TRANSPORTADORA DE GAS DEL NORTE S.A.

Financial Statements as of year ended December 31, 2006, presented in comparative form

TRANSPORTADORA DE GAS DEL NORTE S.A.
Index to the Financial Statements

To the Shareholders:

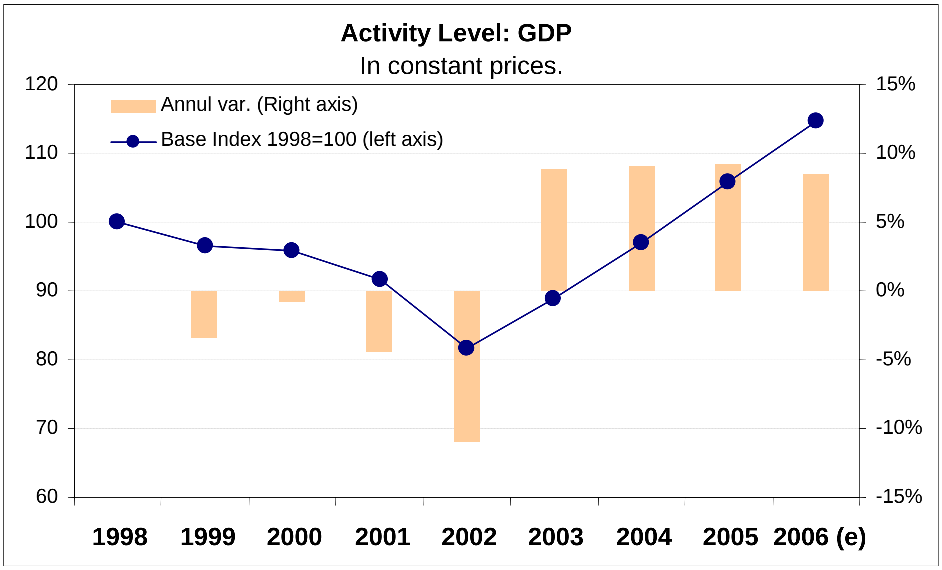
In compliance with legal and statutory requirements, the Board of Directors of Transportadora de Gas del Norte S.A. (''TGN'' or ''the Company'') submits to the consideration of the shareholders' meeting this annual report, balance sheet, statements of operations, of changes in shareholders equity and cash flows, notes and exhibits corresponding to the fiscal years ended December 31, 2006 and 2005.

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

ANNUAL REPORT FOR TRANSPORTADORA DE GAS DEL NORTE (1) S.A. AS OF DECEMBER 31, 2005

✓ MACROECONOMIC CONTEXT

For the fourth year in succession, during 2006 the Argentine economy recorded a high rate of GDP growth, estimated at over 8% for the year. Although all sectors posted positive variations, those showing the greatest dynamism during 2006 were manufacturing industry, construction, communications and financial intermediation.



The international context continued to be favourable to the region. Despite signs of a slowdown in the United States, the global economy continued to show firm and more balanced growth, with notable dynamism in Europe, Japan and some emerging countries (such as China, India and Russia).

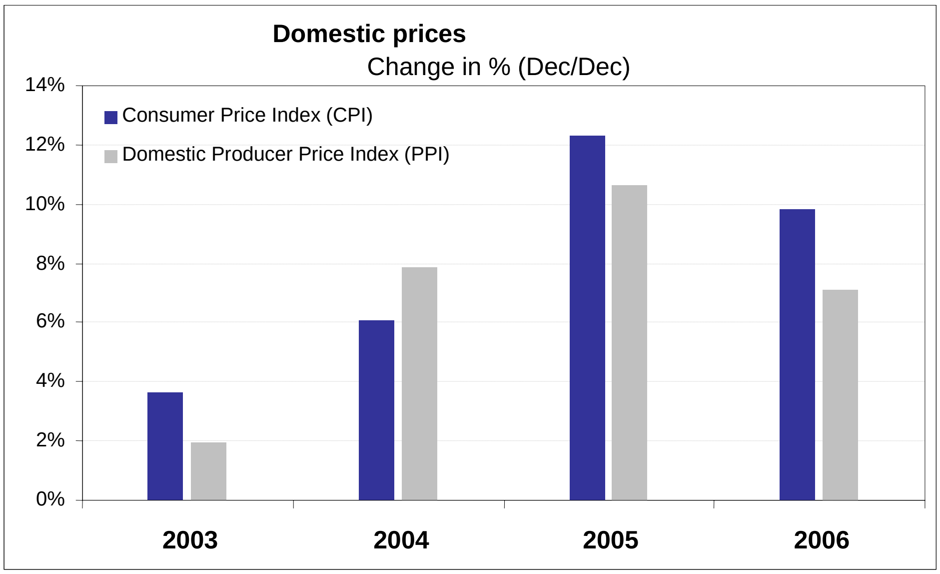
In addition, prices for the main commodities remained at historically high levels, benefiting local exports, which reached record totals in 2006. As a result, despite an even faster rate of growth by imports, the trade surplus continued to be the main source of hard currency on the exchange market.

In this context, the Central Bank continued with its policy for the accumulation of international reserves and support for a high exchange rate, consisting in purchasing surplus dollars on the exchange market, leading to a recovery in reserves to levels recorded prior to the settlement of the debt with the International Monetary Fund (IMF) that took place on January 3, 2006. The growth in money supply caused by the purchase of foreign currency by the Central Bank was partially offset by the placing of Central Bank bills, the early settlement of rediscounts and changes in compulsory reserve requirements. The exchange rate remained within a range of 3.05 to 3.12 AR$ /USD, demonstrating moderate volatility.

In the case of fiscal accounts, tax revenues had another good year, allowing the Government to post a primary surplus of over 3% of GDP, despite the increase seen in primary spending.

Increased levels of economic activity made it possible to continue with the improvement in the main labour and social indicators such as the poverty, indigence and unemployment indexes. Nevertheless, they are still a long way from levels considered acceptable in international terms.

In addition, although the government has directed its efforts at containing inflation levels by means of sectoral agreements, the general retail price index again recorded a significant increase in 2006. Retail prices increased 9.8% (Dec to Dec), and as in the previous year, there were greater increases in services than in goods.



Inflation expectations had an impact on wage demands, which became widespread in all sectors of the economy. The Government attempted to ensure wage increases were in excess of inflation.

In this context, company costs increased, with a particular impact on those sectors that were unable to pass on the increase to their prices either because they were regulated or because of the competitiveness of their market.

Despite the improvement in most economic indicators, the threat imposed by the limitations on installed capacity in certain sectors, mainly those energy -related, highlight the need to adopt measures to promote the investment needed to provide the current process of economic growth with continuity.

Another matter still unresolved is the situation of the creditors who did not accept the government's debt restructuring conditions at the beginning of 2005, representing 24% of the total debt in default prior to the restructuring.

On the international front, the main risks facing the Argentine economy are related to the evolution of international interest rates and terms of trade, especially in the event of a disorderly correction of global imbalances and/or increases in trade protectionism.

Lastly, renegotiation of public utility contracts is still pending. Given the persisten impact from high inflation on costs, a solution to this matter will be essential to the future of the Company.

✓ THE GAS INDUSTRY IN ARGENTINA

Natural gas continued to be the main source of energy in Argentina, maintaining the levels seen in the previous year.

Demand for primary energy by source (2005) [%]

	Oil	Natural gas	Coal	Nuclear	Hydro
USA	40.4	24.4	24.6	8.0	2.6
Canada	31.5	25.9	10.2	6.6	25.7
Mexico	59.6	30.3	4.1	1.6	4.3
Total North America	**40.4**	**24.9**	**21.9**	**7.5**	**5.3**
Argentina	30.1	54.6	1.2	2.4	11.8
Brazil	43.0	9.4	6.9	1.1	39.6
Chile	44.1	25.2	8.9	-	21.9
Colombia	37.4	21.9	8.3	-	32.4
Ecuador	78.6	2.4	-	-	20.2
Peru	50.0	10.9	4.7	-	33.6
Venezuela	36.7	37.7	0.1	-	25.4
Other countries of S and C America	61.9	17.3	1.5	-	19.3
Total S. & Cent. America	44.5	22.3	4.2	0.7	28.3

Source: BP Statistical Review of World Energy

During 2006 gas consumption in Argentina rose 5.17% compared with 2005.
The industrial segment posted an increase of 13.2%, this sector being the main beneficiary of the carrying capacity built in 2005.

On the other hand, residential consumption of natural gas dropped slightly compared with 2005, reversing the growth trend seen since 2003.

Gas consumption – Millions of m^3/day

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Residential	16.2	16.3	16.4	16.6	16.5	16.8	18.7	19.8	19.2	19.1	19.8	20.1	21.5	21.3
Commercial	2.4	2.4	2.6	2.5	2.7	2.6	2.8	2.9	2.8	2.7	2.8	3.0	3.1	3.0
Industrial	21.2	24.1	25.2	25.5	26.7	27.1	26.8	27.2	26.5	26.8	29.3	30.4	31.0	35.1
Power stations	16.3	15.7	19.6	23.8	23.6	23.4	29.3	29.8	24.4	21.3	24.0	28.1	29.4	30.8
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
Others	1.6	1.0	0.6	0.7	0.7	0.8	0.9	0.9	1.0	1.0	1.1	1.0	1.1	1.0
Total	**59.8**	**62.1**	**67.2**	**72.1**	**73.7**	**74.6**	**82.6**	**85.2**	**78.9**	**76.5**	**84.2**	**91.0**	**94.7**	**99.6**
Index	100.0	103.8	112.4	120.6	123.3	124.8	138.1	142.6	132.0	128.0	140.8	152.2	158.5	166.6

Source: ENARGAS

There was also a change in the trend in relation to GNC consumption, which for the first time has experienced a slight decline in consumption levels from 2005.

The electricity generating sector consumed volumes of natural gas similar to those of 2005. Although the global demand for such energy increased by 6% in 2006, there was an increase in the share accounted for by hydroelectric generation as a result of the increased availability of water, and a greater use of liquid fuels.

Demand from the residential and commercial sector increased slightly (2%) compared with the previous year. The winter of 2006 was temperate, and slightly less rigorous than in the winter of 2005.

Since the privatization of public natural gas services at the end of 1992 there has been an accumulated growth of 63% in domestic consumption, with a notable rise of 307% in the demand for gas in the form of GNC and 61% in demand from industrial customers. Power stations recorded a significant increase of 78%. This was caused by the rise in electricity consumption over the period.

In 2006 annual natural gas production totaled 51.5 billion cubic meters, with 57% coming from the Neuquina Basin, 14% from the Noroeste Basin, 9% from the Golfo San Jorge Basin and 20% from the Austral Basin .

Proven natural gas reserves in Argentina at 31/12/2005 totalled 428 MMMm3 (15 TCF), with a drop of 20% compared with the previous year. The proven reserves horizon has fallen from 10.2 years in December 2004 to 8.3 years in 2005.

The drop in proven reserves, in addition to reflecting the maturity of certain of its basins, is directly related to two matters: growth in demand, accentuated by control of prices within the chain of supply (including a freeze on transport and distribution rates), with a consequent widening of the gap with the price of alternative fuels, and low investment, needed to replace such reserves.

NATURAL GAS- Reserves and production at December 2005 [Millions of cubic meters]

Basin	Proven Reserves	Probable Reserves	Proven plus +50% Probable	Production	Horizon in Years [Proven reserves/Production] Years
Austral	123,262	85,998	166,261	9,652	12.8
Golfo San Jorge	34,925	8,211	39,030	4,290	8.1
Neuquina	197,440	76,205	235,542	30,204	6.5
Noroeste	72,735	34,944	90,207	7,107	10.2
TOTAL ARGENTINA	**428,362**	**205,357**	**531,041**	**51,253**	**8.4**

Source:Energy Secretariat

In the last two years, the Argentine Government has signed agreements for the import of natural gas from Bolivia, for an amount in 2005 equivalent to 4% of the total volume injected to the transport system, and 4.5% in 2006. To some extent these volumes helped to contain the decline in domestic supply.

✓ REGULATORY ASPECTOS

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

In January 2002 the Law on Public Emergency and Reform of the Exchange Rate System (Law 25,561 -“LEP”) unilaterally modified the amount of the consideration of the License Contracts entered into in 1992 between the State and the Licensees providing gas transport and distribution services within the legal framework established by Law 24076.

The Executive then issued Decree 293/2002 charging the Ministry of Economy with the re-negotiation of contracts. The original date set for conclusion of the process, for which rules and work plans were established, was June 2002. This deadline was extended several times, without any progress being achieved in the negotiations.

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

In July 2003, the Kirchner Administration took the decision to replace the Renegotiation Committee created by Decree 293/02 by a Unit for the Renegotiation and Analysis of Public Utility Contracts (UNIREN), created by Decree 311/03, within the scope of the Ministries of Economy and Production and Federal Planning, Public Investment and Services. The Unit mission statement includes carrying out contract renegotiation as required by Law 25562, signing agreements subject to the approval of the Executive, submitting regulatory bills in relation to possible tariff increases, and drafting a bill for a General Regulatory Framework.

Furthermore, Law 25,790 has laid down that the decisions adopted by the Executive in the course of the renegotiation process *shall not be limited or conditioned by the stipulations contained in the regulatory frameworks governing the concession or license contracts for the respective public services*. This regulation also establishes that the Executive shall submit proposals for contract renegotiation to Congress, which shall have 60 calendar days during which to issue its comments. At the end of that term, if no pronouncement has taken place, the contract shall be deemed to have been approved. If the proposal is rejected, the Executive shall be required to continue with the renegotiation of the corresponding contract.

In December 2003 the UNIREN published its proposed work schedule, planning to complete renegotiation with the Company in July 2004, leaving the rest of the year 2004 for the process of public and legislative consultation and approval by the Executive. This schedule was not complied with.

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

A public hearing called by the UNIREN took place on May 18, 2005 to consider the unilateral proposal for adjustment to TGN's license drawn up by the UNIREN in July 2004. On November 11, 2005, TGN received a new contract renegotiation proposal drawn up by the UNIREN that although including some of the matters discussed by the two sides, gave rise to a series of observations by the Company. UNIREN informed TGN that the proposal *"represented the limit of the possibilities of the State with the aim of achieving an agreement."* Although this proposal incorporated some of the items that had been discussed, it merited a series of observations by the Company, as for example it omitted any proposal for an interim adjustment and a methodology for undertaking a comprehensive tariff review. In addition, it required TGN to issue a guarantee to the State to cover any possible award against it in litigation or arbitration proceedings brought by third parties as a consequence of the impact of the LEP on the License.

During 2006 the UNIREN submitted a new proposal for an agreement to TGN that included as a new element an interim tariff increase of 10% with a cap of 15% on the average gas price to end users. TGN responded that this proposal maintained the guidelines of the previous proposal submitted in 2005.

At the date of issue of these Financial Statements, no significant progress has been made that would make it possible to consider that an agreement will be signed in the short term. In addition, there is nothing to guarantee that the eventual outcome of the renegotiation will effectively re-establish the equilibrium of the License and provide TGN with fair compensation for the losses suffered as a consequence of the Emergency Law.

In addition, there have been no major developments in the treatment by the legislative branch of the bill on the National Regime for Public Utilities that had been submitted to Congress by the Government in August 2004. This bill modifies and repeals the relevant provisions of the Gas Act and represents an uncertainty factor that could affect the Company, although it is still premature to evaluate the impact it might have on the Company if passed.

Lastly, it should be mentioned that during the course of 2005 the Executive made progress on the introduction of the Electronic Gas Market ("MEG") that had been created by means of Decree 180/04. Resolution 752/05 issued by the Energy Secretariat established the start of operations for the purchase and sale of well-head natural gas by certain users (excluding residential users) through the MEG as from September 1, 2005. Effective May 2005 the MEG started to administer the resale of capacity and services provided by gas distributors.

Until December 31, 2006 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 adverse effect on income relating to the transported gas sold on that market which is translated into lower revenues for approximately $ 12 million per annum.

✓ FINANCIAL SITUATION

After four years of negotiation with its financial creditors, at the end of September the Company completed the voluntary restructuring of its financial debt.

The exchange offer, made public at the beginning of August, achieved an almost unanimous acceptance (99.94%). As a result, the Company was able to sign the out-of court agreement (APE) privately, without the need for court approval.

The agreement consisted of the settlement of the debt subject to restructuring by means of (i) a cash payment of US$ 52.4 million, (ii) delivery of 87.9 million new Class C shares representative of 20% of the Company's capital, to be issued for the capitalization of US$ 68.0 million of financial debt, and (iii) the delivery of ordinary non-convertible Series A Negotiable Obligations for US$ 250 million repayable until 2012 and new non-convertible Series B Negotiable Obligations for US$ 203.6 million, falling due in the same year.

To be able to arrive at this solution, in the months prior to the signing of the agreement the Company was required to settle at a discount certain bilateral financial debts, mainly short term, agree the partial settlement at a discount of certain portions of the holdings of Negotiable Obligations issued under the US$ 320 million Program held by the International Finance Corporation, and introduce changes to the structuring of a portion of its financial debt, so as to make it possible to include the individual vote of each of the creditors in the solution proposed.

