Transportadora de Gas del Interior S.A. E.S.P. - TGI S.A. E.S.P. and its Subsidiary

Financial Statements as of December 31, 2007 and for the Period from February 16, 2007 (date of incorporation) to December 31, 2007 and Independent Auditors' Report

Independent Auditors' Report

To the Shareholders of
Transportadora de Gas del Interior S.A. E.S.P. - TGI S.A. E.S.P.:

We have audited the accompanying consolidated balance sheet of TRANSPORTADORA DE GAS DEL INTERIOR S.A. E.S.P. AND ITS SUBSIDIARY (the "Companies") as of December 31, 2007, and the related consolidated statements of income, changes in shareholders' equity, changes in financial position and cash flows for the period from February 16, 2007 (date of incorporation) to December 31, 2007, (all expressed in millions of Colombian pesos). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Colombia. 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 audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Companies as of December 31, 2007, and the results of their operations, the changes in their financial position and their cash flows for the period from February 16, 2007 (date of incorporation) to December 31, 2007, in conformity with accounting principles generally accepted in Colombia.

Our audit also comprehended the translation of the Colombian peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. The translation of the financial statement amounts into U.S. dollars and the translation of the financial statements into English have been made solely for the convenience of the readers in the United States of America.

Deloitte & Touche Ltda.
February 18, 2008
Bogotá, Colombia

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Operations - Transportadora de Gas del Interior S.A. E.S.P. - TGI S.A. E.S.P. or TGI, is a stock corporation (*sociedad anónima*) organized as a public services company (*empresa de servicios públicos*) under the laws of Colombia and dedicated to the transportation of natural gas. TGI was formed on February 16, 2007 to acquire substantially all the natural gas transportation assets, contracts and rights of Empresa Colombiana de Gas E.S.P. or Ecogas, and the assumption by the acquirer of such assets, contracts and rights of all related liabilities under such contracts (subject to certain specified exceptions) that first arise after the consummation of such disposition and the liabilities of Ecogas relating to ongoing legal proceedings with respect to rights of way, and of the employment arrangements related to 67 employees of Ecogas, or the Ecogas Business, in accordance with a program implemented by the Colombian government for the disposition of the Ecogas Business, or the Ecogas Disposition Program. On March 2, 2007, TGI consummated the acquisition of the Ecogas Business for a purchase price of Col$3.25 trillion (approximately U.S.$1.48 billion). As part of the Ecogas Business, TGI acquired the TGI pipeline system, which consists of (i) six natural gas pipelines and several branches, which are either owned and operated by TGI or owned by TGI and operated by independent contractors pursuant to operation and maintenance contracts originally entered into with Ecogas and transferred to TGI as part of the Ecogas Disposition Program, and (ii) three natural gas pipelines, which are owned, operated and maintained by third parties and made available to TGI under certain build, operate, maintain and transfer contracts, or BOMT contracts, or under the Transfer Agreement *(Contrato de Enejenación de los Activos y Cesión de los Derechos y Contratos de Ecogas).*

TGI is a 97.91% owned subsidiary of Empresa de Energía de Bogotá S.A. E.S.P., or EEB, a Colombian stock corporation *(sociedad anónima)* organized as a public services company *(empresa de servicios públicos)* under the laws of Colombia. Directly and through its subsidiaries, affiliated companies and investees, EEB engages in the business of electricity generation, transmission and distribution and in the business of natural gas transportation and distribution. EEB is controlled by the government of the District of Bogotá, Colombia.

Summary of Significant Accounting Policies and Practices - TGI's financial statements have been prepared on the basis of accounting principles generally accepted in Colombia, or Colombian GAAP. For the convenience of readers outside Colombia, the financial statements have been translated into English, certain reclassifications have been made and certain clarifying account descriptions have been included.

Certain accounting practices applied by TGI that conform with Colombian GAAP do not conform with generally accepted accounting principles adopted in the United States, or U.S. GAAP.

The consolidated financial statements as of December 31, 2007 include the financial statements of TGI and its subsidiary TGI International Ltd. TGI International Ltd. was incorporated as an affiliate in the Cayman Islands to serve as an investment vehicle.

The Company's financial statements are prepared pursuant to standards set forth in the Accounting Manual for Domiciliary Public Services Providers (*Plan de Contabilidad para Entes Prestadores de Servicios Públicos Domiciliarios*), established by the Superintendency of Domiciliary Public Services (*Superintendencia de Servicios Públicos Domiciliarios*), which conform to Colombian GAAP. The more significant accounting policies and practices followed by TGI are summarized below:

a. *Consolidation* – The consolidated financial statements include the accounts of TGI and all majority owned subsidiaries in which TGI has control. The Company's investments in other non-controlled entities are carried at their historical cost. In July 2007, TGI purchased 100% of TGI International Ltd.

