .....</b>	<b>351,380</b>	<b>251,780</b>	<b>14,161</b>	<b>265,941</b>	<b>19,109</b>	<b>1,746</b>	<b>20,855</b>	<b>28,111</b>	<b>36,473</b>	<b>-</b>
<b>Total at 12.31.2006 .....</b>	<b>-</b>	<b>234,278</b>	<b>9,805</b>	<b>244,083</b>	<b>30,489</b>	<b>607</b>	<b>31,096</b>	<b>45,159</b>	<b>35,476</b>	<b>355,814</b>

**TRANSPORTADORA DE GAS DEL NORTE S.A.**  
**Notes to the Financial Statements as of and**  
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**16. Other financial statement information (Continued)**

**(g) Aging of assets and liabilities**

	12.31.2007			
	Short-term investments	Account receivables and other receivables (a)	Debt	Other liabilities (b)
a) Past due				
Until 12.31.2006.....	-	18,906	1,792	-
03.31.2007.....	-	3,797	30	-
06.30.2007.....	-	4,214	30	-
09.30.2007.....	-	6,263	31	-
12.31.2007.....	-	18,328	30	-
b) Without due date .....	4,099	95,113	10,312	11
c) To be due				
03.31.2008.....	-	93,942	-	50,912
06.30.2008.....	-	6,602	50,462	2,884
09.30.2008.....	-	1,357	-	-
12.31.2008.....	-	532	50,462	-
12.31.2009.....	-	92,231	100,923	15,527
12.31.2010.....	-	151	112,137	-
12.31.2011.....	-	-	112,137	-
12.31.2012.....	-	444	715,989	153
<b>Total at 12.31.2007 .....</b>	<b>4,099</b>	<b>341,880</b>	<b>1,154,335</b>	<b>69,487</b>
a) Balances subject to adjustment .....	4,099	4,336	-	-
b) Balances not subject to adjustment ...	-	337,544	1,154,335	69,487
<b>Total at 12.31.2007</b>	<b>4,099</b>	<b>341,880</b>	<b>1,154,335</b>	<b>69,487</b>
a) Interest bearing balances .....	2,254	777	1,144,023	675
b) Non -interest bearing balances .....	1,845	341,103	10,312	68,812
<b>Total at 12.31.2007 .....</b>	<b>4,099</b>	<b>341,880</b>	<b>1,154,335</b>	<b>69,487</b>

(a) Excludes allowances.

(b) Excludes debt and contingencies.

## Report of Independent Auditors

To the Shareholders and Board of Directors of Transportadora de Gas del Norte S.A.:

We have audited the accompanying balance sheets of Transportadora de Gas del Norte S.A. as of December 31, 2007 and 2006, and the related statements of operations, of changes in shareholders equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The changes introduced by the Argentine Government to the rules and regulations of the energy sector regime and the energy supply-and-demand crisis have materially affected the Company's business. In addition, the Argentine Government is in the process of renegotiating the terms of the contracts with the Company regarding rates and investment commitments. The Company cannot give assurance that these transactions will be completed on terms that are acceptable to it or at all.

As discussed in Note 1.(c), the Public Emergency Law authorizes the Argentine Government to renegotiate the contracts and rates with the privatized companies, including gas transportation companies. Taking into account that there can be no assurance as to the outcome of these renegotiations, there is uncertainty as to the future net cash inflows sufficient to recover the net book value of non-current assets aggregating \$2,412 million.

In our opinion, subject to the outcome of the renegotiations as discussed in the third and fourth preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Transportadora de Gas del Norte S.A. at December 31, 2007 and 2006, and the results of its operations, changes in shareholders' equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in Argentina.

As part of our examination, we have read the Summary of Activities, on which, as regards those matters that are within our competence, we have no observations to make other than those mentioned in third and fourth preceding paragraphs of this report;

Autonomous City of Buenos Aires, March 4, 2008

PRICE WATERHOUSE & Co. S.R.L.

By \_\_\_\_\_ (Partner)

Daniel A. López Lado