As a result, with the normalization of the contractual link with its financial creditors, the Company has concluded a critical stage in its existence.

✓ TGN's BUSINESS ACTIVITY

Since December 1992, Transportadora de Gas del Norte S.A. has been the company carrying natural gas via high-pressure pipelines in the centre and north of Argentina.

Trunk and parallel gas pipelines basically make up two systems consisting of pipelines and sundry surface installations:

Norte System

- 1454 km from Campo Durán, Salta.
- 9 compressor plants along its length (one shared with the Centro Oeste gas pipeline).
- 23.4 million cubic meters per day of injection capacity
- 3568 km of gas pipelines to Greater Buenos Aires.

Centro Oeste System

- 1121 km from Loma de la Lata, Neuquén, to the San Jerónimo compressor plant, Santa Fe.
- 8 compressor plants along its length.
- 34.0 million cubic meters per day of injection capacity
- 2148 km of gas pipelines.

Another branch of the carrying system starts from the San Jerónimo plant and runs for 188 km to the city of Santa Fe, crosses the Río Paraná and ends at Aldea Brasilera, Entre Ríos.

In total, TGN operates a network of its own of 5716 km of gas pipeline, 333,580 HP and 17 compressor plants.

At present, eight of the nine distributors and numerous industries and thermal power stations are TGN customers.

At the end of the year, Firm Contracts held by the Company totalled 54.44 MMm3/d, 22.57 MMm3/d corresponding to the Norte System and 31.87 MMm3/d to the Centro Oeste System.

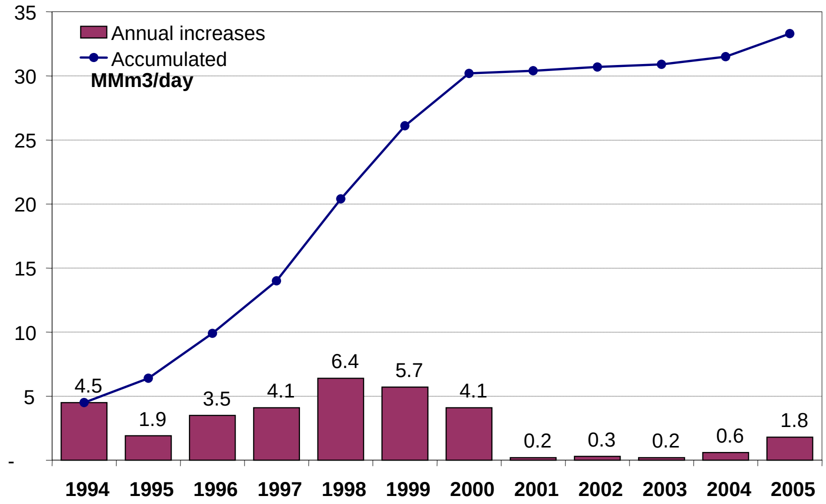
In the context of the current difficulties related to the process of restructuring of its Licence, it is necessary to highlight the role played by the Company in the modernization and improvement of its assets during the year. In 2006 no expansion has been carried out, with work taking place on preparation of upcoming expansion being planned by the National Government making use of the Trust Funds created by Decree 180/04.

	1994 - 1995	***1996 - 1997***	***1998 - 1999***	***2000 - 2001***	***2002 - 2003***	***2004 - 2006***	***Totals***
Gas pipelines: km added	242	504	118	380		310	1,554
Compressors: HP Added	27,840	-	90,800	23,900		33,410	175,950
Increase in capacity in MMm^3/d	6.4	7.6	12.1	4.3	0.5	2.4	33.3

The priority assigned to reinvestment and growth made it possible to overcome winter restrictions on access to natural gas for residential and industrial use in the country's urban centres, and for supply to the generation of electricity increased, ensuring the quality and reliability of the natural gas service to vast sectors of our economy.

Since the start of operations in 1992 TGN has increased its gas carrying capacity by over 141% (31.80 MMm^3/d). This policy has required investments for approximately US$ 1.3 billion, mainly spent on the building of over 1,553 km of pipelines and 5 new compressor plants and the installation of 9 turbo-compressors at exiting plants, adding over 176 thousand HP of installed power.

New Carrying Capacity - Annual and Accumulated [MMm^3/day]



During this year TGN has continued to successfully develop other activities related to the carrying of gas for export, providing operation and maintenance services for the carrying facilities of third parties. The Company does so directly in Argentina, and through related companies in Chile and Brazil.

✓ PRINCIPAL OPERATING ASPECTS

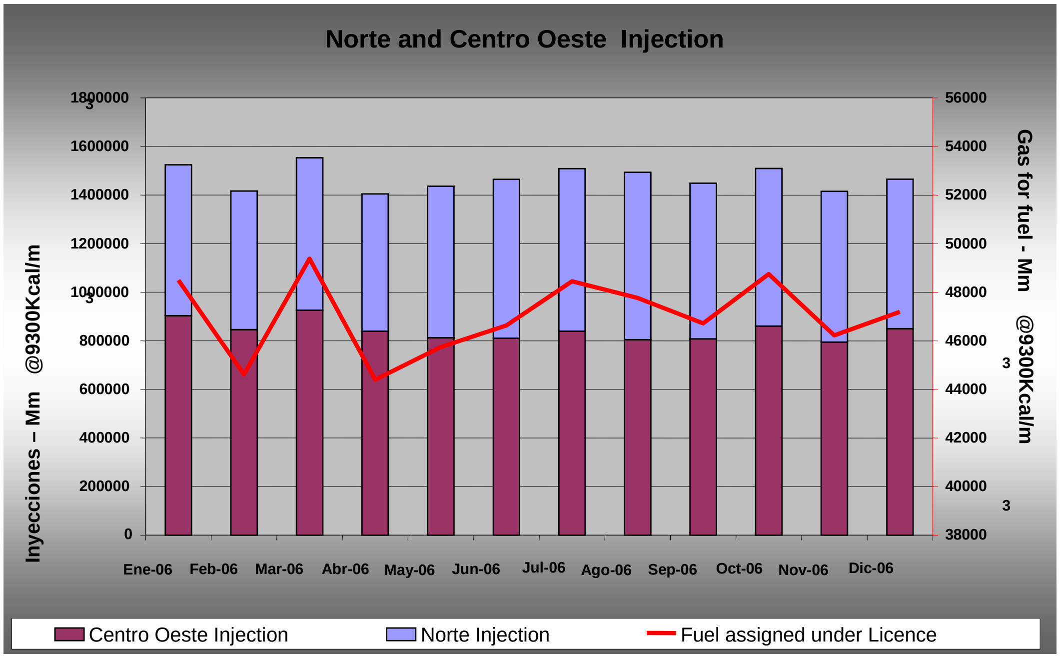
Gas Carrying

During 2006, as in the previous period, the Carrying System again operated under demanding conditions.

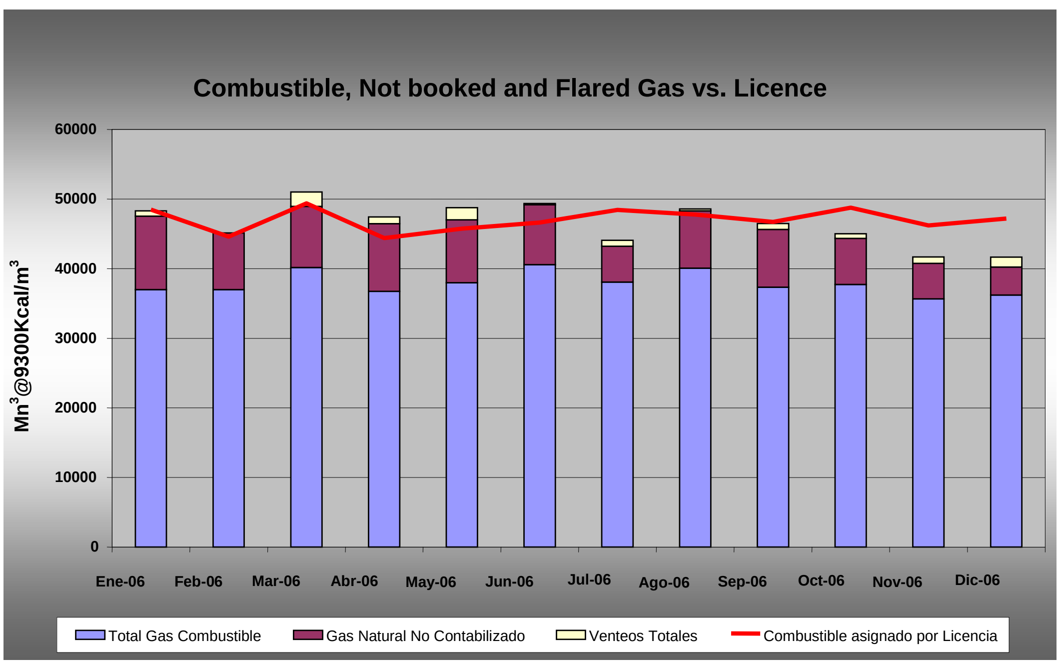
The volume carried for the year totalled 17,968 MM m/3, just 2 % above the value in 2005.

As in 2005, demand for natural gas continued to increase, driven by sustained growth in the country's economic activity and the lag in the price of natural gas compared with the evolution of prices of alternative fuels, in particular those used for thermo-electric generation.

These two factors have a decisive effect in increasing the load factor of the pipelines carrying the gas, which, as in the case of last year, showed utilization percentages similar to those typically achieved in winter periods.



Increased demand, and this increased use of the System, also brought with it an increased requirement for powered by the compressor units, leading to high levels of consumption of combustible gas that in some months exceeded the limit established under the licence and causing the Company to incur in additional costs.



In line with the trend in the previous year, increases in transportation and the use of the System led to considerable complexity in the scheduling and execution of preventive maintenance, reducing the flexibility of an operation that is increasingly close to its limits.

From the point of view of the administration of the operation, mention should be made of the continued policy of regular intervention by the Energy Secretariat. Under the terms of current regulations, this entity once again issued re-directing orders to ensure priority was assigned to the supply of natural gas to the electricity generating sector, affecting the supply of gas to other users with firm transportation service contracts, especially those located abroad. In addition, distributors have also requested greater volumes through the ENARGAS, in the face of the lack of formal contracts with producers to guarantee supplies to uninterruptible users.

The volume carried by TGN in accordance with the various resolutions of the Fuels Under-Secretariat, totaled 568 Mmm3 (data from Res. 208). Gas cuts as a result of the re-directing of supplies and export quotas reached 249 Mmm3, (data from Res. 659).

During this period a situation arose that placed the safety of the system and the continuity of the public services at serious risk. On November 15, 2006 a conflict broke out with the oil industry personnel union that led to the worst gas supply crisis recorded to date. During operations on that date the drop in injection from the Neuquina Basin was in excess of 50 Mm m3. Effective coordination between key players in the industry through the emergency committee convened for the occasion prevented an energy collapse and the inability to meet uninterruptible demand.

Installation maintenance and protection

During the year TGN developed the activities foreseen under the 2005 Protection Program by means of campaigns to control the main risks faced by the business.

Work performed has included changing the lining of 65 km of Norte System pipeline to control pipeline corrosion.

Significant progress was made on work on the identification and removal of inappropriate repairs made to the System prior to the existence of TGN. This made it possible to correct a situation that placed operations at risk and improved the overall standard of the Company's gas pipelines.

In addition, major erosion control and solution tasks were carried out, with 29 repairs being performed. Several of these corresponded to critical river crossings in the north of the country. This work made it possible to endure the impact of a particularly heavy rainy season in regions of Salta, Jujuy and Tucumán.

In the engineering sector, all tasks were carried out corresponding to the design of solutions applied in internal projects, as well as taking on the job for the preliminary design, contracting and control of basic engineering for the 2006/08 expansion project planned for the System operated by the Company.

Operation and Maintenance support services were provided for various customers. Particularly significant was the project management carried out on a new pipeline for Gasoducto del Pacífico in Chile.

Compressor equipment maintenance activity included the overhaul of seven motor compressors and 12 turbo compressors.

Over the course of the year actions were reinforced aimed at preventing damage by third parties to the gas pipelines. New warning signs and indicators were installed, at the same time as the removal of unauthorized settlements along the line was carried out according to plan. An aerial photographic survey was performed to evaluate safety distances, mainly along the sectors of the System most affected by the presence of human activity.

Expansion of the northern gas pipeline system

In 2006 two significant events took place in relation to carrying capacity.

First, the firm carrying capacity for the 2005 Expansion received approval, and at the same time a new 2006-2008 Expansion program was developed.

Both projects were structured on the basis of the financial trusts created by the Government for the financing of gas carrying expansion.

Resolution No. 185/04 issued by the Ministry of Federal Planning, Public Investment and Services, issued in relation to Decree No. 180/04, establishes the setting up of a Gas Trust Program to be organized by the Energy Secretariat dedicated to the financing of works for natural gas transport and distribution infrastructure.

On April 26, 2006 Congress passed a law delegating to the Executive Branch the power to introduce tariff charges for the financing of natural gas and electricity carrying system expansion.

2005 Expansion

Work on the 2005 Expansion program was completed during the first quarter of the year, increasing carrying capacity by 1.8 MMm3/d: 0.2 MMm3/d for Salta, 0.7 MMm3/d for Tucumán and the remaining 0.9 MMm3/d for the province of Córdoba.

This expansion -requiring an investment in the order of $183 million plus VAT- implied the construction of 232.5 kilometers of pipeline and the installation of 25,710 HP of power at compression plants, as well as other investments to upgrade the system.

During peak activity periods as many as 1700 workers were directly and indirectly employed on the project.

Financing was provided by contributions to the trust by Repsol YPF, TGN, Banco de la Nación Argentina and the Brazilian BNDES, with TGN acting as the works project manager.

Mention should be made of the fact that development of the work was affected in certain segments in the province of Salta because of the impact of mobilization by local inhabitants with specific demands who blocked highways demanding jobs, setting conditions for the opening up of lines, etc. generating higher costs, alterations to the original line, and some delay in the execution of work.

Despite these and other difficulties, the work was completed successfully, making it possible to increase gas carrying supply.

2006-2008 Expansion

Under the same regulatory framework that governed the capacity expansion carried out during 2005, and once again at the request of the Energy Secretariat, in September 2005 TGN issued another call to tender for capacity expansion for the Norte Gas Pipeline System.

As a result of this call to tender, ENARGAS awarded expansion of 15.2 MMm3/d on the system operated by TGN. The destination of this capacity were: (i) generators of electricity for the domestic market (49% of total capacity to be expanded); (ii) distributors of gas to residential users and GNC (38%); and (iii) other industrial and resale uses (13%).

This project will require the construction of over 1,864 kilometers of parallel gas pipelines and the incorporation of 55,000 HP of additional power at four new plants and at existing compressor plants. At the date of issue of this Annual Report, purchase orders had been issued to enable construction of the pipes to begin.

On December 6, 2006 TGN -in its capacity as the administrator of the works- signed a Supplementary Financial Trust Contract for Work on the Norte Gas Pipeline with the Energy

Secretariat and Nación Fideicomisos S.A., the first addendum to the Contract, and the Management Contract. At the date of issue of this Annual Report, the Operation and Maintenance Contract had not yet been signed.

TGN will finance up to 34% of the price of the Management Contract by means of the receipt of trust securities, plus an additional 15% temporarily if the Financial Trust for the Norte Gas Pipeline were not to have liquid funds available to pay the balance in cash. The assets resulting from the expansion works under the trust will form part of the trust assets until it is settled. Once this takes place, transfer of ownership of the basic asset will be transferred to the appropriate party in accordance with current legislation.

The total fee to be earned by TGN during the execution of the Management Contract will total $ 75.8 million (before value-added tax). By December 31 2006 revenue had accrued for $ 11.1 million.

In addition, it has been established that TGN shall receive an Access and Use Charge from the new loaders, as a contribution for the operation and maintenance of the new installations and for the use of the current gas pipeline system.

Unlike the 2005 expansion, on this occasion the loaders requesting new carrying capacity had the opportunity to finance all or part of the work associated with their expansion either by means of the payment in advance of the specific charges created for the expansion of the carrying system, or by subscribing to participation certificates or debt securities from the Trust.

Of the 15.2 MMm3/d awarded, 9.5 MMm3/d have been covered by financing commitments from the awardees.

In addition, on this occasion capacity awardees were also allowed to contribute works as an alternative to contributing financing. It is estimated that over 50% of the works will be built under that modality.

For the repayment of these investments, the ENARGAS created a new specific charge by means of Resolution No. 3689/2007 in accordance with the terms of Law 26.095.

It is planned to apply this charge to all gas system users except for residential customers, CNG and the general SGP service for consumer segments P1 and P2, and it came into effect as from January 2007.

✓ FUTURE BUSINESS STRATEGY

Over the course of its brief history, TGN has been noted for its willingness to reinvest and grow through proactive supply of rising domestic demand, having furthermore developed into one of the leading components of the integration of Argentine energy matrix with that of other countries in the region.

Mainly as a result of the lack of concrete results in the process for the restructuring of the license, at present the economic and financial conditions that would enable TGN to undertake the expansion of existing transport capacity making use of its own resources do not exist.