   Selected information from the separate balance sheets and income statements of TGI and its subsidiary TGI International Ltd. as of and for the year ended December 31, 2007 are as follows:

	TGI	**TGI International Ltd.**
Balance sheets		
Total assets	$ 3,421,790	$ 1,546,561
Total liabilities	2,357,097	1,546,559
Shareholders' Equity	1,064,693	2
Income statements		
Operating revenues	352,433	-
Net income	289,990	-

b. *Foreign currency transactions* - Foreign currency transactions and balances denominated in currencies other than the Colombian peso are translated into Colombian pesos at the representative exchange rate (*Tasa Representativa del Mercado)* as certified by the Colombian Financial Superintendency (*Superintendencia Financiera de Colombia*). The exchange gains and losses on accounts payable and liabilities denominated in foreign currency, resulting from the acquisition of inventories and property, plant and equipment, are capitalized until the acquired asset is in condition to be used or sold. All other exchange gains and losses are included in the current period results. The official exchange rate used to adjust foreign currency assets and liabilities was:

		Per US$1.00
December 31, 2007	Col	$ 2,014.76

c. *Temporary investments* – Temporary investments are initially recorded at cost and subsequently valued at market price. Profits and losses on valuation at market prices are recorded within the current period results.

d. *Permanent investments* – All investments made in shares of non-controlled companies are recorded at their acquisition cost and those made in controlled companies are consolidated. Foreign-currency investments are translated into Colombian pesos at closing rates and the result thereof is compared to the intrinsic value. For investments made in controlled and non-controlled companies, any excess amount from the market value or the intrinsic value over the cost adjusted at the end of the period, is recorded as "Revaluation of assets", and credited to the equity account "Surplus from revaluation of assets". If at the year's closing its market value or its intrinsic value is lower than the cost adjusted, once the appraisal surplus is exhausted, any deficit is recognized through provisions credited to results of the period.

e. *Allowance for doubtful accounts* - TGI determines the allowance on the basis of the aging and individual analyses of the creditworthiness of its customers.

f. *Inventories* - Inventories primarily consist of parts valued at their corresponding acquisition cost. The carrying values shown do not exceed their estimated net realizable values and are charged to income on the basis of weighted average cost.

g. *Property, plant and equipment, net* - Property, plant and equipment are valued at net replacement cost as determined by technical appraisal made at the date of the acquisition of the assets. Depreciation is computed applying the straight-line method over the estimated useful life. Annual depreciation rates applied are as follows:

Asset	Annual depreciation rate
Gas pipelines	1.96%
Compression stations, plants and ducts	4.03%
Communication equipment	10.00%
Computer equipment	20.00%
Buildings	4.28%
Machinery and equipment	10.00%
Furniture, fixtures and office equipment	10.00%
Transportation equipment	20.00%
Other equipment	10.00%

h. *Other assets*

Intangible assets beyond BOMT contracts - Corresponds to the net replacement cost of the construction portion of every pipeline asset built pursuant to a BOMT Contract estimated by a technical appraisal. These costs are amortized through the straight-line method over the remaining estimated life of the pipelines, as follows:

BOMT Contract	**Annual depreciation rate**	**Period**
Centragas BOMT Contract (Ballena – Barrancabermeja Pipeline)	1.85%	54 years
Transgas BOMT Contract (Mariquita – Cali Pipeline)	1.81%	55 years
GBS BOMT Contract (Boyacá and Santander Pipeline)	1.72%	58 years

Goodwill **–** Goodwill corresponds to the difference between the amount paid by TGI and the net fair value of the assets, rights and contracts acquired. They are amortized through the straight-line method using an estimated life of 65 years.

Prepaid O&M expenses under BOMT Contracts - These correspond to payments made in advance covering operating and maintenance costs of gas pipelines according to the BOMT Contracts; such costs are amortized through the straight-line method during the remaining lives of BOMT Contracts, as follows:

BOMT Contract	**Annual depreciation rate**	**Period**
Centragas BOMT Contract (Ballena – Barrancabermeja Pipeline)	26.31%	3.8 years
Transgas BOMT Contract (Mariquita – Cali Pipeline)	9.61%	10.4 years
GBS BOMT Contract (Boyacá and Santander Pipeline)	38.46%	2.6 years

Preoperating expenses - These correspond to the amounts paid for incorporation expenses, commissions, fees and legal expenses incurred to structure the process of acquisition of the Ecogas Business and subsequent incorporation of TGI. Preoperating expenses are amortized using the straight-line method over a period of five years.

