TRANSPORTADORA DE GAS DEL NORTE S.A.

Special-purpose Unaudited Interim Financial Statements as of and for the six-month period ended June 30, 2006, presented in comparative form

TRANSPORTADORA DE GAS DEL NORTE S.A.
Index to the Special-purpose Unaudited Interim Financial Statements

Limited Review Report

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

We have reviewed the accompanying special-purposes balance sheet of Transportadora de Gas del Norte S.A. as of June 30, 2006, and the related special-purposes statements of operations, of changes in shareholders equity and of cash flows for the six-month period ended June 30, 2006 and 2005. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with auditing standards generally accepted in Argentina. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Argentina, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Our Limited Review Report at June 30, 2005, dated August 9, 2005, included observations related to:

a. the departure from professional accounting standards in force due to the lack of accounting recognition of the effects of changes in the purchasing power of the currency between March 1 and September 30, 2003. At June 30, 2006, this effect has ceased to have a significant effect on the results of TGN and,

b. 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 8, the professional accounting standards in force establish that, as from fiscal years beginning on January 1st, 2006 the amounts of assets and liabilities generated by the application of the deferred tax method, must be expressed in nominal values. As a consequence, at June 30, 2006 we do not have any observation referred to this matter.

As indicated in Note 11, the Company defaulted on its principal and interest debt obligations. In addition, the Company is not in compliance with certain covenants under the borrowing agreements. As such, lenders are 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. Generally accepted accounting principles in Argentina require classification of callable debt as current. At the date of issue of this report, the Company is renegotiating with its financial creditors the economic terms of its debt. Within the framework of this process, on August 3, 2006 TGN made a public offer to exchange debt, which was in force at the date of issue of this report.

As discussed in Note 2.(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 (i) pay down the outstanding debt and (ii) recover the net book value of non-current assets aggregating $2,492 million.

As discussed in Note 13, the Company is a party to several legal and contractual claims aggregating significant amounts. Due to the complexity and current status of these claims, there can be no assurance as to the ultimate outcome of these cases.

The Company incurred losses in the six-month period ended June 30, 2006 of $44.9 million and has an accumulated deficit of $222.8 million. The Company defaulted on approximately $1,306 million of its financial indebtedness (including principal and interest) and did not meet required covenants under the terms of the debt agreements. Accordingly, the debt obligations are callable by the lenders. The devaluation of the Argentine Peso and subsequent "pesification" of the Company's rates, 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. The Company is currently negotiating to restructure all of its defaulted outstanding indebtedness. 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. Accordingly, there is substantial doubt regarding the Company's ability to continue as a going concern. The accompanying financial statements were prepared assuming the Company will continue to operate on a going-concern basis and do not include any adjustments to the recorded amounts of assets or to the recorded amounts or classification of liabilities which would be required if the Company were unable to realize its assets and satisfy its liabilities and obligations in the normal course of business.

We previously audited in accordance with auditing standards generally accepted in Argentina, the balance sheet as of December 31, 2005, and the related statements of operations, of changes in shareholders equity and of cash flows for the year then ended (not presented herein), and in our report dated March 2, 2006, we expressed a qualified opinion on those financial statements related to the circumstances mentioned in the third (point b.) and fourth to seventh preceding paragraphs of this report. In our opinion, the information set forth in the accompanying balance sheet as of December 31, 2005, is fairly stated in all material respects in relation to the balance sheet from which it has been derived.

Based on our review, we report that the financial statements of TGN at June 30, 2006 and 2005 detailed in paragraph 1., prepared in accordance with accepted accounting principles in Argentina, consider all significant facts and circumstances of which we are aware, and we have no observations to make on them other than those mentioned in fourth to seventh preceding paragraphs of this report and in third (point a.) paragraph of the financial statements at June 30, 2005;

Autonomous City of Buenos Aires, August 8, 2006

PRICE WATERHOUSE & CO. S.R.L.

By (Partner)

Dr. Daniel A. Lopez Lado

TRANSPORTADORA DE GAS DEL NORTE S.A.