In view of this situation, the Federal Government has promoted expansion of the system through financial trusts created by Executive Branch Decree 180/04. This mechanism for the expansion of the system will not resolve the problem of long-term supply, but it will provide a pragmatic response to the growth in demand in the short term.

TGN has participated actively in the extension of the system in accordance with the 2005 Trust, from the design stage to the start-up of the project, acting as Project Manager and contributing all its knowledge and experience, in addition to a relatively marginal financial contribution.

Furthermore, at the end of the year TGN was working on a new expansion project organized by the Government using the same Trust mechanism. The new work, known as 2006/08 Expansion will enable increasing the carrying capacity of TGN's system by over 15 MMm3/day to supply residential and industrial demand and for the generation of electricity. It is planned for this capacity to begin to be added in stages as from 2007

Mention should be made of the fact that TGN's activity as Project Manager was carried out during the year with some difficulty because of the complex way the project was put together, and certain inefficiency in the relationship between the Organizer, Enargas, and the various suppliers. This could be seen basically in delays in the execution of work, and the failure to recognize the additional costs borne by the Company.

TGN is hopeful that in the near future it will be able to reach a full understanding with the Government so that it can embark on the solutions that will enable the Company to once again take the lead in increasing the assets needed to meet the demands of a growing economy while ensuring long-term viability, that is to say, on the basis of plans that ensure the efficiency of the community resources allocated. TGN continues to work with the national authorities, making its best efforts to adapt the License so as to be able to return to the path to growth as soon as possible.

It should be noted that because of the geographical location of its gas pipeline system, TGN is strategically located to be able to meet the growth in Argentine demand with gas 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 gas pipelines, providing technical assistance and consultancy services in the region.

✓ QUALITY, SAFETY, HYGIENE AND THE ENVIRONMENT

In view of its commitment to the implementation and improvement of aspects related to quality, safety, hygiene and the environment, during 2006 TGN carried out various actions to continue those begun in previous years or initiate new ones.

As a result of the work arising from the Norte System 2005 Expansion Program, final audits were performed in relation to the state and environmental condition of the areas were work had been carried out. This work was monitored and approved by ENARGAS. In the case of the new expansion planned or 2006/08, during the year the specifications of the corresponding Environmental Studies were defined, and action was taken to contract them.

During 2006 work continued on the training and increasing awareness of safety at work under the slogan "100% Safe Work" directed mainly at contractors and the Company's own personnel in charge of project management.

The Reportable Accident indicator based on the number of people involved in accidents for every million hours worked was 4.22, the target set having been 5, including the activities of the Gas Trust.

Traffic accidents per million kilometers traveled totaled 2.083, against a target of 1.6.

On-board computers were installed on all the Company's light vehicles, as planned in the Program for the Prevention of Traffic Accidents set for the year.

On the matter of the measurement of greenhouse gasses, a full program of measurement and subsequent data analysis was performed, with the incorporation of modern equipment.

Our hazardous waste was separated, stored, transported, treated and/or disposed of entirely in accordance with the terms of National Law 24051.

Two drills were held for the evacuation of the Head Office as required by the Autonomous City of Buenos Aires, in addition to various exercises for the control of emergencies in the field installations, including drills at the Tucumán and Villa Constitución Measurement and Regulating Stations.

TGN continued to participate at various interdisciplinary forums such as the Argentine Council for Sustainable Development (CEADS) and the Argentine Oil an Gas Institute (IAPG), with a fluent exchange of ideas on Health, Occupational Safety and the Environment together with other companies in the industry.

✓ HUMAN RESOURCES

In 2006 there was an increase in the requirement for specialized workforce, capable of responding to the demands of system expansion, the particular financial conditions at the Company and the restrictions that affect its business.

On this basis, specific programs were carried out aimed at raising the quality of our human resources, seeking to strengthen competencies both for positioning with a view to the future business and in specific technical areas.

During the year courses were held on Leadership and Management, Middle Management, Training for Gas Controllers, Use of Systems in the Development of Competencies, Operation of Compressor Plants, for Young Professionals and on First Aid Training.

With the aim of encouraging professional qualifications and talent development, financing was provided for degree courses (MBA and EMBA) as well as Executive Programs (PDD) and for Natural Gas Specialist and Technician certification, and Degrees in Safety and Hygiene.

TGN continued to publish its magazine, *Trabajo, Gente y Noticias.* This internal organ deals with aspects of technical development, training, research, people profiles, etc. It is distributed not only to in-house personnel but also to those in some way connected to TGN (shareholders, customers, suppliers and others), as well as public and private entities.

✓ ***CORPORATE SOCIAL RESPONSIBILITY***

Social and community actions in regions close to the gas pipeline and their linking to initiatives and activities within the Company were given particular attention during 2006, enabling various projects to be carried out and others to be continued.

I) Business Social Investment Funds

This methodology permits joint financing and administration between TGN and organizations of civil society. These cases are:

- Fund formed by CEDES-Centro de Estudios de Estado y Sociedad- and TGN to carry out educational projects that generate social capital and develop local capabilities.

An IT-based education program was carried out at two schools in the provinces of San Luis and Mendoza in Argentina. The total number of beneficiaries, direct and indirect was 4334.

- FIDES: Fund for Sustainable Educational Development – formed jointly by INCIDE – Instituto para la Cultura, Innovación y Desarrollo, Fundación AVINA and TGN

Through this organization, TGN has supported a group of 11 micro-undertakings of an educational and social nature in the northern and south-eastern regions of Cordoba and the Litoral covering a population of 1260 adolescents and young people at risk.

II) Educational Projects

- Lamadrid School (Tucumán Province /1996 - to date)

Work continued on providing economic support for the school dining-room, and an Institutional Education Project was drawn up Direct and indirect beneficiaries (students, teachers and parents): 260.

III) Community Development and Management Projects

- Warmi Sayajsunqo Womens Association (Abra Pampa, Jujuy / 2000 - to date)

Support for the Communications Project: 15 radio units were delivered that were assigned to the communities in the Puna Jujeña.

- Nazareth Home for Children at Risk (San Pedro, Jujuy / 2000 - to date)

The social program for children at risk continued to be developed
Direct beneficiaries: 52 children and adolescents.

- Northern rehabilitation Center (Deán Funes, Córdoba / 2002 - to date)

- Asociación Civil Centro de Jubilados y Pensionados “Vivir el Tiempo” Project (Federal Capital / 1996 - to date)

- “Hogar Guadalupe” (San Salvador de Jujuy / 2003 - to date)

Participation in the “Escuela Salir Adelante” project has continued, with the implementation of 5 work projects:

- Wood-carving workshop
- Bakery project
- Household electrician project
- Bricklaying project
- Meals project

Direct beneficiaries: 10 young people

- Project for training in preparing products with added value (Copacabana, Córdoba)

Together with the Grupo Caranday, the Program for the development of Chains of Production in Córdoba, a 12-month project was designed with the aim of providing the inhabitants of the north of Córdoba with access to genuine employment in their local area, through continuous training in the production of basket-work using palm leaves. Direct beneficiaries: 20 families of basket-weavers.

IV) Project for training in 2006 Corporate Social Responsibility

A distance training program in CSR was implemented, leading to reflection and learning on matters concerning CSR practices in TGN, the potential for its implementation, and definition of the guiding concepts in the matter.

48 people from various company areas took part, there were some classroom activities, and work is being carried out on improving the education proposal in 2007.

✓ *REMUNERATION POLICY*

The Company's remuneration policy for management personnel establishes a fixed basic monthly remuneration and a variable bonus payable annually. While the fixed portion is established according to the level of responsibility inherent to the position, bearing in mind market values, variable remuneration is linked to the objectives defined at the beginning of the year and their compliance during the period.

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

✓ *DECISION-TAKING POLICY*

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

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

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

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

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

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

xi. selection of TGN's independent auditor.

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

The internal control of the governance of the Company is the responsibility of the Surveillance Committee formed by three full syndics and three alternate syndics. Through Gasinvest, CGC and Techint have the right to appoint one syndic each.

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

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

✓ ***INTERNAL CONTROL***

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

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

✓ ***AUDIT COMMITTEE***

During 2004 an Audit Committee was formed as required by Decree 677/01 and CNV General Resolution 400/02. It is formed mainly by independent board members as established by current legislation.

During 2006 the Audit Committee performed the tasks required of it following an annual plan that had been informed to the Board and the surveillance body. The results of this work are included in the audit committee report that will be submitted at the time of the presentation and publication of these annual financial statements for TGN. The Company has taken the necessary steps so that its administrators, managers and employees attend such audit committee meetings are may be necessary, providing assistance and access to information for the members of the Audit Committee at all times.

✓ *REMUNERATION OF DIRECTORS AND PROPOSAL FOR THE ALLOCATION OF RESULTS.*

The Board of the Company proposes to the Shareholders' Meeting that the result for fiscal 2006, a profit of $ 215,246 should be distributed as follows:

(i) to absorb accumulated losses at the beginning of the year, $ 177,869;
(ii) for the setting up of the legal reserve required by Law 19550, $ 1,869 (equivalent to 5% of the result for the year after the absorption of the above-mentioned losses);
(iii) to Board and Surveillance Committee fees, $ 1.250, and
(iv) (iv) to the setting up of a voluntary reserve for future dividends, the remaining profit of $ 34,258.

Autonomous City of Buenos Aires, March 6, 2007

TRANSPORTADORA DE GAS DEL NORTE S.A.
SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION

**** Net result for the year ended December 31, 2006***

(in millions of pesos)

	Year ended 12.31.					
	2006	**2005**	**Variation $**	**2004**	**2003**	**2002**
Net Revenues						
Gas transportation service	474.2	433.7	40.5	410.2	417.1	501.4
Allowances for disputed amounts	10.7	(2.7)	13.4	(3.1)	(15.7)	(21.1)
Discount as per Decrees No 292/1520/814	(1.7)	(1.6)	(0.1)	(1.6)	(1.7)	(2.3)
Subtotal Gas transportation service	**483.2**	**429.4**	**53.8**	**405.5**	**399.7**	**478.0**
Gas Pipeline O&M services	19.0	17.1	1.9	16.5	18.4	19.0
Management fees – Gas Trust Program	11.3	3.9	7.4	-	-	-
Subtotal Gas pipeline operation and maintenance service and other services	**30.3**	**21.0**	**9.3**	**16.5**	**18.4**	**19.0**
Net Revenues	**513.5**	**450.4**	**63.1**	**422.0**	**418.1**	**497.0**
Cost of services						
Operating and maintenance costs	(132.1)	(141.4)	9.3	(119.7)	(118.0)	(125.1)
Fixed assets depreciation	(112.0)	(112.2)	0.2	(110.0)	(102.0)	(122.0)
Intangible assets amortization	-	-	-	(1.2)	(5.2)	(5.4)
Subtotal	**(244.1)**	**(253.6)**	**9.5**	**(230.9)**	**(225.2)**	**(252.5)**
Gross Profit	**269.4**	**196.8**	**72.6**	**191.1**	**192.9**	**244.5**
Administrative and selling expenses	(82.9)	(58.9)	(24.0)	(56.0)	(47.4)	(72.8)
Operating Income	**186.5**	**137.9**	**48.6**	**135.1**	**145.5**	**171.7**
Gain from equity investments, net	1.3	0.9	0.4	1.3	1.3	1.3
Financial and holding results	(195.4)	(210.6)	15.2	(205.0)	(181.0)	(345.6)
Gain on debt restructuring	243.9	3.8	240.1	9.9	-	-
Foreing of exchange differences capitalized in Fixed Assets	-	-	-	-	(277.9)	-
Other (expense) income, net	(4.7)	(2.9)	(1.8)	3.5	(10.7)	(6.7)
Net income before income tax	**231.6**	**(70.9)**	**302.5**	**(55.2)**	**(322.8)**	**(179.3)**
Income Tax	(16.3)	25.3	(41.6)	24.9	86.7	(13.5)
Net income (loss) for the year	**215.3**	**(45.6)**	**260.9**	**(30.3)**	**(236.1)**	**(192.8)**
Income before financial and holding results, foreign exchange differences capitalized in fixed assets written off, gain on debt restructuring, depreciation, amortization and income tax.	**296.7**	**249.7**	**47.0**	**252.9**	**246.0**	**296.4**

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

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

(in millions of pesos)

	12.31.06	12.31.05	12.31.04	12.31.03	12.31.02
Total Assets *(in million of $)*	2,648	3,113	2,983	2,865	3,292
Total Liabilities *(in million of $)*	1,370	2,262	2,085	1,938	2,129
Shareholders' Equity *(in million of $)*	1,278	851	898	927	1,163
Shareholders' Equity / Total Liabilities	0.93	0.38	0.43	0.48	0.55

The net result for the years ended December 31, 2006 and 2005 was a $ 215.3 million gain and a $ 45.6 million loss, 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***

The following table summarizes net revenues by type of service for the last five financial years:

(in millions of pesos)

	Year ended 12.31.									
Type of service	**2006**	**%**	**2005**	**%**	**2004**	**%**	**2003**	**%**	**2002**	**%**
Gas transportation	483.2	94.1	429.4	95.3	405.5	96.1	399.7	95.6	478.0	96.2
Gas Pipeline O&M services	30.3	5.9	21.0	4.7	16.5	3.9	18.4	4.4	19.0	3.8
Total net Revenues	**513.5**	**100.0**	**450.4**	**100.0**	**422.0**	**100.0**	**418.1**	**100.0**	**497.0**	**100.0**

- Gas Transportation services

The revenues corresponding to the gas transportation service in the year ended December 31, 2006 amounted to $ 483.2 million, which in comparison with the $429.4 million for the year 2005. The net increase of $ 53.8 million (12.5%), this is attributable to the following:

i. An increase of $ 22.6 million in exports revenues due to an increase in the PPI index applied to rates 2006;

ii. An increase of $ 10.5 million derived from the increase in the exchange rates used to post the US dollar invoicing;

iii. An increase of $ 4.2 million in revenues of firm transportation due to the expansion of the Northern Gas Pipeline transport capacity by 1.8 MMm3/d in the last months of 2005 (Note 14 to the Company’s financial statements);

iv. An increase of $ 2.8 million in revenues of the exchange and displacement segment; and

v. A reversal of $ 13.6 million of the allowance previously set up, because of the agreement reached with a customer of the gas transportation service.

At December 31, 2006, the contracted capacity of TGN’s transport system was 54.1 MMm3/d. (including 1.45 MMm3/d of the 2005 Gas Trust, which was placed into service in April 2006). Out of that total, 39.7 MMm3/d (73.4%) meet the demand for natural gas by Argentine users, and 14.4 MMm3/d (26.6%) are destined to consumptions in Chile, Uruguay and Brazil.

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

** Net Revenues (Cont.)*

- Pipeline O&M Services and Management Fees – Gas Trust Program

Sales for the year corresponding to the gas pipeline operation and maintenance and job management services amounted to $ 30.3 million. In the year 2005 sales had amounted to $ 21.0 million. The net increase of $ 9.3 million is due to: (i) Income for $ 11.3 million in 2006 generated by the 2006-2008 trust expansion work management service, compared to the $ 3.9 million income for such management of expansion works in 2005 (Note 14 to the financial statements of the Company) and (ii) $ a 1.9 million higher revenue from price differences invoiced in relation to certain operation and maintenance service contracts.