Rights of way - Correspond to the net book value that Ecogas had recorded at the time of disposal of the assets, rights and contracts. Rights of way are amortized using the straight-line method based on an estimated useful life of 65 years.

Software and licenses - Correspond to the costs incurred in the purchase of computer software and licenses, which are amortized using the straight-line method over a period of five years.

i. *Income tax provision* **–** TGI determines the current provision for income taxes based upon the taxable income estimated pursuant to the Colombian tax Law. The effect of temporary differences that implies the payment of a lower or greater tax in the current year, calculated at current rates, is recorded as deferred tax asset or liability, as applicable, provided that there is reasonable expectation that those differences will reverse in the foreseeable future.

j. *Labor obligations* – Correspond to TGI's obligations for mandatory and voluntary fringe benefits under applicable labor agreements, as well as employee severance, interest on severance, bonuses, vacation accruals and contributions for social security. These obligations are recorded on an accrual basis.

k. *Collections on behalf of third parties* – Correspond to the obligations resulting from collection of taxes, contributions and other items in favor of public entities, based on legal regulations. Mainly include the transportation tax, industries contribution and development quota.

l. *Memorandum accounts* – Include contingent rights and obligations, as well as control and tax accounts.

m. *Revenue recognition* – Revenues from the sales of gas transportation services are recorded based on output delivery and capacity provided at rates as specified under contract terms. Sales revenues include unbilled sales of transportation services for which services have been provided, but have not been billed at period-end. These amounts are included in current assets, as accounts receivable.

n. *Statements of cash flows* – Statements of cash flows were prepared using the indirect method, which includes the reconciliation of annual net income or loss to net cash provided by operating activities.

o. *Cash equivalents* – For purposes of presentation in the statement of cash flows, the Company classifies current temporary investments within cash equivalents.

p. *Convenience translation to U.S. dollars* - The U.S. dollar amounts presented in the accompanying financial statements have been translated from the Colombian peso solely for the convenience of the readers at the exchange rate of Col$2,014.76 per U.S. dollar as of December 31, 2007. Such translations should not be construed as representations that the Colombian peso amounts represent or have been or could be converted into U.S. dollars at that rate or any other rate.

q. *Use of estimates* – The preparation of financial statements in conformity with Colombian GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

2. CASH AND CASH EQUIVALENTS

		As of December 31, 2007
Banks	Col$	20,528
Temporary investments – Term deposit certificates		83,013
	Col$	103,541

3. ACCOUNTS RECEIVABLE

		As of December 31, 2007
Customers	Col$	32,095
Advances		7,715
Deposits		6,463
Other debtors		2,071
Related parties (See Note 8)		205
	Col$	48,549

4. PROPERTY, PLANT AND EQUIPMENT, NET

		As of December 31, 2007
Depreciable:		
Gas pipelines	Col$	831,167
Compression stations, plants and ducts		133,123
Buildings		5,749
Machinery and equipment		1,374
Communication and computer equipment		1,569
Furniture, fixtures and office equipment		243
Transportation equipment		134
Other equipment		2
Total depreciable		973,361
Less - Accumulated depreciation		(19,232)
		954,129
Non-depreciable:		
Land		3,206
Constructions in process		5,142
Unexploited property, plant and equipment		114
Equipment and materials in the warehouse		1,399
Movable assets in the warehouse		239
		10,100
	Col$	964,229

5. OTHER ASSETS, NET

		As of December 31, 2007
Intangible assets beyond BOMT Contracts	Col$	1,840,738
Goodwill		305,839
Prepaid O&M expenses under BOMT contracts		136,845
Preoperating expenses		16,641
Insurance		2,293
Rights of way		1,336
Software and licenses		951
Deferred tax		887
Others		4
		2,305,534
Less – Accumulated amortization		(31,999)
		2,273,535
Less – Prepaid expenses – short term		(28,841)
	Col$	2,244,694

6. FINANCIAL OBLIGATIONS

	Interest Rate	Expiration Date		As of December 31, 2007
Senior notes	9.50%	3/10/2017	Col$	1,511,070
Related companies	8.75%	10/10/2017		745,461
Interest:				
Senior notes				35,489
Related parties (See Note 8)				10,270
				2,302,290
Less – Current portion				(45,759)
			Col$	2,256,531

The debt denominated in foreign currency as of December 31, 2007 was US$750 million corresponding to the senior notes and US$370 million corresponding to the related companies.