Special-purpose Balance Sheets as of June 30, 2006
compared with the year ended on December 2005
(in thousands of Argentine Pesos, except per share amounts)

	June 30, 2006	December 31, 2005
ASSETS		
Current Assets		
Cash and banks	$ 2,662	$ 4,694
Short-term investments	581,105	470,357
Accounts receivable, net	55,028	54,146
Other receivables, net	51,333	39,705
Materials and spare parts, net	8,287	8,619
Total Current Assets	698,415	577,521
Non-current Assets		
Other receivables	181,091	166,371
Materials and spare parts, net	32,652	32,564
Fixed Assets, net	2,278,629	2,316,373
Investments	5,438	4,899
Other assets	20,630	15,355
Total Non-Current Assets	2,518,440	2,535,562
Total Assets	**3,216,855**	**3,113,083**
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	42,066	58,345
Debt	1,562,650	1,370,635
Salaries and social security payable	6,722	7,176
Taxes payable	15,318	13,521
Customer advances	320	1,318
Others	7,228	8,962
Subtotal	1,634,304	1,459,957
Contingencies	58,549	72,611
Total Current Liabilities	1,692,853	1,532,568
Non-Current Liabilities		
Debt **(*)**	683,281	723,506
Others	7,313	5,533
Subtotal	690,594	729,039
Contingencies	26,910	-
Total Non-Current Liabilities	717,504	729,039
Total Liabilities	**2,410,357**	**2,261,607**
Shareholder's Equity	**806,498**	**851,476**
Total Liabilities and Shareholder's Equity	$ **3,216,855**	$ **3,113,083**

The accompanying notes are an integral part of these special-purpose financial statements

(*) Classification of this Debt as Non-Current is not in accordance with Argentine GAAP; under Argentine GAAP, all of this Debt should be classified as a "Current Liability"

TRANSPORTADORA DE GAS DEL NORTE S.A.

Special-purpose Statements of Operations
for the six-months period ended June 30, 2006 and 2005
(in thousands of Argentine Pesos, except per share amounts)

		June 30, 2006		June 30, 2005
Net revenues	$	242,355	$	221,646
Cost of services		(115,328)		(120,167)
Gross Profit		**127,027**		**101,479**
Selling expenses		(11,010)		(8,096)
Administrative expenses		(28,069)		(18,611)
Operating income		**87,948**		**74,772**
Gain from equity investments, net		539		79
Financial and holding results, net				
Generated by assets:				
Interest and indexing		12,428		5,222
Exchange rate differences		7,015		(12,067)
Others		4,384		(895)
Subtotal		23,827		(7,740)
Generated by liabilities:				
Interest and indexing		(121,535)		(91,993)
Exchange rate differences		(37,365)		60,335
Others		(5,284)		(3,239)
Subtotal		(164,184)		(34,897)
Other expense, net		(1,121)		(3,210)
(Loss) income before income tax		**(52,991)**		**29,004**
Income tax benefit (charge)		8,013		(21,494)
Net (loss) income for the period	**$**	**(44,978)**	**$**	**7,510**
(Loss) income per share Basic		(0.1280)		0.0214

The accompanying notes are an integral part of these special-purpose financial statements

TRANSPORTADORA DE GAS DEL NORTE S.A.

Special-purpose Statements of Changes in Shareholders' Equity
for the six-month period ended june 30, 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 4.a and Note 4.i.)	-	-	-	-	-	(227)	(227)
Balances as of December 31, 2004 (as modified) ..	351,499	506,053	857,552	46,205	125,588	(132,174)	897,171
Income for the period	-	-	-	-	-	7,510	7,510
Balances as of June 31, 2005	351,499	506,053	857,552	46,205	125,588	(124,664)	904,681
Complementary loss for the six-month period up to December 31, 2005	-	-	-	-	-	(53,205)	(53,205)
Balances as of December 31, 2005	351,499	506,053	857,552	46,205	125,588	(177,869)	851,476
Loss for the period	-	-	-	-	-	(44,978)	(44,978)
Balances as of June 30, 2006	**351,499**	**506,053**	**857,552**	**46,205**	**125,588**	**(222,847)**	**806,498**

The accompanying notes are an integral part of these special-purpose financial statements

TRANSPORTADORA DE GAS DEL NORTE S.A.

Special-purpose Statements of Cash Flows
for the six-month period ended June 30, 2006 and 2005
(in thousands of Argentine Pesos, except per share amounts)