** Costs of services*

(in millions of pesos)

	Year ended 12.31.									
	2006	**%**	**2005**	**%**	**2004**	**%**	**2003**	**%**	**2002**	**%**
Fees for professional services	2.4	1.0	2.3	0.9	0.7	0.3	0.8	0.4	0.7	0.3
Salaries, wages and other personnel benefits and social security contributions	38.9	15.9	35.4	14.0	23.0	10.0	20.3	9.0	21.8	8.6
Fees for technical operator services	6.2	2.5	6.0	2.4	5.9	2.6	5.9	2.6	3.3	1.3
Foreign staff residence	1.6	0.7	1.7	0.7	2.5	1.1	2.0	0.9	3.7	1.5
Consumption of Spare parts and materials	12.8	5.2	14.3	5.6	14.0	6.1	10.9	4.8	15.1	6.0
Gas imbalance	2.4	1.0	4.1	1.6	2.3	1.0	0.7	0.3	0.3	0.1
Maintenance and repair of fixed assets and third party services and supplies	43.8	17.9	52.3	20.6	50.3	21.8	39.9	17.7	*33.4*	13.2
Communications, freight and transportation, travel expenses	6.0	2.5	7.4	2.9	6.4	2.8	6.1	2.7	6.0	2.4
Insurance	5.3	2.2	5.2	2.1	6.5	2.8	7.7	3.4	10.1	4.0
Rentals and office supplies	1.8	0.7	1.8	0.7	1.5	0.6	1.4	0.6	1.9	0.8
Easements	4.4	1.8	6.3	2.5	5.2	2.3	11.9	5.3	2.3	0.9
Taxes, rates and contributions	0.4	0.2	0.5	0.2	0.4	0.2	0.4	0.2	0.6	0.2
Fixed assets depreciation	112.0	45.9	112.2	44.2	110.0	47.6	102.0	45.3	122.1	48.4
Intangible assets amortization	-	-	-	-	1.2	0.5	5.2	2.3	5.4	2.1
Slow-moving and obsolescence of spare parts and materials	5.2	2.1	3.1	1.2	-	-	9.2	4.1	25.3	10.0
Others	0.9	0.4	1.0	0.4	1.0	0.3	0.8	0.4	0.5	0.2
Total	**244.1**	**100.0**	**253.6**	**100.0**	**230.9**	**100.0**	**225.2**	**100.0**	**252.5**	**100.0**
% of Costs of services on net revenues	**47.5%**		**56.3%**		**54.7%**		**53.9%**		**50.8%**	

Costs of services amounted to $ 244.1 million in the year ended December 31, 2006 in comparison with $ 253.6 million recorded in the previous year. The main reasons for the net decrease of $ 9.5 million were the following:

i. A decrease of $ 8.5 million in Maintenance and repair of fixed assets and third party services and supplies related to the activities described in the following section;

ii. A decrease of $1.5 million in Consumption of spare parts and materials, because in 2005 greater expenses had been incurred in certain construction and assembly contracts, cathodic protection work and replacement and repair of tubing, maintenance of compression equipment and river crossing works. The decrease in the two accounts was partially offset against an increase of $ 1.3 million in the expenses related to the expansions of the Northern Gas Pipeline (Note 14 to the Company's financial statements);

iii. $ 1.9 million for lower easements because of the re-estimation of the sums owed to the owners and beneficiaries thereof based on the agreements reached in 2006;

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

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

iv. $ 1.7 million for lower costs of gas imbalance and transfer of basins in fiscal 2006, because higher levels of consumption of gas for compression had been recorded in 2005;

v. A net increase of $ 3.5 million in salaries, wages and other personnel benefits and social security contributions as a result of pay increases granted by the Company in 2006, which were partially offset by the lower number of employees assigned to the Northern Gas Pipeline expansion project in 2006, in comparison with 2005.

vi. $ 2.1 million corresponding to the increase in slow-moving and obsolete spare parts and materials for consumption because of the allowance recorded for the year to cover materials items that were being used at levels lower than those required for normal maintenance.

**** Administrative and Selling expenses***

(in millions of pesos)

	Year ended 12.31.									
	2006	**%**	**2005**	**%**	**2004**	**%**	**2003**	**%**	**2002**	**%**
Salaries, wages and other personnel benefits and social security contributions	19.2	23.2	15.0	25.5	12.2	21.8	11.8	24.9	11.2	15.4
Fixed assets depreciation	1.6	1.9	1.6	2.7	1.6	2.9	1.6	3.4	1.5	2.1
Fees for professional services	3.2	3.9	2.2	3.7	2.6	4.6	2.9	6.1	2.4	3.3
Taxes, rates and contributions	19.4	23.4	18.2	30.9	14.9	26.6	15.5	32.7	17.7	24.3
Communications, freight and transportation, travel expenses	1.1	1.3	1.2	2.0	1.0	1.8	1.0	2.1	1.1	1.5
Maintenance and repair of fixed assets and third party services and supplies	1.9	2.3	1.9	3.2	1.9	3.4	1.4	3.0	*1.6*	2.2
Rentals and office supplies	0.6	0.7	0.7	1.2	0.7	1.3	0.8	1.7	1.0	1.4
Intangible assets amortization	-	-	-	-	0.2	0.4	1.1	2.3	1.1	1.5
Doubtfull accounts	10.9	13.1	2.0	3.4	3.2	5.7	0.7	1.5	1.8	2.5
Lawsuits	22.6	27.3	13.8	23.4	16.0	28.5	9.5	20.0	32.5	44.6
Directors' Fees	-	-	-	-	-	-	-	-	0.1	0.1
Fees for technical operator services	1.1	1.3	1.0	1.7	0.7	1.2	0.3	0.6	-	-
Others	1.3	1.6	1.3	2.3	1.0	1.8	0.8	1.7	0.8	1.1
Total	**82.9**	**100.0**	**58.9**	**100.0**	**56.0**	**100.0**	**47.4**	**100.0**	**72.8**	**100.0**
% of Administrative and Selling expenses on net revenues	**16.1**		**13.1**		**13.3**		**11.3**		**14.6**	

Administrative and selling expenses amounted $ 82.9 million in the year ended December 31, 2006 in comparison with $ 58.9 million recorded in the previous year. The main reasons for the net increase of $ 24.0 million were the following:

i. An increase of $ 8.8 million in lawsuits due mainly to the charges in the provision for contingencies according to the estimates of the resolution of the claims facing explained in Note 12 to the Company's financial statements;

ii. An increase of $ 8.9 million in allowance for doubtful accounts due to changes in the allowance for credits in litigation and / or old credits whose collectibility is considered doubtful; and

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

** Administrative and Selling expenses (Cont.)*

iii. An increase of $ 4.2 million in salaries, wages and other personnel benefits and social security contributions due to pay increases granted by the Company as from the second half of 2005.

* Financial and Holding Results

(in millions of pesos)

	Year ended 12.31.				
	2006	**2005**	**2004**	**2003**	**2002**
Interests and indexing generated by liabilities	(205.8)	(187.7)	(179.5)	(164.2)	(133.8)
Bank commissions, expenses and taxes on banking and financial operations.	(6.2)	(8.2)	(6.1)	(7.7)	(11.3)
Income of discount of certain liabilities at present value	0.2	-	-	-	-
Intangible asset amortization - programs of negotiable obligations	-	-	-	(25.0)	(4.2)
Fees for guarantee of loan agreements	(1.7)	(3.0)	(3.4)	(4.0)	(3.4)
Subtotal financial result generated by liabilities before exchange differences	**(213.5)**	**(198.9)**	**(189.0)**	**(200.9)**	**(152.7)**
Interests, indexing and expenses generated by assets	20.7	13.0	3.6	0.6	2.3
Holding results generated by assets	14.8	5.3	5.4	(0.8)	(9.5)
Discounts granted	-	(0.4)	-	-	-
(Loss) income of discount of non-current assets at present value	(0.5)	0.3	1.6	-	(2.0)
Subtotal financial result generated by assets before exchange differences	**35.0**	**18.2**	**10.6**	**(0.2)**	**(9.2)**
Exchange rate differences:					
Generated by liabilities	(30.3)	(36.3)	(31.0)	45.7	(675.6)
Generated by assets	13.4	6.4	4.4	(25.6)	(25.4)
Capitalized in Fixed Assets	-	-	-	-	507.8
Subtotal exchange differences	**(16.9)**	**(29.9)**	**(26.6)**	**20.1**	**(193.2)**
Result of exposure to changes in the purchasing power of the currency	-	-	-	-	9.5
Total	**(195.4)**	**(210.6)**	**(205.0)**	**(181.0)**	**(345.6)**

Financial and holding losses amounted to $ 195.4 million in the year ended December 31, 2006 in comparison with $ 210.6 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, 2006 $ 30.3 million were recorded for Exchange rate differences generated by liabilities as result of the increase in the exchange rate of 1.0% (US$ = 1, $ 3.062 at December 31, 2006 and $ 3.032 at December 31, 2005) applied to the liability balances stated in that currency.

ii. Also, exchange rate differences generated by assets for $ 13.4 million were recorded at December 31, 2006 ($ 3.022 at December 31, 2006 and $ 2.992 at December 31, 2005), which were calculated on the basis of the asset US dollar positions.

iii. The Interest and indexing generated by liabilities account increased by $ 18.1 million at December 31, 2006 in comparison with the previous year. Interest accrued each year has been calculated based on different terms and conditions because the new financial agreements described in Note 10 to the financial statements of the Company came into force as from the fourth quarter of 2006;

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

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

iv. The Fees for guarantee of loan agreements account accrued in 2006 $ 1.3 million less than in fiscal 2005, and were valid until the restructuring of the financial debt which took place in September 2006;

v. The Interest, indexing and expenses generated by assets caption increased $ 7.7 million, net, because of the variations in short-term investments of excess cash and banks held until the end of the debt restructuring process in September 2006, and because of the increase in the exchange rate during that period; and

vi. Holding results generated by assets gain of $ 14.8 million was recorded because of the increased valuation of the gas stored (Other assets) on the basis of the replacement value of the cubic meter of gas.

*** Gain on debt restructuring**

On August 3, 2006, TGN made a public offer to exchange its financial debt in the process of being restructured. The period to accept the offer expired on August 31, 2006. The exchange offer was authorized by means of resolutions adopted by the Meetings of Shareholders held on January 26, 2006, March 16, 2006 (which was resumed on March 23, 2006) and July 6, 2006, and by the Board of Directors at the meeting held on June 7, 2006 and September 1, 2006.

On August 31, 2006, date of expiry of the exchange offer, creditors of 99.94% of the total debt subject to restructuring accepted the offer. Upon execution of the out-of-court reorganization plan (APE) with the creditors accepting the offer, on September 29, 2006 TGN implemented the exchange through a private operation, without requesting approval from the court.

This pro rata offer consists of (i) a cash payment of up to US$ 52.4 millions, (ii) the delivery of up to 87,874,754 new Class C shares representative of 20% of the Company's Capital to be issued as a result of the capitalization of US$ 68.0 millions of finantial 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 net gain on the restructured debt exchange amounted to $ 191.1 millions (including the waiver of interest and penalty charges, expenses related to the issuance of negotiable obligations and accrual of interest, commissions and expenses related to the new debt until the exchange date), which has been disclosed under Gain on loan restructuring, in the Statements of operations.

Considering that as from 2002 TGN was forced to postpone the payment of certain financial liabilities in order to avoid legal action that could complicate negotiations with the most important creditors, the Company resolved to cancel with a debt reduction, short-term bilateral debts it had with certain financial creditors. From December 2004 to January 2006 loans were settled by means of a $ 55.2 million payment. The results generated by these settlements were posted to financial results generated by liabilities in the periods in which they took place.

Furthermore, in July 2006 the Company allocated $ 107.6 million (principal, interest and expences included) to the partial redemption of Series A and B and to the full redemption of Series C and D of the Negotiable Obligations under the Global Program for US$ 320 million (Note 10). The net result of that redemption was approximately $ 52.4 million and was charged to Gain on debt restructuring.

*** Gain on debt restructuring (Cont.)**

The gain on the restructuring of loans for the year ended December 31, 2006 includes the following results:

(in millions of pesos)

Gain on debt exchange for new negotiable obligations and payment in cash	191.1
Gain on partial redemption of Series A and B and to the full redemption of Series C and D of the Negotiable Obligations under the Global Program for US$ 320 million	52.4
Gain on repayment of other loans during the period	0.4
Gain on debt restructuring	**243.9**

As regards the debt exchange for Class C shares, the difference between the face value of those shares and the amount of debt repaid has been allocated to "Retained Earnings", in the statement of changes in shareholders' equity.

Additionally, within the Company's financial debt restructuring process, one of the most important steps consisted in agreeing with the holders of the CRIB´s debt securities an exchange of their original holdings for new Negotiable Obligations issued directly by TGN, under the same terms and conditions as those of the CRIBs. The Extraordinary Meeting of Shareholders held on January 26, 2006 authorized the issuance of ordinary secured US dollar-denominated Negotiable Obligations, non-convertible into shares for an amount of up to US$ 175 million, which were exchanged for CRIB´s debt securities. The CRIB exchange offer expired on August 4, 2006, with 100% of creditors having accepted it.

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

(in millions of pesos)

	Year ended 12.31.				
	2006	**2005**	**2004**	**2003**	**2002**
Net income (loss) for the period	**215.3**	**(45.6)**	**(30.3)**	**(236.1)**	**(192.8)**
Adjustments to arrive to cash net flow arising from operating activities	71.3	286.8	270.0	521.1	532.6
Subtotal	286.6	241.2	239.7	285.0	339.8
Net changes in assets and liabilities	(83.3)	22.6	8.9	(45.8)	(69.9)
Net cash flows provided by operating activities	**203.3**	**263.8**	**248.6**	**239.2**	**269.9**
Purchase of fixed assets	(60.0)	(90.6)	(68.5)	(62.4)	(40.0)
Dividends received	-	0.5	-	-	-
Decrease (increase) of other investments	-	-	187.3	(186.7)	0.5
Net cash (used in) provided by investing	**(60.0)**	**(90.1)**	**118.8**	**(249.1)**	**(39.5)**
New loans	-	-	-	6.9	41.6
Payment of debt	(418.3)	(39.4)	(12.5)	-	(7.0)
Interest paid	(191.2)	(47.4)	(59.8)	(76.7)	(146.5)
Attachments on debt	-	(4.3)	-	-	-
Net decrease in customer advances	(1.2)	(3.1)	4.4	(1.6)	(5.7)
Net cash used in financing activities	**(610.7)**	**(94.2)**	**(67.9)**	**(71.4)**	**(117.6)**
Financial and holding result generated by cash and cash equivalents	**33.6**	**18.4**	**7.1**	**(20.5)**	**4.7**
Net (decrease) increase in cash	**(433.8)**	**97.9**	**306.6**	**(101.8)**	**117.5**
Cash and cash equivalents as of beginning of year	**472.9**	**375.0**	**68.4**	**170.2**	**52.7**
Cash and cash equivalents as of end of year	**39.1**	**472.9**	**375.0**	**68.4**	**170.2**

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

(in millions of pesos)

	Year ended 12.31.				
	2006	**2005**	**2004**	**2003**	**2002**
Cash and cash equivalents					
Cash and banks	24.6	4.7	12.6	18.2	15.6
Mutual funds in foreign currency	2.9	309.9	174.4	50.2	148.0
Time deposits in foreign financial institutions	-	131.3	166.3	-	-
Mutual funds in $	11.6	27.0	18.7	-	6.6
Stock exchange securities in $ and others	-	-	3.0	-	-
Cash and cash equivalents as of end of the year	**39.1**	**472.9**	**375.0**	**68.4**	**170.2**

II) BUSINESS PROSPECTS

i. At the date of issue of these Financial Statements, no significant progress has been made that would make it possible to consider that an agreement will be signed in the short term. In addition, there is nothing to guarantee that the eventual outcome of the renegotiation will effectively re-establish the equilibrium of the License and provide TGN with fair compensation for the losses suffered as a consequence of the Emergency Law. Despite the lack of results in the process embarked on by UNIREN, the Company has promoted this process whenever possible.

ii. In addition, there have been no major developments in the treatment by the legislative branch of the bill on the National Regime for Public Utilities that had been submitted to Congress by the Government in August 2004. This bill modifies and repeals the relevant provisions of the Gas Act and represents an uncertainty factor that could affect the Company, although it is still premature to evaluate the impact it might have on the Company if passed.

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.

Until December 31, 2006 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 adverse effect on income relating to the transported gas sold on that market which is translated into lower revenues for approximately $ 12 million per annum.

iv. Since the enactment of Decree No. 180/04 and Resolution No. 185/04 issued by the MPFIPyS and the framework of the Financial Trusts Program “Gas Trusts”, set up in the environment of the Federal Planning, Public Investments and Services Ministry, the Energy Secretariat commissioned TGN the expansion of its transport system by 1.8 MM cubic meters per day from the North basin (Note 14 to the Company’s financial statements). Under the same regulatory framework as that which regulated the expansion work, in September 2005 TGN called a new Open Bid for the expansion of the capacity of the Northern Gas Pipeline System. As a result of this call for public bid, 15.2 MMm3/d were awarded for the expansion of the capacity of the Northern Gas Pipeline System operated by TGN.

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. Furthermore, TGN will operate and maintain the works during the life of the License.

II) BUSINESS PROSPECTS (Cont.)

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). Until December 31, 2006 revenues for $ 11.1 million had accrued in this regard.

III) DESTINATION OF THE RESULTS OF FINANCIAL YEAR 2005

The Shareholders' Meeting held on April 5, 2006 resolved the destination of the results of the financial year ended December 31, 2005 approving: (i) the transfer of the loss in financial year 2005 to unallocated results; (ii) not to declare dividends; and (iii) maintaining the responsibility delegated by the Shareholders' Meeting held on April 4, 2003 to the Board of Directors of the Company regarding the Voluntary Reserve for Future Dividends.