Covenants **–** TGI in its capacity as guarantor of the issuance of bonds made by TGI International Ltd. and under the provisions of the Issue Indenture acquired the following covenants:

- TGI’s net debt to EBITDA ratio must not exceed 4.8:1.0.
- TGI’s EBITDA to interest expense ratio must be lower than 1.7:1.0.

In the event that any of the previous commitments is not fulfilled, the Company and its subsidiary TGI International Ltd, would have the following limitations:

- TGI must not create, incur, assume or allow the existence of any lien on any property or asset, profit or income (including accounts receivable) or rights with respect to any of such.
- TGI must not merge or consolidate with any other corporation. From this event is excluded the possible merger of TGI with Transcogas.
- TGI must not engage in any business other than the business of gas transportation and the activities or business related to it.
- TGI must not create or acquire any subsidiary, or make any investment in another corporation, except related investments in the ordinary course of business.
- TGI must not dispose of any assets, except:
  - sales of inventories, damaged, obsolete, used, nonproductive or surplus assets, waste and investments in the ordinary course of business; and
  - other disposals for consideration that does not exceed, individually or jointly U.S.$30 million (or its equivalent in other currencies) per year.
- TGI must not incur any debt and must not guarantee any obligation in favor of a third party.

Additionally to the foregoing, TGI and its subsidiaries must not make any changes in the accounting treatment and practices of financial reports or in the treatment of taxes, except as required or permitted by Colombian GAAP, consistently applied during the period.

7. ACCOUNTS PAYABLE

		As of December 31, 2007
Domestic suppliers	Col$	817
Miscellaneous creditors		675
Taxes		5,335
Advances		1,355
Related parties (see Note 8)		3,761
Others		376
	Col$	12,319

8. RELATED PARTIES

		As of December 31, 2007
Empresa de Energía de Bogotá S.A. E.S.P.		
Assets:		
Accounts receivable (See note 3)	Col$	205
Liabilities:		
Financial obligations – Long term (see Note 6)		745,461
Interest (see Note 6)		10,270
Accounts payable (see Note 7)		3,761
	Col$	759,492

The effect on operations of the transactions with related parties is as follows:

		For the 318-day period ended December 31, 2007
Empresa de Energía de Bogotá S.A. E.S.P.		
Revenues:		
Recoveries of expenses	Col$	205
Costs and expenses:		
Interest	Col$	36,083
Fees		3,761
	Col$	39,844

9. TAXES

Income tax - The Company is subject to income tax at a rate of 34%. As of December 31, 2007 the Company has determined a tax loss carryforward amounting to Col$143,005 which can be used to absorb future taxable income.

Pursuant to Article 191 of the Tax Statute, the Domiciliary Public Utility Companies are not subject to presumptive (minimum taxable) income.

The detail of the provision for income tax is as follows:

		For the 318-day period ended December 31, 2007
Current tax	Col$	-
Deferred tax		21,433
	Col$	21,433

Reconciliation from Book to Taxable Income:

		For the 318-day period ended December 31, 2007
Income before income tax	Col$	311,423
Plus:		
Use of deductible provisions		3,742
Non-deductible expenses		7,587
Less:		
Fiscal benefits for the purchase of productive fixed assets		(365,100)
Higher value of tax depreciation and amortization		(69,157)
Taxes paid		(1,500)
Tax losses	Col$	(113,005)

Reconciliation from Book to Tax Equity:

		As of December 31, 2007
Book equity	Col$	1,064,693
Items that increase tax equity:		
Estimated liabilities and provisions		606
Deferred tax – credit		22,320
Items that decrease tax equity:		
Deferred tax – debit		(887)
Tax equity	Col$	1,086,732

Tax Reform – Law 1111 of December 27, 2006 – Below is a summary of the most significant modifications to the Colombian tax regime for years 2007 and thereafter:

- The income tax rate was reduced to 34% for year 2007 and to 33% for year 2008 and thereafter.
- Remittance taxes applicable to branches of foreign corporations and income tax on profits applicable to foreign investors were eliminated.