IV) COMPARATIVE BALANCE SHEET STRUCTURE AT DECEMBER 31, 2006, 2005, 2004, 2003 and 2002

(in millions of pesos)

	As of 12.31.				
	2006	**2005**	**2004**	**2003**	**2002**
Current Assets	169	577	451	338	252
Non-current Assets	2,479	2,536	2,532	2,527	3,040
Total	**2,648**	**3,113**	**2,983**	**2,865**	**3,292**
Current Liabilities	195	1,533	1,269	946	669
Non-current liabilities	1,175	729	816	992	1,460
Subtotal	**1,370**	**2,262**	**2,085**	**1,938**	**2,129**
Shareholders' Equity	1,278	851	898	927	1,163
Total	**2,648**	**3,113**	**2,983**	**2,865**	**3,292**

V) COMPARATIVE STRUCTURE OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2006, 2005, 2004, 2003 and 2002

(in millions of pesos)

	Year ended 12.31.				
	2006	**2005**	**2004**	**2003**	**2002**
Ordinary operating income	186.5	137.9	135.1	145.5	171.7
Financial and holding results	(195.4)	(210.6)	(205.0)	(181.0)	(345.6)
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	1.3	0.9	1.3	1.3	1.3
Other (expenses) income net	(4.7)	(2.9)	3.5	(10.7)	(6.7)
Net result before tax	231.6	(70.9)	(55.2)	(322.8)	(179.3)
Income Tax	(16.3)	25.3	24.9	86.7	(13.5)
Net results of the year	**215.3**	**(45.6)**	**(30.3)**	**(236.1)**	**(192.8)**

TRANSPORTADORA DE GAS DEL NORTE S.A.
SUMMARY OF INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

VI) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2006, 2005, 2004, 2003 and 2002

Volume invoiced in millions of cubic meters:

According to the type of carrying agreement

	Year ended 12.31.				
	2006	**2005**	**2004**	**2003**	**2002**
Firm transportation	16,434	15,846	16,382	15,688	14,104
Interruptible transportation and exchange and shifting	2,575	2,241	1,791	1,286	733
Total	**19,009**	**18,087**	**18,173**	**16,974**	**14,837**

According to the type of source

	Year ended 12.31.				
	2006	**2005**	**2004**	**2003**	**2002**
Norte Gas pipeline	7,333	7,823	7,300	6,757	6,368
Centro-Oeste Gas pipeline	11,676	10,264	10,873	10,217	8,469
Total	**19,009**	**18,087**	**18,173**	**16,974**	**14,837**

VII) COMPARATIVE INDICATORS AT DECEMBER 31, 2006, 2005, 2004, 2003 and 2002

	Year ended 12.31.				
	2006	**2005**	**2004**	**2003**	**2002**
Current liquidity (1)	0.86	0.38	0.36	0.36	0.38
Solvency (2)	0.93	0.38	0.43	0.48	0.55
Ordinary profits before income tax (3)	0.20	(0.05)	(0.03)	(0.23)	(0.16)
Freezing Capital (4)	0.94	0.81	0.85	0.88	0.92

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

The December 31, 2006, 2005, 2004, 2003, 2002 figures that are disclosed for comparative purposes arise from summary of information of financial statements at those dates and include the impact of prior year adjustment described in Notes 3.a) and 3.h to the company financial statements..

Autonomous City of Buenos Aires, March 6, 2007

The Board of Directors
Eduardo Ojea Quintana
President

The Report of Independent Auditors dated March 6, 2007 is issued as a separate document.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Balance Sheets as of December 31, 2006 and 2005
(in thousands of Argentine Pesos, except per share amounts)

	December 31, 2006	December 31, 2005
ASSETS		
Current Assets		
Cash and banks	$ 24,667	$ 4,694
Short-term investments (Note 16.c)	16,905	470,357
Accounts receivable, net (Note 4.a)	73,593	54,146
Other receivables, net (Note 4.b)	43,582	39,705
Materials and spare parts, net (Note 4.c)	10,145	8,619
Total Current Assets	168,892	577,521
Non-current Assets		
Other receivables (Note 4.b)	160,155	166,371
Materials and spare parts, net (Note 4.c)	35,536	32,564
Fixed Assets, net (Note 16.a)	2,257,148	2,316,373
Investments (Note 16.b)	6,181	4,899
Other assets	20,486	15,355
Total Non–Current Assets	2,479,506	2,535,562
Total Assets	**2,648,398**	**3,113,083**
LIABILITIES AND SHAREHOLDER’S EQUITY		
Current Liabilities		
Accounts payable (Note 4.d)	21,631	58,345
Debt (Note 10.b)	93,154	1,370,635
Salaries and social security payable	7,436	7,176
Taxes payable (Note 4.e)	886	13,521
Customer advances	149	1,318
Others (Note 4.f)	7,095	8,962
Subtotal	130,351	1,459,957
Contingencies (Note 12 and 16.d)	65,408	72,611
Total Current Liabilities	195,759	1,532,568
Non–Current Liabilities		
Debt (Note 10.b)	1,138,606	723,506
Others (Note 4.f)	8,436	5,533
Subtotal	1,147,042	729,039
Contingencies (Note 12 and 16.d)	27,803	-
Total Non–Current Liabilities	1,174,845	729,039
Total Liabilities	**1,370,604**	**2,261,607**
Shareholder’s Equity	**1,277,794**	**851,476**
Total Liabilities and Shareholder’s Equity	**$ 2,648,398**	**$ 3,113,083**

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, 2006 and 2005
(in thousands of Argentine Pesos, except per share amounts)

	December 31, 2006	December 31, 2005
Net revenues (Note 4.g)	$ 513,490	$ 450,351
Cost of services (Note 16.f)	(244,083)	(253,561)
Gross Profit	**269,407**	**196,790**
Selling expenses (Note 16.f)	(37,766)	(16,776)
Administrative expenses (Note 16.f)	(45,159)	(42,169)
Operating income	**186,482**	**137,845**
Gain from equity investments, net	1,282	947
Financial and holding results, net		
Generated by assets:		
Interest and indexing	21,038	13,364
Exchange rate differences	13,361	6,368
Others (Note 4.h)	13,988	4,767
Subtotal	48,387	24,499
Generated by liabilities:		
Interest and indexing	(205,850)	(187,714)
Exchange rate differences	(30,317)	(36,292)
Others (Note 4.h)	(7,622)	(11,182)
Subtotal	(243,789)	(235,188)
Gain on debt restructuring (Note 10)	243,870	3,844
Other expense, net (Note 4.i)	(4,649)	(2,882)
Icome before income tax	**231,583**	**(70,935)**
Income tax charge (Note 7)	(16,337)	25,240
Net income (loss) for the period	**$ 215,246**	**$ (45,695)**
Income (Loss) per share Basic (Note 6)	0.4899	(0.1300)

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, 2006 and 2005
(in thousands of Argentine Pesos, except per share amounts)

	Shareholders' contributions			Legal reserve	Voluntary reserve	Retained earnings (accumulated deficit)	Total shareholders' equity
	Common stock	Inflation adjustment of common stock	Total				
Balances as of December 31, 2004 (as previously reported)	351,499	506,053	857,552	46,205	125,588	(131,947)	897,398
Modification of balances (see Note 3.a and Note 3.h.)	-	-	-	-	-	(227)	(227)
Balances as of December 31, 2004 (as modified)	351,499	506,053	857,552	46,205	125,588	(132,174)	897,171
Loss for the year	-	-	-	-	-	(45,695)	(45,695)
Balances as of December 31, 2005	351,499	506,053	857,552	46,205	125,588	(177,869)	851,476
Issuance of new shares for capitalized debt (Note 10)	87,875	-	87,875	-	-	123,197	211,072
Income for the period	-	-	-	-	-	215,246	215,246
Balances as of December 31, 2006	**439,374**	**506,053**	**945,427**	**46,205**	**125,588**	**160,574**	**1,277,794**

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, 2006 and 2005

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

	December 31, 2006	December 31, 2005
Cash and cash equivalents as of beginning of year	$ 472,989	$ 375,082
Cash and cash equivalents as of end of the period (Note 4.j)	39,191	472,989
Net (decrease) increase in cash	**(433,798)**	**97,907**
Cash flows from operating activities		
Income (loss) for the period	215,246	(45,695)
Adjustments to reconcile net income (net loss) to net cash flows from operating activities:		
Income tax	16,337	(25,240)
Depreciation of fixed assets	113,551	113,793
Net book value of fixed assets written off	5,650	3,837
Increases in allowances and provisions, net	28,137	16,574
Financial and holding results, net	205,850	187,714
Gain on debt restructuring	(243,870)	(3,844)
Other financial and holding gains/losses	(52,991)	15,051
Gain on equity investments	(1,282)	(947)
Changes in certain assets and liabilities, net of non-cash transactions:		
Increase in accounts receivable	(16,275)	(8,565)
Decrease (increase) in other receivables	(15,127)	(22,167)
Increase in materials and spare parts and other assets	497	(1,351)
Decrease in accounts payable	(36,714)	26,655
Increase in salaries and social security payable	260	3,283
Increase in taxes payable	(12,635)	4,168
Increase (decrease) in other payables	1,036	636
Decrease in contingencies	(4,352)	(39)
Net cash flows provided by operating activities	**203,318**	**263,863**
Cash flows from investing activities		
Purchase of fixed assets	(59,976)	(90,618)
Dividends received	-	493
Net cash flows used in investing activities	**(59,976)**	**(90,125)**
Cash flows from financing activities		
Payment of debt	(418,273)	(39,395)
Interest paid	(191,250)	(47,369)
Attachments on debt	-	(4,290)
Decrease in customer advances	(1,169)	(3,149)
Net cash flows used in financing activities	**(610,692)**	**(94,203)**
Financial and holding result generated by cash		
Interests, exchange rate differences and other results generated by cash and cash equivalents	33,552	18,372
Total financial and holding result generated by cash	**33,552**	**18,372**
Net (decrease) increase in cash and cash equivalents	**$ (433,798)**	**$ 97,907**

The accompanying notes are an integral part of these financial statements

1. The Company and its operations

(a) Formation of the Company

The Company is one of the two principal natural gas transportation companies operating in Argentina and was formed in November 1992 in connection with the privatization of Gas del Estado S.E. ("GdE") (hereinafter referred to as the "Privatization"). In accordance with Law No. 23,696 and the Natural Gas Act, on December 28, 1992, GdE transferred to the Company the assets and certain liabilities relating to the Norte and Centro-Oeste pipelines (the "Transfer Agreement") and, pursuant to the bidding rules for the Privatization (the "Pliego") sold 70.04% of the capital stock of the Company to Gasinvest S.A. ("Gasinvest"), the Company's controlling shareholder.

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 GdE pipelines in the northern and central-western regions of Argentina. The TGN system is directly connected to two of the principal producing gas fields in northern and central-western Argentina, the Noroeste basin and the Neuquen basin, respectively, and indirectly to gas fields in Bolivia.

(b) Argentine economic context and its impact on the Company's economic and financial position

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) Public Emergency Law No. 25.561 have made important modifications relating to rates, the License and the regulatory framework of the Company, as mentioned in Note 1.c).

(ii) 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.

Until December 31, 2006 no effects have been produced on the revenues from sales recognized by TGN. The Company believes that the MEG will adversely affect its revenues related to transported gas marketed through the MEG, which amount approximately $ 12 million per annum.

(iii) The change in the economic enviroment 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.

1. The Company and its operations (Continued)

(b) Argentine economic context and its impact on the Company's economic and financial position (Continued)

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, 2006 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 Company operates in a regulated industry. The Natural Gas Act, the Pliego, the Transfer Agreement, the License and the regulations issued by the *Ente Nacional Regulador del Gas* ("ENARGAS", the Argentine Government's regulatory agency established by the Natural Gas Act) establish the legal framework for the Company's business.

The License was granted for an original term of 35 years, with an initial expiration date of December 28, 2027. 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.

As described further herein, the regulatory framework was amended by Public Emergency Law 25,561. However, there can be no assurance that the regulatory framework would not be modified in the near future thus affecting the Company's business.

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. Pursuant to the Natural Gas Act, rates include the cost of the transportation service plus a margin, and should cover all reasonable operating expenses, taxes and depreciation and provide a reasonable rate of return to licensees.

Under the License, rates were denominated in US dollars and adjusted twice a year to reflect changes in the U.S. producer price index (the "US PPI"). Rate adjustments did not require prior regulatory approval. Additionally, rates were to be adjusted every five years in accordance with efficiency and investment factors to be determined by ENARGAS. In addition, subject to ENARGAS´ approval, rates also had to be adjusted from time to time (i) to reflect cost variations resulting from changes in tax regulations (other than income tax) applicable to TGN and (ii) for other events deemed by ENARGAS to be objective and justifiable.

1. The Company and its operations (Continued)

(c) Regulatory framework (Continued)

Regulation of transportation rates (Continued)

However, in January 2002, the Argentine Government enacted Public Emergency Law No. 25,561 (Law 25,561), which provided for the following:

- The elimination of dollar or other foreign-currency adjustments and indexing provisions (such as the US PPI);
- The establishment of an exchange rate for dollar-denominated prices and rates of $1 =US$1 for gas transportation services in the domestic market;
- The renegotiations of the terms of the contracts entered into by privatized companies with the Argentine Government.

The current rates for domestic market services are expressed in Argentine Pesos and have not been subject to any adjustment since June 1999.

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.

In July 2003, the Argentine Government formed a unit under the joint jurisdiction of the Ministries of Economy and Production (“MEP”) and Federal Planning, Public Investment and Utilities (“MPFIPyS”), for the renegotiation of the contracts related to utilities and public works, including agreements that governed the provision of gas transportation services (*Unidad de Renegociación y Análisis de Contratos de Servicios Públicos* “UNIREN”). The UNIREN is authorized to conduct the renegotiation process and is empowered to reach total or partial agreements with licensees and submit proposals regulating the temporary adjustment of rates and prices, among other things.

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 discretional 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 March 2005, the MEP and MPFIPyS jointly called for public hearings for the discussion on the proposals submitted by the UNIREN and/or preliminary agreements entered into by the UNIREN and privatized companies. TGN´s hearing took place in May 2005 to analyze a unilateral proposal submitted by UNIREN which the Company deemed unsatisfactory. To date, the Company was not able to reach an agreement with UNIREN.

1. The Company and its operations (Continued)

(c) Regulatory framework (Continued)

Renegotiation of public service agreements (Continued)

No significant developments have occurred to date in connection with the renegotiation process. The deadline for this renegotiation, was further extended to December 31, 2007 (Law 26,204). There can be no assurance that the renegotiation process will be finalized within the revised timeframe, or that the ultimate outcome of the renegotiation will restore the imbalance caused by Law 25,561.

Technical assistance agreement

Within its regulatory framework, TGN receives audit and technical assistance from its shareholders and their related companies. Such financial 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 Audit and Technical Assistance Agreement 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.

Additionally, TGN is to comply with a series of negative covenants under its financial agreements currently in force. 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, 2006 including the summary of information required by General Resolution Nº 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

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles used in Argentina ("Argentine GAAP"), the regulations of the *Comisión Nacional de Valores (“CNV”*), the National Securities Commission in Argentina, and Regulation 1660/00, as amended, of ENARGAS (“Regulation 1660”). Regulation 1660 deals with certain methods of measuring the amounts shown in the financial statements of regulated gas transportation and distribution companies, as well as additional disclosures. These rules do not differ significantly from Argentine GAAP.

2. Preparation of financial statements (Continued)

(b) Basis of presentation (continued)

Amounts included in the notes to the financial statements are expressed in thousands of Argentine Pesos, except as otherwise indicated.

(c) Presentation of financial statements in constant Argentine Pesos

On August 22, 1995, the Argentine Government issued Decree 316/95 discontinuing the requirement that financial information be restated for inflation for any date or period after August 31, 1995. Effective September 1, 1995, in accordance with CNV resolutions and, Argentine GAAP, the Company began accounting for its financial transactions on a historical cost basis, without considering the effects of inflation. The financial statement information of periods prior to August 31, 1995 was restated to pesos of general purchasing power at the end of August 31, 1995 (“constant Pesos”). The August 31, 1995 balances, adjusted to the general purchasing power of the Peso at that date, became the historical cost basis for subsequent accounting and reporting.

However, as a result of the new inflationary environment in Argentina and the conditions created by Law 25,561, Argentine GAAP reinstated the application of inflation accounting in financial statements of fiscal years or interim periods ending on or after March 31, 2002. This resolution provided that all recorded amounts restated for inflation through August 31, 1995, as well as those arising between that date and December 31, 2001 are to be considered stated in currency as of December 31, 2001 (the “Stability Period”).

On July 16, 2002, the Argentine Government instructed the CNV to accept financial statements prepared in constant currency. The CNV reinstated inflation accounting on July 25, 2002.

However, after considering inflation levels for 2002, on March 25, 2003, the Argentine Government repealed the provisions of the previous decree and instructed the CNV to issue the necessary regulations to preclude companies under its supervision from filing price-level restated financial statements. Therefore, on April 8, 2003, the CNV discontinued inflation accounting as of March 1, 2003. The Company complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003.

Since Argentine GAAP required companies to prepare price-level restated financial statements through September 30, 2003, the application of the CNV resolution represented a departure from GAAP. The effect of not recognizing the effects of inflation from March 1, 2003 through September 30, 2003 is not significant for the year ended December 31, 2006.

(d) Reclassifications

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

(e) 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 period. Actual results could differ from those estimates.

2. Preparation of financial statements (Continued)

(e) Use of estimates (Continued)

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.

3. Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the Company in the preparation of the financial statements.

(a) Impact of recently issued accounting standards

Within the framework of the manifestation of consent agreement executed on July 8, 2004 by the Argentine Federation of Professional Councils in Economic Sciences ("F.A.C.P.C.E.") and the Professional Council in Economic Sciences of the City of Buenos Aires ("C.P.C.E.C.A.B.A."), on August 10, 2005 the latter adopted CD Resolution CD 93/05, by which the accounting standards approved by the F.A.C.P.C.E. were applied, containing the changes introduced to them until April 1, 2005.

These standards came into force for financial statements covering annual and interim periods of fiscal years commenced as from January 1, 2006. Furthermore, the C.N.V. has adopted those standards with certain modifications, establishing their application for fiscal years commencing as from January 1, 2006.