- Inflation adjustments for tax purposes are eliminated.
- The equity tax with a rate of 1.2% is extended through 2010.
- The deduction for acquisition of real productive fixed assets is permanently increased to 40%.
- The deduction of industry and commerce tax and property taxes is increased from 80% to 100%.
- The deduction of 25% of the levy on financial transactions is permitted.

10. COLLECTIONS ON BEHALF OF THIRD PARTIES

		As of December 31, 2007
Development quota	Col$	2,220
Transportation tax		5,163
Industries contribution		6
	Col$	7,389

Development quota – Corresponds to 3.0% of the rate that TGI collected from customers for the gas effectively transported in accordance to the Law 401 of 1997. Development quota is transferred to the Ministry of Mines and Energy.

Transportation tax **–** By delegation of the Ministry of Mines and Energy, quarterly basis consignors are billed for the transportation tax established by the code of petroleum, Decree No. 1056 of 1953 and based upon resolutions issued by the Ministry, payments are made to the municipalities through which the gas pipelines run, based upon the gas quantity transported.

Industries contribution – Contribution collected from the industry according to the provisions of Law 143 of 1994.

11. PROVISIONS

		As of December 31, 2007
Provisions for contingencies	Col$	606
Other provisions		726
		1,332
Less – Current portion		(726)
	Col$	606

Contingencies – As of December 31, 2007, the value of the claims of the Company that corresponds to civil and arbitrations lawsuits amount to Col$7,779 million and others for undetermined amounts. Based upon the evaluation of the likelihood of success in the defense of these cases, the Company has provisioned Col$606 million as of December 31, 2007 to cover for the probable losses for these contingencies.

The Company's management estimates that the results of the litigation corresponding to the non-provisioned portion shall be favorable to the Company's interests and will not accrue significant liabilities that have to be recorded or that, if there are any, they will not significantly affect the Company's financial position.

12. OTHER LIABILITIES

	As of December 31, 2007	
Deferred tax	Col$	22,320
Accruals BOMT contracts (1)		11,076
	Col$	33,396

(1) Correspond to the accrual of the obligation to acquire the pipelines upon expiration of the BOMT contracts, as follows: (i) U.S.$2.76 million (Col$5.56 billion) for Transgas de Occidente S.A. (ii) U.S.$0.54 million (Col$1.09 billion) for Boyaca and Santander and (iii) U.S.$2.20 million (Col$4.42 billion) for Centragas S.A.

13. SHAREHOLDERS' EQUITY

Capital – The authorized capital stock of TGI is 75,000,000 common shares with a face value of 10,000 pesos each, all of which were subscribed and paid as of December 31, 2007, distributed as follows:

	Number of Shares	Percentage of authorized capital
Empresa de Energía de Bogotá S.A. E.S.P.	73,435,860	97.91
Solidarity sector	1,510,603	2.02
Other	53,537	0.07
	75,000,000	100.00

Additional Paid–in Capital - Corresponds to the premium on the placement of shares.

14. MEMORANDUM ACCOUNTS

		As of December 31, 2007
Credit memorandum accounts:		
Guarantees granted	Col$	1,511,070
Contingencies		7,779
	Col$	1,518,849

15. OPERATION AND MAINTENANCE

		For the 318-day period ended December 31, 2007
Personnel services	Col$	3,882
General costs		1,524
Operation and maintenance		39,907
Insurance		3,693
Leases		209
Other operating costs		636
	Col$	49,851

16. OPERATING AND ADMINISTRATIVE EXPENSES

		For the 318-day period ended December 31, 2007
Personnel and general services:		
Personnel services	Col$	2,577
Imputed contributions		125
Effective contributions		410
Payroll contributions		65
Fees		7,554
Organization and start-up expenses		3,328
Studies and project		275
Public utilities		208
Advertising		56
Subscriptions and affiliations		113
Insurance		579
Surveillance and security		211
Taxes		4,673
Maintenance, materials and supplies		272

	For the 318-day period ended December 31, 2007	
Legal expenses		136
Other general expenses		310
		20,892
Provisions, depreciation and amortization		
Provisions		606
Depreciation		231
Amortization		4,052
		4,889
	Col$	25,781

17. NON-OPERATING INCOME

	For the 318-day period ended December 31, 2007	
Exchange gains	Col$	269,304
Financial interest		3,742
Recoveries		3,345
Gain on sale of property		16
Other income		371
	Col$	276,778

18. NON-OPERATING EXPENSES

	For the 318-day period ended December 31, 2007	
Exchange losses	Col$	1,279
Interest		156,198
Commissions		16,079
Bank expenses		336
	Col$	173,892