Following is a summary of the most significant provisions of the new accounting pronouncements which affect the Company:

"<u>Accounting for Differences between the Tax Basis and Book Basis of Fixed Asset Items for Deferred Income Tax Calculation Purposes</u>"

In August 2005, 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 fixed asset 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 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 fixed assets as permanent. The effect of the unrecognized deferred liability was $ 392.4 million as of December 31, 2006.

3. Summary of significant accounting policies (Continued)

"Impairment of long-lived assets"

In August 2005, the CPCECABA issued Resolution CD N° 93/05 which introduces certain amendments to the calculation of the impairment of long-lived assets. Currently, under Argentine GAAP, the Company periodically evaluates the carrying value of its long-lived assets for impairment. The carrying value of a long-lived asset is considered impaired by the Company when the expected cash flows, undiscounted and without interest, from such asset are separately identifiable and less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Under the new standard, the carrying value of a long-lived asset will be considered impaired when the expected discounted cash flows from such asset are less than its carrying value. The adoption of this new standard has not impacted on the Company's financial statements.

"Minimum presumed income tax credit valuation"

On July 23, 2006, the F.A.C.P.C.E. published an interpretation of the most appropriate technical method for valuing the minimum presumed income tax (MPIT) credit capitalized, establishing that this credit must be computed at nominal value, discontinuing the use of the discounted values foreseen in the professional accounting standards in force at that time. For purposes of the application of that interpretation, the following options may be exercised: (i) to compute the balance at nominal value and recognize a prior year adjustment due to the effect of the change of criterion or (ii) to compute at nominal value the tax accrued as from the publication of that interpretation while the balance previously capitalized would be carried at discounted value. TGN has exercised the first option and recognized the MPIT credit at nominal value. The prior year gain adjustment recognized, net of its tax effect, amounts to $ 9.6 million at December 31, 2004.

(b) 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.

Subsequent to the enactment of Law 25,561, the Company continued billing to certain customers based on the original contractual terms. However, these customers dispute the Company's understanding and "de facto" pay to the Company based on their own interpretation of how Law 25,561 affected the original contracts. The Company recognizes an allowance for the difference between the billings and the payments as services are accrued. This allowance is shown as a direct reduction of revenues.

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 adjustement account.

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. Accordingly, the Company includes a separate charge in its invoices to customers for the amount of the gross revenue tax rates.

3. Summary of significant accounting policies (Continued)

(c) Cash and banks

Cash and banks are stated at face value.

(d) Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid temporary investments with an original maturity of three months or less at the time of purchase to be cash equivalents. See Note 4.j. for details.

(e) Receivables and payables

Certain receivables and payables on the sale or purchase of goods and services, respectively, and those arising from financial transactions, are measured based on the calculation of their discounted value in accordance with Technical Resolution No. 17 ("RT Nº 17").

(f) Investments

Time deposits are valued at their cost plus accrued interest at period-end. Mutual funds and money-market funds are carried at market value. Unrealized gains and losses on time deposits and mutual funds are included in Financial and holding results, net, in the statement of operations.

The Company has investments in certain government bonds. These bonds are carried at market value.

The Company has certain equity interests in unconsolidated companies, representing 49% of the capital stock in each entity. These investments have been accounted for at the equity method.

As of December 31, 2006, the investment in the Brazilian entity Companhia Operadora de Rio Grande do Sul (COPERG) was written down to zero since its original cost was deemed to be permanently impaired. COPERG was formed to provide operating and maintenance services to a planned pipeline extending from Uruguayana to Porto Alegre in Brazil. The construction of this pipeline has been delayed and there can be no assurance that it will actually take place. COPERG currently serves a small area close to the Argentina-Brazil border.

Management is not aware of any event or circumstances since the date of the respective investees´ financial statements that would modify or significantly affect their financial position or results of operations.

(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.

The Company has considered certain assumptions in the determination of its cash flow estimate projections to evaluate a potential impairment of its materials and spare part items. Based on these projections, the Company considered an impairment charge not to be necessary for its materials and spare parts.

(h) Fixed assets, net

Fixed assets received by GdE have been valued at their transfer price stated in the Transfer Agreement. Subsequent additions have been valued at cost. All amounts have been restated for inflation in accordance with applicable regulations (See Note 2.c). The provision for depreciation and amortization is based upon rates which will systematically charge the costs of assets over their estimated useful lives (See Note 16.a).

3. Summary of significant accounting policies (Continued)

(h) Fixed assets, net (Cont.)

In the year ended December 31, 2005, the Company recorded a loss adjustment of $11.7 million ($9.8 million net of tax) to certain units of gas compression equipments against retained earnings as of the beginning of the year ended December 31, 2004.

Furthermore, in 2005 and 2006 a pipeline relining campaign was carried out over a length of 116.2 km. In accordance with ENARGAS Resolutions Nos. 1660 and 1903, $37.7 million were capitalized, becoming part of the Company's Essential Fixed Assets and, consequently, of its tariff base.

The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements are added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income statement.

The Company capitalizes interest on long-term construction projects.

The devaluation of the Argentine peso and the “pesification” of the Company’s rates materially affected the Company’s financial position and results of operations, and changed the rules under which the Company operated. However, as indicated in Note 1, Law No. 25,561 authorized the Argentine Government to renegotiate the conditions of the contracts with the gas transportation companies, taking into account the criteria described in Note 1.c.

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. Differences from period-to-period are included in Financial and holding results, net.

(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.

(k) Income tax

The Company records income taxes using the method required by RT No. 17. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. RT No. 17 requires companies to record a valuation allowance for that component of net deferred tax assets which are not recoverable. The statutory income tax rate was 35% for all the periods presented.

3. Summary of significant accounting policies (Continued)

(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/period. 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 estimated the existence of income tax losses for the years ended December 31, 2005 and 2006. The Company has determined an additional proportional charge for the year ended December 31, 2006, 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.

- Allowances for slow-moving and obsolescence materials ans spare parts: set up to cover materials, spare parts and accessories that are not expected to be used in the future.

- 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 capital", 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).

(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 obsolete and slow-moving spares and consumption materials determined based on the value of those assets.

(p) 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the years ended December 31, 2006 and 2005
(In thousands of Argentine Pesos, except per share amounts)

4. Breakdown of the main accounts

	December 31, 2006	December 31, 2005
a) Accounts receivable, net		
Gas transportation services		
Billed		
Distributors	$ 17,379	$ 9,983
Industrial	19,690	15,741
Generators	12,773	12,522
Unbilled	38,247	34,634
Subtotal	88,089	72,880
Other services		
Billed	2,420	671
Unbilled	924	1,607
Subtotal	3,344	2,278
Allowance for doubtful accounts (Note 16.d)	(8,386)	(5,552)
Allowance for disputed amounts (Note 16.d)	(9,454)	(15,460)
Total	**73,593**	**54,146**
b) Other receivables, net		
Current		
Gas transportation services		
Tax credits	1,519	1,518
VAT, net	1,821	-
Minimum notional income tax prepayment	1,847	-
Directors' and management fees (Note 5)	959	773
Advances to employees	213	156
Deposit in escrow	387	5,792
Prepaid expenses	13,141	21,781
Receivables from transactions on behalf of third parties	6,716	6,222
Sundry	-	780
Subtotal	26,603	37,022
Other services		
Management fees – Gas Trust Program (Note 14)	13,738	917
Receivable with controlling shareholder (Note 5)	8	8
Receivables with equity investees (Note 5)	373	330
Other related parties (Note 5)	889	338
Sundry	3,614	1,708
Subtotal	18,622	3,301
Allowance for doubtful accounts (Note 16.d)	(1,643)	(618)
Total	$ **43,582**	$ **39,705**

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Financial Statements as of and for the years ended December 31, 2006 and 2005
(In thousands of Argentine Pesos, except per share amounts)

4. Breakdown of the main accounts (Continued)

	December 31, 2006	December 31, 2005
Non-current		
Gas transportation services		
Deferred tax asset, net (Note 7)	$ 88,325	$ 104,662
MPIT (Note 7)	70,717	59,166
Gross revenue tax withholdings	996	812
Prepaid expenses	-	241
Deposit in escrow and disputed tax payments	4,797	4,693
Allowance for deposit in escrow and disputed tax payments (Note 16.d)	(4,797)	(4,693)
Subtotal	160,038	164,881
Other services		
Other related parties (Note 5)	-	865
Sundry	117	625
Subtotal	117	1,490
Total	**160,155**	**166,371**

c) Materials and spare parts

	December 31, 2006	December 31, 2005
Current		
Materials and spare parts	10,145	8,619
Total	**10,145**	**8,619**
Non-current		
Materials and spare parts	79,900	71,700
Allowance for slow-moving and obsolescence (Note 16.d)	(44,364)	(39,136)
Total	**35,536**	**32,564**

d) Accounts payable

	December 31, 2006	December 31, 2005
Gas transportation services		
Suppliers	3,045	11,268
Unbilled services	18,586	47,077
Total	**21,631**	**58,345**

e) Taxes payable

	December 31, 2006	December 31, 2005
VAT, net	-	1,017
Gross revenue tax	4	708
MPIT	-	6,613
VAT withholdings	186	826
Income tax withholdings	334	4,243
Gross revenue tax withholdings	362	114
Total	$ **886**	$ **13,521**

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

4. Breakdown of the main accounts (Continued)

	December 31, 2006	December 31, 2005
f) Others		
Current		
Easements	$ 5,828	$ 7,821
Directors' and management fees (Note 5)	1,106	982
Others	161	159
Total	**7,095**	**8,962**
Non-current		
Easements	8,436	5,533
Total	$ **8,436**	$ **5,533**
g) Net revenues		
Gas transportation services		
Gas transportation services	$ 474,163	$ 433,742
Discounts as per Decrees No. 292/1520/814 (Note 3.b)	(1,651)	(1,651)
Allowance for disputed amounts (Note 3.b)	10,670	(2,697)
Subtotal Gas transportation services	483,182	429,394
Other services		
Pipeline O&M services	19,004	17,097
Management fees – Gas Trust Program (Note 14)	11,304	3,860
Subtotal other services	30,308	20,957
Total	**513,490**	**450,351**
h) Financial and holding results, net:		
Generated by assets:		
Bank commissions and expenses	(373)	(361)
Discount granted	-	(352)
Holding results	14,819	5,255
Income (loss) on discounting of non-current and current assets	(458)	225
Total	**13,988**	**4,767**
Generated by liabilities:		
Bank commissions, expenses and taxes on banking and financial operations	(6,199)	(8,183)
Fees for guarantee of loan agreements (Note 5)	(1,698)	(3,085)
Income (loss) on discounting of non-current and current liabilities	197	-
Others	78	86
Total	**(7,622)**	**(11,182)**
i) Other (expense) income, net		
Loss on disposal of fixed assets and other expenses	(4,460)	(1,512)
Recovery of contingencies	261	249
Donations	(450)	(1,619)
Total	**(4,649)**	**(2,882)**
j) Cash and cash equivalents:		
Cash and banks	24,667	4,694
Mutual funds in foreign currency	2,869	309,920
Time deposits in foreign financial institutions	-	131,315
Mutual funds in $	11,655	27,044
Stock exchange securities in $	-	16
Cash and cash equivalents as shown in the statements of cash flows	$ **39,191**	$ **472,989**

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

5. Balances and transactions with related parties

The Company has had transactions in the normal course of business with certain related parties. The following is a summary of the balances and transactions with related parties:

Balances with related parties

	December 31, 2006	December 31, 2005
Accounts receivable:		
Other	$ 249	$ 242
Other receivables:		
Current:		
Receivable with controlling shareholder (Note 4.b)	8	8
Receivables with equity investees (Note 4.b)	373	330
Other (Note 4.b)	889	338
Directors' and management fees (Note 4.b)	959	773
Non –current:		
Other (Note 4.b)	-	865
Accounts payable:		
Other related parties	1,006	9,755
Others:		
Directors' and management fees (Note 4.b)	1,106	982

Transactions with related parties

	December 31, 2006	December 31, 2005
Controlling shareholder:		
Other income	25	25
Equity investees:		
Net revenues	38	151
Others	162	28
Others:		
Net revenues	2,498	2,337
Cost of services	(8,353)	(7,953)
Financial and holding results, net (Note 4.h)	(1,698)	(3,085)
Others	119	14
Purchases of other assets	26	1,022
Prepaid expenses on behalf of related parties	140	194
Directors' and management fees:		
Fees related to administrative tasks (Note 16.f)	(1,071)	(983)
Fees related to professional services	$ -	$ (125)

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

6. Earnings per share

Below is a detail of outstanding ordinary shares and debt securities convertible into shares.

Denominator:	December 31, 2006	December 31, 2005
Weighted average shares outstanding................	439,373,939	351,499,185
Diluted effect of potential common shares..........	-	13,335,679
Adjusted weighted average shares outstanding, assuming conversion of potential common shares.....	439,373,939	364,834,864

At December 31, 2005 the Company held negotiable obligations convertible into shares, which have been redeemed under the loan restructuring process described in Note 10.

At December 31, 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, 2006 and 2005, as the Company has experienced net losses for income tax purposes.

Income tax benefit for the years ended December 31, 2006 and 2005 consist of the following:

		December 31, 2006		**December 31, 2005**
Current tax expense	$	-	$	-
Deferred tax charge		(16,337)		25,240
Income tax charge	$	(16,337)	$	25,240

The Company accounts for income taxes in accordance with the guidelines of RT No. 17. prescribes the use of the liability 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:

		December 31, 2006		**December 31, 2005**
Deferred tax assets and liabilities:				
Short-term investments (valuation)	$	(44)	$	(3,094)
Accounts receivable		5,995		7,105
Other receivables		875		357
Fixed assets		(20,092)		(15,979)
Materials and spare parts		15,527		13,753
Other assets		(5,518)		(3,722)
Accounts payable		(69)		1,077
Expenses related to debt restructuring		10,532		-
Contingencies		34,303		27,056
Foreign currency exchange losses		-		15,639
Tax loss carry forwards		148,115		298,748
Valuation allowance		(101,675)		(236,577)
Others		376		299
Net deferred tax asset	**$**	**88,325**	**$**	**104,662**

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

7. Income tax and MPIT (Continued)

Income tax charge for the years ended December 31, 2006 and 2005 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, 2006		December 31, 2005
Net income (loss) before income tax	$	231,583	$	(70,934)
Income tax rate		35%		35%
(Income) loss tax charge at statutory tax rate .		(81,054)		24,827
Permanent differences:				
Inflation adjustment		(19,924)		(20,672)
Effect of the issue of new shares as a result of the capitalization of debt		(43,119)		-
Donations and non-deductible expenses		(4,691)		(653)
Change in valuation allowance		134,902		19,555
Gain from equity investments, net		448		331
Adjustment of non-capitalizable interest		(1,572)		-
Others		(1,327)		1,852
Income (loss) tax charge	**$**	**(16,337)**	**$**	**25,240**

As of December 31, 2006, the Company had accumulated tax loss carry forwards of approximately $ 438.6 million. These tax loss carry forwards expire at various times from 2007 through 2011.

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 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.

As discussed in Note 3.a), in August 2005, 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 $ 392.4 million as of December 31, 2006 and would have been reversed over the term of 21 years (as from December 31, 2006).

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

7. Income tax and MPIT (Continued)

The Company has recorded tax credits in relation to the MPIT. These tax credits amount to $ 70.7 million as of December 31, 2006. 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

RT No. 18 uses a management approach to report financial and descriptive information about a company's operating segments. Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally for management. Under this definition, the Company operates principally in two reportable segments by user of services: gas transportation services in the domestic market and gas transportation services for foreign consumers.

The tables below show statement of operations information by type of service provided. The "Other" column includes other ancillary services provided by the Company which are not significant to the total revenues, income and assets of the Company, i.e. operating and maintenance services and fees derived from the management and operation of gas trusts (see Note 14 for details):

For the year ended December 31, 2006		**Gas transportation services**		**Others**	**Total**
		Domestic	**Exports**		
Net revenues	$	243,286	239,896	30,308	513,490
Cost of services, administrative and selling expenses (before depreciation and amortization)		(160,849)	(42,871)	(9,737)	(213,457)
Depreciation and amortization		(96,178)	(17,305)	(68)	(113,551)
Other expenses		(3,937)	(708)	(3)	(4,648)
Gain from equity investments, net		-	-	1,281	1,281
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)
Net income for the period	**$**	**9,539**	**183,907**	**21,800**	**215,246**

As of December 31, 2006		**Gas transportation services**		**Others**	**Total**
		Domestic	**Exports**		
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

For the year ended December 31, 2005		**Gas transportation services**		**Others**	**Total**
		Domestic	**Exports**		
Net revenues	$	225,707	203,687	20,957	450,351
Cost of services, administrative and selling expenses (before depreciation and amortization)		(163,150)	(23,306)	(12,257)	(198,713)
Depreciation and amortization		(99,469)	(14,210)	(114)	(113,793)
Other expenses		(2,306)	(576)	-	(2,882)
Gain from equity investments, net		-	-	947	947
Financial and holding results, net		(168,552)	(41,897)	(240)	(210,689)
Gain on debt restructuring		3,075	730	39	3,844
Income tax benefit		20,192	5,025	23	25,240
Net (loss) income for the year	**$**	**(184,503)**	**129,453**	**9,355**	**(45,695)**

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

8. Segment information (Continued)

As of December 31, 2005		Gas transportation services		Others	Total
		Domestic	Exports		
Fixed assets, net	$	1,853,098	460,959	2,316	2,316,373
Accounts receivable, net		24,586	27,281	2,279	54,146
Debt		1,675,313	416,734	2,094	2,094,141
Other net assets		460,078	114,445	575	575,098
Shareholders' equity		662,449	185,951	3,076	851,476
Purchase of fixed assets	$	72,494	18,033	91	90,618

9. Restricted assets

Certain restrictions with respect to Essential Assets

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.

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. The complaint is aimed at requesting the court to determine the time frame within which the defendants will have to execute the title deeds to the property transferred. It was also requested that, failing this, the hearing court should proceed to execute the title deeds. A lower court ruling unfavorable to TGN issued on May 27, 2005 was appealed by the Company before the Federal Court of Appeals on Administrative Litigation Matters.

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 certain 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. So far, the National State has executed title deeds to seven out of twenty properties.

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.

Summary attachments

As of December 31, 2005 in the caption other receivables are included the attachments and legal deposits arising from several legal actions, part of them have been already resolved at December 31, 2006.

10. Debt

a) Default occurred prior to the restructuring of the financial debt and steps previously taken

In view of the circumstances indicated in Note 1.b), as from 2002 the Company was forced to postpone the payment of certain financial obligations. At September 29, 2006, date of implementation of the debt exchange described in b), past due and outstanding loans amounted to US$ 288.7 million (principal) and interest accrued on them to US$ 109.8 million.

Considering the mentioned default situation, in order to avoid legal action that could complicate negotiations with the most important creditors, the Company resolved to cancel with a debt reduction, short-term bilateral debts it had with certain financial creditors. From December 2004 to January 2006 loans were settled by means of a $ 55.2 million payment. The net result of that redemption was charged in the period to Gain on debt restructuring.

Furthermore, in July 2006 the Company allocated $ 107.6 million (principal, interest and expenses included) to the partial redemption of Series A and B and to the full redemption of Series C and D of the Negotiable Obligations under the Global Program for US$ 320 million . The net result of that redemption is approximately $ 52.4 million and was charged to Gain on debt restructuring.

Within the Company’s financial debt restructuring process, one of the most important steps consisted in agreeing with the holders of the CRIB´s debt securities an exchange of their original holdings for new Negotiable Obligations issued directly by TGN, under the same terms and conditions as those of the CRIBs.

The Extraordinary Meeting of Shareholders held on January 26, 2006 authorized the issuance of ordinary secured US dollar-denominated Negotiable Obligations, non-convertible into shares for an amount of up to US$ 175 million, which were exchanged for CRIB´s debt securities. The CRIB´s exchange offer expired on August 4, 2006, with 100% of creditors having accepted it.

The negotiable obligations succeeding the CRIBs did not originate funds for the Company because they were destined exclusively to the exchange for previous holdings of CRIBs.

The Company made quarterly partial payments of accrued interest July 2005. As part of the conditions agreed under the financial debt restructuring process, on July 31, 2006 TGN paid interest for US$ 18.4 million accrued from August 2005 to July 2006. TGN has made all those interest payments applying the temporary maximum annual rate of 3.5% until the terms for interest payments are established in the financial restructuring agreement.

b) Terms and conditions of the restructuring of the financial debt

On August 3, 2006, TGN launched a public offer to exchange its financial debt in the process of being restructured. The period to accept the offer expired on August 31, 2006. The exchange offer was authorized by means of resolutions adopted by the Meetings of Shareholders held on January 26, 2006, March 16, 2006 (which was resumed on March 23, 2006) and July 6, 2006, and by the Board of Directors at the meeting held on June 7, 2006 and September 1, 2006.

On August 31, 2006, the expiration date of the exchange offer, creditors of 99.94% of the total debt subject to restructuring accepted the offer. Upon execution of the out-of-court reorganization agreement (APE) with the creditors accepting the offer, on September 29, 2006 TGN implemented the exchange through a private operation, without requesting approval from the court.

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

10. Debt (Continued)

b) Terms and conditions of the restructuring of the financial debt (Continued)

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 amendment to the corporate by-laws in relation to the issuance of 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.

The Negotiable Obligations to be exchanged and Class C shares have been issued within the framework of the restructuring of the Company's financial debt Consequently, TGN has not received cash for their issuance. The negotiable obligations and shares have been used to partially prepay the restructured debt.

On September 29, 2006, the Company repaid the principal on Series A negotiable obligations for US$ 37.5 million, made interest payments for US$ 23.8 million on the Series A and B negotiable obligations (net of partial interest it had paid from January 2005 to July 2006 at a rate of 3.5% of the exchanged debt), and made an additional payment in cash for US$ 52.4 million plus interest for US$ 3.6 million, totaling US$ 117.3 million.

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.

The gain on the restructuring of loans for the year ended December 31, 2006 includes the following results:

	(Millions of $)
Gain on debt exchange for new negotiable obligations and payment in cash	191.1
Gain on partial redemption of Series A and B and to the full redemption of Series C and D of the Negotiable Obligations under the Global Program for US$ 320 million	52.4
Gain on repayment of other loans during the period	0.4
Gain on debt restructuring	243.9

As regards the debt exchange for Class C shares, the difference between the face value of those shares and the amount of debt repaid has been allocated to "Retained Earnings", in the statement of changes in shareholders' equity.

The new negotiable obligations shall have the following characteristics:

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

10. Debt (Continued)

b) Terms and conditions of the restructuring of the financial debt (Continued)

	Ordinary non-convertible Class A negotiable obligations	**Ordinary non-convertible Class B negotiable obligations**
Amount	Up to VN US$ 250,000,000	Up to VN US$ 250,000,000
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 acrue 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.

Below is a description of the main negative covenants under the new financial agreements signed by the Company, 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.

(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.

10. Debt (Continued)

b) Terms and conditions of the restructuring of the financial debt (Continued)

(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.

(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.

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

10. Debt (Continued)

b) Terms and conditions of the restructuring of the financial debt (Continued)

At December 31, 2006 and 2005, the breakdown of the Company's loans is as follows:

	12.31.06	12.31.05
	Thousands of $	
Current		
Ordinary non-convertible Class A	91,860	-
Creditors not accepting the exchange offer	1,818	-
Global Program of Negotiable Obligations - US$ 300 million	-	259,540
Global Program of Negotiable Obligations - US$ 320 million	-	584,663
Interest payable on CRIBs	-	160,974
Loan agreements	-	362,411
Import financing	-	3,047
Adjustement to arrive at present value	(524)	
Total	**93,154**	**1,370,635**
Non Current		
Ordinary non-convertible Class A	512,885	-
Ordinary non-convertible Class B	623,515	-
Global Program of Negotiable Obligations - US$ 320 million	-	192,906
CRIBs	-	530,600
Adjustement to arrive at present value	2,206	
Total	**1,138,606**	**723,506**
Total	**1,231,760**	**2,094,141**

At December 31, 2005, loans had been disclosed under current and non-current, according to the conditions originally agreed for them.

c) Description of the main restructured loans

Global Program for the issuance of Medium-Term Negotiable Obligations – U$S 300 million

In March 1994, the CNV authorized the Company's listing with the Public Offering System and the creation of the Global Negotiable Obligation program.

Proceeds from the debt issuances were used to finance capital expenditures projects.

The following summarizes information concerning borrowings under the Medium-Term Notes program:

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

10. Debt (Continued)

c) Description of the main restructured loans (Continued)

Serie	Date issued	Placing Agent	Amount in US$ million	Principal payments	Interest payments	Annual interest rate
III	10.31.1996	Santander	50.0	4 annual installments of US$ 12.5 million each as from fifth year	Semi-annually	180 days LIBO plus 3.125%
IV	06.26.1997	Santander	46.0	4 annual installments of US$ 11.5 million each as from second year	Semi-annually	180 days LIBO plus 1% per 1 and 2 years; plus 1.25% per 3 and 4 years; plus 1.5% per 5 year
V	06.26.1997	Santander	24.0	2 annual installments of US$ 12.0 million each as from sixth year	Semi-annually	Same as above plus 180 days LIBO plus 1.70% per 6 and 7 years
VI	03.04.1998	Nassau Branch of BankBoston N.A., Supervielle Société Générale and BEAL	40.0	Lump sum on third year	Semi-annually	180 days LIBO plus spread ranging between 0.75% through 1.5%
VII	03.04.1998	Nassau Branch of BankBoston N.A., Supervielle Société Générale and BEAL	20.0	10 equal semi-annually installments	Semi-annually	180 days LIBO plus spread ranging between 0.75% through 1.5%
Total			**180.0**			

Global Program for the issuance of Unsecured Non-convertible and/or Convertible Medium-Term Negotiable Obligations – US$ 320 million

Under this program, in August 1996, the Company issued to the International Finance Corporation (IFC) notes in the aggregate principal amount of US$ 235 million and convertible notes in the aggregate principal amount of US$ 20 million. Proceeds from this transaction were applied to finance the investment plan for the period 1995-1997.

The following summarizes information concerning borrowings under this program:

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

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

10. Debt (Continued)

Convertibility Risk Insured Bonds (CRIBs)

In May 2000, the Annual Shareholders´ Meeting of the Company approved the issuance of unsecured non-convertible notes for an aggregate maximum amount of US$ 200 million.

In July 2000, the Company issued notes totaling US$ 175 million due July 25, 2012. These notes, which were priced at 99.64% of par, bear interest at the annual rate of 10.875% plus 0.325% as insurance to cover political risk.

The bond was purchased by Merrill Lynch Capital Services, which transferred them to a financial trust from Argentina. This trust in turn issued the Convertibility Risk Insured Bonds (CRIBs), that is, bonds insured to cover non-convertibility and non-transferability risks. This insurance policy was issued by Overseas Private Investment Corporation (“OPIC”), a US government agency.

Proceeds from these loans were used to finance capital expenditures related to gas transportation systems.

Other loan agreements

On December, 2000, the Company entered into a syndicated loan agreement with a group of banks led by Bank of America, BankBoston and Banco Francés-BBV subject to the following basic terms and conditions: (i) Amount: US$ 70 million, in two tranches of US$ 35 million each; (ii) Maturities: one tranche in January 4, 2004 and the other in January 4, 2005; (iii) Interest: Libo + 2.5% annually for the first tranche and Libo + 3.0% annually for the second tranche, payable quarterly. In addition they accrued 1.3% annually for politic risk insurance.

The funds provided by this loan were applied to financing investments in assets exclusively related to the gas transportation system.

11. Shareholder’s 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	1.12.92	11667	112	A
Capitalizations of irrevocable contributions:	12.28.92	267,255	7.03.94	1894	114	A
	03.25.94	84,232	9.06.94	5589	115	A
Issuance of new shares for capitalized loans (Note 10)	09.29.06	87,875	08.18.06	13005	32	-
Total		**439,374**				

11. Shareholder’s equity (Continued)

(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; (ii) the quality of the service is not affected; and (iii) the service operator, or a successor (as approved by ENARGAS) owns at least 10% of the outstanding shares of the new acquirer and enters into a technical assistance agreement.

(c) Restriction on distribution of profits

The Company is subject to certain restrictions on the 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

In accordance with applicable laws and regulations, the shareholders meeting of the Company is allowed to appropriate a portion of the net income of the year to a voluntary reserve for the future distribution of dividend payments. This voluntary reserve may be used at that time dividends are declared and paid.

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 for an aggregate amount of $ million 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, 2006 the allowance set up by the Company amounted to $ 93.2 million (Note 16.d).

12. Contingencies (Continued)

(a) Gross Revenue Tax – Province of Salta

On April 26, 2002, the Tax Authority of the Province of Salta, Argentina, assessed the Company approximately $1.3 million and $1.4 million in additional taxes and interest, respectively, for the fiscal years 1996 through 2001 resulting from a tax audit for that period. Amounts have been assessed as of May 31, 2002. The tax authority determined the deficiency based on the market value of gas stored. After several administrative proceedings, on January 18, 2004, the Provincial Government issued Decree 118 which affirmed the tax authority assessment. Subsequently, the Company paid $ 3.7 million including penalties and interest. The administrative authority hearing the case ruled in favor of TGN's position. Furthermore, TGN has challenged before the administrative agency the fine imposed by the Tax Authority, equivalent to 50% of the tax determined. Through Decree No. 2287 dated September 25, 2006, the Province of Salta dismissed an appeal lodged by TGN against a resolution of the Ministry of Finance imposing a fine in relation to this tax. TGN has decided to appeal that decision before a court of law. Considering that the outcome of this proceeding is uncertain and reserving the pertinent rights, the Company has been paying the accrued tax since April 2004.

(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 year end.

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

In July 1999, AES Parana S.C.A. ("AESP") 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 MMm3/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 AESP-TGN Agreement required the Company to perform certain transportation capability expansion works to meet its obligations. In 2002, due to the political, social and economic crisis in Argentina that resulted in significant changes in general economic policies and regulations as well as specific changes in the energy sector (including pesification and freezing of rates), the Company proposed AESP to revise the existing terms of the contract due to the impossibility of performance under the current changes in legislation.

Since negotiations between AESP and the Company stalled in late 2002, the Company filed an action with ENARGAS in February 2003 seeking to rescind the AESP-TGN Agreement. That action, also sought injunctive relief for an unspecified time period. In May 2003, AESP filed a cross-action alleging that the Company negligently omitted to adopt the necessary measures to meet its obligations under the AESP-TGN Agreement.

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.

12. Contingencies (Continued)

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

In June 2006, as a result of a resolution previously issued by the ENARGAS calling upon TGN and AES Parana to carry out negotiations to establish the conditions for the continuity of the contract, 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 m3/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, 2006, TGN adjusted the amount of the provision recorded for potential challenges from AES regarding the amount of that compensation.

(d) Municipal taxes

In July 2003, a municipality of the Province of Salta, Argentina, determined that the Company is liable for approximately $4.6 million in municipal taxes and interest. This municipality also assessed $3.3 million in fines due to alleged fraudulent conduct. The Company filed an appeal contending that the claim was erroneous as a matter of law, both as to liability and damages. That appeal, also sought injunctive relief. The case is still pending.

In February 2006, another municipality of the Province of Salta, Argentina, assessed the Company approximately $34.8 million in municipal taxes, interest and expenses for the period January 1995-July 2005. The Company filed an appeal contending the claim. In March 2006, the Municipality reduced the amount claimed to $ 14.0 million. The case is still pending.

(e) Tax assessments related to payments to note holders

In December 2004, the Company received notices from federal tax authorities of proposed adjustments to income tax and value added tax based on the amounts of interest paid to holders of the notes issued under the Negotiable Obligations Program pursuant to Law 23,576. The approximate proposed adjustment claims additional tax, including penalties and interest, of $50.7 million and $31.7 million for income tax and value added tax, respectively.

These claims resulted from a tax audit seeking to verify compliance of the requirements of Law 23,576 under which interest paid to note holders are entitled to certain tax benefits provided the requirements are fulfilled. The Company filed an appeal and injunctive relief was granted. The Company has consented to the time extensions requested by the National Tax Authority in the two lawsuits and at the date of these financial statements, no resolution had yet been issued.

(f) Gas measurement procedures

In June 2004, ENARGAS assessed the Company approximately $0.1 million in fines. ENARGAS asserted that the Company was not in compliance with certain mandatory procedures established in the Service Agreement relating to gas measurements in the point of delivery.

12. Contingencies (Continued)

(f) Gas measurement procedures (Continued)

In this connection, the Company determined and reserved approximately $1.3 million to cover potential claims from certain customers.

(g) 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.

(h) 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 m3/d (between May and September 2006) and 0.579 MM m3/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 m3/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. TGN requested that the two resolutions be reconsidered alleging their unlawfulness for violation of vested rights and requested a stay of their effects while the respective administrative appeals are pending. On October 4, 2006 as a precautionary measure the ENARGAS granted a stay for 30 business days of the retroactive effects of the two resolutions to allow TGN and YPF to reach an agreement. Another stay for thirty business days was granted on November 22, 2006. The Company continues to carry the US$ 3.5 million allowance it had set up at year end for this item.

(i)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)).

12. Contingencies (Continued)

(i)Stamp duty – Salta- Operation and Maintenance Contract (Continued)

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. Pursuant to the Trust Agreement, two trusts were created (the "TGN Serie I Trust" and the "TGN Serie 2 Trust", and collectively referred to as the "Trusts") for the purpose of implementing gas transportation capacity expansion projects.

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 m3/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.

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 m3/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 Company operates the assets and renders the maintenance services through the termination of the Trusts. Once the Trusts are terminated, the ownership of the assets resulting from the expansion will be transferred to the Company. Additionally, those assets will be classified as Essential Assets. The projects have been completed. At December 31, 2006 the investment amounts to $ 29 million and its residual value is approximately $ 26.2 million at that date.

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

14. Creation of a Gas Trusts Program for the expansion of gas transportation system capacity

In light of the lack of expansion of the natural gas transportation system over recent years (as a consequence of the "pesification" of rates and the fact that the renegotiation of the License is still pending) and a growing gas demand in certain segments of the Argentine economy, the Argentine Government established - through Decree No. 180/04 and Resolution No. 185/04 issued by the Ministry of Federal Planning, Public Investment and Utilities- the framework for the creation of a trust fund ("the Trust Fund") that would be used as a vehicle to finance gas transportation system expansions.

14. Creation of a Gas Trusts Program for the expansion of gas transportation system capacity (Continued)

Trust for the 2005 Northern Gas Pipeline expansion work

On December 22, 2004, the Company entered into several contracts with the Federal Energy Bureau and Nación Fideicomisos S.A. ("Nación Fideicomisos") outlining the general terms of the project for the expansion of the Norte pipeline transportation capacity of approximately 1.8 MMm3/d. In accordance with the structure specified in the trust agreement (the "Trust Agreement"), among TGN, the Federal Energy Bureau and Nación Fideicomisos (the trustee of the Gas Trust), a trust was created (the "Fideicomiso de Gas" or "Gas Trust") for the purpose of implementing the expansion project, which will be funded by private contributions.

This project involved the construction of 232.5 km of pipeline and a 25,710 HP capacity and was concluded on February 2006. The total cost of the expansion was US$183 million (excluding VAT), approximately US$8.4 million of which was provided by the Company through capital expenditures on the transportation system as of December 31, 2006. Under the Trust Agreement, the Company was the project manager for the expansion project (as well as being the trustor of the Gas Trust) and received a fee equal to 1% of the final amount of investment based on the execution of the project works. In addition, the Company operates the assets and renders the operation and maintenance services.

The Company´s investment is to be recovered over time by the payment to the Company of gas transportation service revenues obtained from the additional transportation capacity, based on current regulated rates. These rates also cover the Company´s operating and maintenance.

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.

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 MMm3/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). Until December 31, 2006 revenues for $ 11.1 million had accrued in this regard.

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

15. Subsequent events

Subsecuent to December 31, 2006, 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

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

16. Other financial statement information (Continued)

(a) Fixed Assets, net

	12.31.2006												12.31.2005
	Original values					Depreciation							
Account	**At the beginning of the year**	**Increases**	**Disposals**	**Transfers**	**At the end of the period**	**At the beginning of the year**	**For the period %**	**For the period**	**Disposals**	**Transfers**	**Accumulated at the end of the period**	**Net book value**	**Net book value**
Land	3,275	-	-	-	3,275	-	-	-	-	-	-	3,275	3,275
Buildings and constructions	76,157	-	-	245	76,402	15,631	2	1,525	-	9	17,165	59,237	60,526
Installations and fixtures	2,067	-	-	-	2,067	392	4	81	-	-	473	1,594	1,675
Gas pipelines	2,014,947	-	(468)	3,612	2,018,091	468,639	3.33 and 2.22	55,763	(135)	238	524,505	1,493,586	1,546,308
Recoating (i)	17,590	20,112	-	-	37,702	-	5.88	1,041	-	-	1,041	36,661	17,590
High-pressure branch lines	620	-	-	-	620	192	3.33 and 2.22	17	-	-	209	411	428
Compressor Plants	800,266	-	(3,120)	20,603	817,749	256,403	4	39,966	(1,304)	(397)	294,668	523,081	543,863
High pressure control and/or measurement stations	70,576	-	(5,423)	1,575	66,728	27,755	5	3,861	(2,969)	(95)	28,552	38,176	42,821
Other technical installations	47,286	-	(676)	(79)	46,531	19,242	6.67	2,542	(309)	(41)	21,434	25,097	28,044
Machinery, equipment and tools	22,097	-	(881)	1,177	22,393	16,931	10, 20 and 50	1,403	(859)	378	17,853	4,540	5,166
Computer and telecommunications system	71,600	-	(467)	1,609	72,742	37,433	10 and 20	4,874	(384)	(78)	41,845	30,897	34,167
Vehicles	15,839	-	(378)	526	15,987	11,906	20	1,296	(267)	(63)	12,872	3,115	3,933
Furniture and fixtures	9,466	-	(18)	208	9,656	8,035	10	379	(14)	-	8,400	1,256	1,431
Assets held at third parties	7,094	-	(36)	513	7,571	4,558	12.5	803	(37)	49	5,373	2,198	2,536
Work in process	23,938	39,449	(461)	(29,204)	33,722	-	-	-	-	-	-	33,722	23,938
Advances to suppliers	672	415	-	(785)	302	-	-	-	-	-	-	302	672
Total as of 12.31.2006	**3,183,490**	**59,976**	**(11,928)**	-	**3,231,538**	**867,117**		**113,551**	**(6,278)**	-	**974,390**	**2,257,148**	**-**
Total as of 12.31.2005	**3,102,077**	**90,618**	**(9,205)**	-	**3,183,490**	**758,692**		**113,793**	**(5,368)**	-	**867,117**	**-**	**2,316,373**

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

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

16. Other financial statement information (Continued)

(b) Investments

					Book value		Information on the issuer						
							Principal activity	Latest financial statements					
Issuer	**Class**	**Par value**	**Amount**	**Cost value**	**12.31.2006**	**12.31.2005**		**Date**	**Capital stock and capital adjustment**	**Other Reserves**	**Retained earnings**	**Shareholders' equity**	**% of direct holding**
Non–current investments													
Comgas Andina S.A.	Common	(a) 1	490	246	6,181	4,899	Gas pipeline services	12.31.06	7	-	12,607	12,614	49.0
Companhia Operadora de Rio Grande do Sul (Note 16.d and 3.f)............	Common	(b) 1	49	0.1	131	119	Gas pipeline services	12.31.06	-	109	158	267	49.0
Impairment of investment .					(131)	(119)							
Total....................				246.1	6,181	4,899							

a. Chilean Pesos
b. Brazilian Reais

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

16. Other financial statement information (Continued)

(c) Short-term investments

	December 30, 2006	December 31, 2005
Mutual funds in foreign currency	$ 2,869	$ 309,920
Time deposits in foreign financial institutions	-	131,315
Mutual funds in $	11,655	27,044
Government bonds – Discount bond	2,381	2,062
Stock exchange securities in $ and others	-	16
Total	$ 16,905	$ 470,357

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

16. Other financial statement information (Continued)

(d) Allowances and provisions

		12.31.2006					12.31.2005
		Balances at the beginning of the year	Net increases	Decreases	Transfers	Balances at the end of the period	Balances at the end of the period
Deducted from assets							
Current							
Allowance for doubtful accounts		5,552	5,206	(2,372)	-	8,386	5,552
Allowance for disputed amounts and others		15,460	(6,006)	-	-	9,454	15,460
Allowance for other receivables		618	1,025	-	-	1,643	618
Subtotal		**21,630**	**225**	**(2,372)**	**-**	**19,483**	**21,630**
Non Current							
Allowance for disputed tax payments and judicial escrow accounts		4,693	104	-	-	4,797	4,693
Allowance for slow-moving and obsolescence		39,136	5,228	-	-	44,364	39,136
Allowance for impairment of COPERG (Note 16.b and 3.f)		119	12	-	-	131	119
Subtotal		**43,948**	**5,344**	**-**	**-**	**49,292**	**43,948**
Total allowances deducted from assets	**$**	**65,578**	**5,569**	**(2,372)**	**-**	**68,775**	**65,578**
Included in Liabilities							
Current							
Provision for contingencies		72,611	22,065	(1,980)	(27,288)	65,408	72,611
Non Current							
Provision for contingencies		-	515	-	27,288	27,803	-
Total provisions included in liabilities		**72,611**	**22,580**	**(1,980)**	**-**	**93,211**	**72,611**
Total as of 12.31.2006	$	**138,189**	**28.149**	**(4.352)**	**-**	**161.986**	**-**
Total as of 12.31.2005	$	**121,535**	**21,738**	**(5,084)**	**-**	**-**	**138,189**

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

16. Other financial statement information (Continued)

(e) Assets and liabilities in foreign currency

	12.31.2006					12.31.2005		
	Foreign currency class and amounts		Exchange rate		Amount in $	Foreign currency class and amounts		Amount in $
Assets								
Current assets								
Cash and banks								
Cash	US$	4	3.022	$	12	US$	3	$ 9
Banks	US$	5,549	3.022		16,769	US$	319	954
					16,781			963
Short-term investments								
Mutual funds in foreign institutions	US$	949	3.022		2,869	US$	103,583	309,920
Time deposits in foreign institutions	US$	-	3.022		-	US$	43,889	131,315
Government bonds – Discount bonds	US$	788	3.022		2,381	US$	689	2,062
					5,250			443,297
Accounts receivable								
Gas transportation services	US$	11,434	3.022		34,554	US$	9,118	27,281
Other services	US$	1,066	3.022		3,221	US$	507	1,517
					37,775			28,798
Other receivables								
Prepaid expenses	US$	1,793	3.022		5,418	US$	1,203	3,599
	L	83	6.066		506			-
Guarantee deposits	US$	200	3.022		604			-
Prepaid expenses on behalf of third parties and others	R$	105	1.3566		142	R$	101	140
	US$	343	3.022		1,037	US$	1,395	4,174
					7,707			7,913
Total current assets				$	**67,513**			$ **480,971**

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

16. Other financial statement information (Continued)

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

	12.31.2006					12.31.2005			
	Foreign currency class and amounts		Exchange rate		Amount in $	Foreign currency class and amounts			Amount in $
Non-current assets									
Other receivables									
Guarantee deposits	US$				-	US$	179		537
					-				537
Investments									
Comgas Andina (Note 16.b)	$ch	1,059,283	0.0058		6,181	$ ch	844,655		4,899
					6,181				4,899
Total non-current assets				**$**	**6,181**			**$**	**5,436**
Total assets				**$**	**73,694**			**$**	**487,407**
Liabilities									
Current liabilities									
Accounts payable									
Suppliers	US$	314	3.062	$	961	US$	3,900	$	11,825
					-	EURO	5		18
					-	£	118		615
					961				12,458

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

16. Other financial statement information (Continued)

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

	12.31.2006					12.31.2005			
	Foreign currency class and amounts		Exchange rate		Amount in $	Foreign currency class and amounts			Amount in $
Loans									
Ordinary non-convertible Class A	US$	30,000	3.062		91,860		-		-
Global Program of Negotiable Obligations – US$ 300 MM	US$				-	US$	85,600		259,540
Creditors not accepting the exchange offer ...	US$	594	3.062		1,818				
Global Program of Negotiable Obligations – US$ 320 MM	US$				-	US$	192,831		584,663
CRIBs interest	US$				-	US$	53,092		160,974
Loan agreements	US$				-	US$	104,408		316,564
Import financing	US$				-	US$	1,005		3,047
					93,678				1,324,788
Customers' advances	US$	49	3.062		149	US$	435		1,318
					149				1,318
Total current liabilities				$	**94,788**			$	**1,338,564**
Non-current liabilities									
Loans									
Ordinary non-convertible Class A	US$	167,500	3.062		512,885		-		-
Ordinary non-convertible Class B	US$	203,630	3.062		623,515		-		-
Global Program of Negotiable Obligations - US$ 320 MM	US$				-	US$	63,623		192,906
CRIBs	US$				-	US$	175,000		530,600
					1,136,400				723,506
Total non-current liabilities				$	**1,136,400**			$	**723,506**
Total liabilities				$	**1,231,188**			$	**2,062,070**

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

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

16. Other financial statement information (Continued)

(f) Cost of services, administrative and selling expenses

		Cost of services			Selling expenses					
	Total At 12.31.2006	Transportation service	Other services	Total	Transportation service	Others services	Total	Administrative expenses	Investments in fixed assets	Total At 12.31.2005
Fees for Directory	1,071	-	-	-	-	-	-	1,071	-	-
Fees for technical and administrative tasks	-	-	-	-	-	-	-	-	-	983
Fees for professional services	5,463	1,960	416	2,376	22	-	22	3,192	(127)	4,822
Salaries, wages and other personnel benefits	49,072	27,919	4,069	31,988	781	-	781	15,948	355	43,237
Social security contributions	9,402	6,080	847	6,927	141	-	141	2,334	-	7,869
Fees for technical operator services	6,201	6,201	-	6,201	-	-	-	-	-	5,973
Inbound personnel expenses	1,601	1,601	-	1,601	-	-	-	-	-	1,686
Spare parts and materials	18,220	12,408	380	12,788	-	-	-	58	5,374	18,876
Gas imbalance	2,433	2,433	-	2,433	-	-	-	-	-	4,140
Third party services and supplies .	3,594	2,936	303	3,239	20	-	20	335	-	2,814
Maintenance and repair	66,667	38,480	2,082	40,562	-	-	-	1,540	24,565	72,737
Travel expenses	5,533	4,069	759	4,828	68	-	68	650	(13)	7,050
Freight and transportation	1,086	515	62	577	-	-	-	84	425	803
Communications	932	496	121	617	21	-	21	290	4	1,213
Insurance	5,717	5,265	9	5,274	1	-	1	442	-	5,479
Office supplies	1,232	559	103	662	10	-	10	562	(2)	1,472
Rentals	1,196	572	531	1,103	4	-	4	29	60	1,089
Easements	4,423	4,423	-	4,423	-	-	-	-	-	6,304
Taxes, rates and contributions	19,784	415	3	418	14,233	607	14,840	4,525	1	18,626
Fixed assets depreciation	113,551	111,893	68	111,961	227	-	227	1,363	-	113,793
Fixed assets expenses	4,814	-	-	-	-	-	-	-	4,814	4,121
Allowance for doubtful accounts ...	10,895	-	-	-	10,895	-	10,895	-	-	2,030
Provision for contingencies	22,580	-	-	-	10,717	-	10,717	11,863	-	13,788
Allowance for slow-moving and obsolescence	5,228	5,228	-	5,228	-	-	-	-	-	3,104
Others	1,789	825	52	877	19	-	19	873	20	1,853
Total at 12.31.2006	**362,484**	**234,278**	**9,805**	**244,083**	**37,159**	**607**	**37,766**	**45,159**	**35,476**	**-**
Total at 12.31.2005	**-**	**241,784**	**11,777**	**253,561**	**16,182**	**594**	**16,776**	**42,169**	**31,356**	**343,862**

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

16. Other financial statement information (Continued)

(g) Aging of assets and liabilities

	12.31.2006			
	Short-term investments	**Account receivables and other receivables (a)**	**Debt**	**Other liabilities (b)**
a) Past due				
Until 12.31.2005	-	16,425	1,613	-
03.31.2006	-	2,402	12	-
06.30.2006	-	2,612	12	-
09.30.2006	-	3,879	25	-
12.31.2006	-	17,358	29	-
b) Without due date	16,905	94,858	1,809	-
c) To be due				
03.31.2007	-	78,715	-	26,675
06.30.2007	-	6,822	45,930	10,522
09.30.2007	-	1,408	-	-
12.31.2007	-	504	45,930	-
12.31.2008	-	5,910	103,342	8,436
12.31.2009	-	70,717	103,342	-
12.31.2010	-	-	114,825	-
12.31.2011	-	-	114,825	-
12.31.2012	-	-	700,066	-
Total at 12.31.2006	**16,905**	**301,610**	**1,231,760**	**45,633**
a) Balances subject to adjustment	14,524	2,865	-	-
b) Balances not subject to adjustment	2,381	298,745	1,231,760	45,633
Total at 12.31.2006	**16,905**	**301,610**	**1,231,760**	**45,633**
a) Interest bearing balances	1,613	274	1,229,951	2,640
b) Non -interest bearing balances	15,292	301,336	1,809	42,993
Total at 12.31.2006	**16,905**	**301,610**	**1,231,760**	**45,633**

(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, 2006 and 2005, 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 $2,454 million.

As of December 31, 2005, the Company defaulted on its principal and interest debt obligations. As such, lenders were entitled to request acceleration of the debt obligations. The Company has classified the defaulted debt as current and non-current in accordance with the original contract terms.

Our Report of independent auditors at December 31, 2005, dated March 2, 2006, included the qualifications mentioned in the third, fourth and fifth preceding paragraphs and qualifications related to:

a. the departure from professional accounting standards in connection with the discounting of the value of assets and liabilities generated by application of the deferred tax method. As mentioned in Note 7, the unified professional accounting standards in force establish that the discount is no longer required,

b. uncertainty as to the outcome of the renegotiations with its financial creditors and the ability to continue as a going concern due to these circumstances. These situations evolved in favor of the Company's interests, as mentioned in Note 10.

c. uncertainty as to the outcome of several legal and contractual claims. This situation evolved in favor of the Company's interests, as mentioned in Note 12.

Consequently, our opinion on the financial statements at December 31, 2005 differs, as mentioned in the following paragraph, from the one expressed originally.

In our opinion, subject to the outcome of the renegotiations as discussed in the third and fourth preceding paragraphs, and except for the effects of not classifying the defaulted debt obligations as current liabilities as discussed in the fifth preceding paragraph (that only affects to the financial statements at December 31, 2005), 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, 2006 and 2005, 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, fourth and fifth preceding paragraphs of this report;

Autonomous City of Buenos Aires, March 6, 2007

PRICE WATERHOUSE & Co. S.R.L.

By (Partner)

Daniel A. López Lado