	June 30, 2006	June 30, 2005
Cash and cash equivalents as of beginning of year	$ 472,989	$ 375,082
Cash and cash equivalents as of end of the period	581,347	347,636
Net increase (decrease) in cash	**108,358**	**(27,446)**
Cash flows from operating activities		
(Loss) income for the period	(44,978)	7,510
Adjustments to reconcile (net loss) net income to net cash flows from operating activities:		
Income tax	(8,013)	21,494
Depreciation of fixed assets	56,432	56,693
Net book value of fixed assets written off	940	2,760
Increases in allowances and provisions, net	19,676	2,822
Financial and holding results, net	133,352	39,844
Gain on equity investments	(539)	(79)
Changes in certain assets and liabilities, net of non-cash transactions:		
Increase in accounts receivable	(4,921)	(16,834)
Increase in other receivables	(21,849)	(9,422)
Increase in materials and spare parts and other assets	(1,383)	(1,899)
Decrease in accounts payable	(16,279)	(5,524)
(Decrease) Increase in salaries and social security payable	(454)	1,184
Increase in taxes payable	1,797	1,402
Increase (decrease) in other payables	46	(508)
Decrease in contingencies	(1,345)	(33)
Net cash flows provided by operating activities	**112,482**	**99,410**
Cash flows from investing activities		
Dividends received	-	493
Purchase of fixed assets	(19,628)	(47,877)
Net cash flows used in investing activities	**(19,628)**	**(47,384)**
Cash flows from financing activities		
Payment of debt	(1,285)	(37,614)
Interest paid	(1,403)	(34,096)
Decrease in customer advances	(998)	(1,500)
Net cash flows used in financing activities	**(3,686)**	**(73,210)**
Financial and holding result generated by cash		
Interests, exchange rate differences and others results generated by cash and cash equivalents	19,190	(6,262)
Total financial and holding result generated by cash.	**19,190**	**(6,262)**
Net increase (decrease) in cash and cash equivalents.	**$ 108,358**	**$ (27,446)**

The accompanying notes are an integral part of these special-purpose financial statements

Notes to the Special-purpose Unaudited Interim Financial Statements as of and for the six-month period ended June 30, 2006 presented in comparative form
(In thousands of Argentine Pesos, except per share amounts)

1. Purpose of these financial statements

Transportadora de Gas del Norte S.A. ("TGN" or the "Company") is launching a comprehensive restructuring exchange offer of its outstanding debt addressed to its creditors. The accompanying special-purpose financial statements have been prepared for these purposes and have been translated from the original Unaudited Interim Financial Statements for the six-month period ended June 30, 2006 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 summary of activities and the additional information to the notes to the financial statements required by CNV and section 68 of the Buenos Aires Stock Exchange Regulations for local purpose have not been included.

2. 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) Going concern

As further discussed herein, the devaluation of the Argentine Peso and subsequent "pesification" of the Company's rates, 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. Furthermore, the Company incurred losses in the six-month period ended June 30, 2006 of $45.0 million and has an accumulated deficit of $222.8 million. As indicated in Note 11, the Company defaulted on approximately $1,308 million of its financial indebtedness (including principal and interest) and did not meet certain required covenants under the terms of the debt agreements. Accordingly, the borrowings are callable by the lenders. The Company's Board of Directors is currently taking all necessary actions aimed at preserving the Company's value and maximizing the Company's cash flows while assuring gas transportation services are rendered in accordance with applicable laws and regulations. The Company is currently negotiating to restructure all of its outstanding indebtedness. 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. Accordingly, there is substantial doubt regarding the Company's ability to continue as a going concern. The accompanying financial statements were prepared assuming the Company will continue to operate on a going-concern basis and do not include any adjustments to the recorded amounts of assets or to the recorded amounts or classification of liabilities which would be

2. The Company and its operations (Continued)

(b) Going concern (Continued)

required if the Company were unable to realize its assets and satisfy its liabilities and obligations in the normal course of business.

(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.

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.

2. The Company and its operations (Continued)

(c) Regulatory framework (Continued)

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.

No significant developments have occurred to date in connection with the renegotiation process. The deadline for this renegotiation, which had been originally extended to December 31, 2005, was further extended to December 31, 2006. 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.

2. The Company and its operations (Continued)

(c) Regulatory framework (Continued)

Energy Crisis

In February 2004, the Argentine Government created the *Mercado Electronico del Gas* or "MEG", an electronic market aimed at facilitating the allocation of natural gas output among the parties in the market. Accordingly, all natural gas spot sales as well as sales of any remaining transportation capacity (available firm capacity left unused by carriers/users and any resales) should be marketed through the MEG.

The Federal Energy Bureau, the Fuels Under-Secretariat and the ENARGAS issued several rules and regulations establishing measures to prevent domestic natural gas shortages and their effects on wholesale electricity supply. Such measures include the suspension of exports of natural gas surpluses than can be of use for the domestic market and the establishment of a schedule of programmed cutbacks of gas volumes allocated for export, export-related electricity generation as well as other export-related gas transportation services. There can be no assurance that these governmental measures will not affect adversely the Company´s firm gas transportation export contracts. Furthermore, 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.

3. Preparation of financial statements

(a) 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.

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

A limited review was performed on the financial statements corresponding to the six-month periods ended June 30, 2006 and 2005. The Company´s Board of Directors estimates that they include all the necessary adjustments to reasonably disclose the results for each period. The results of the six-month periods ended June 30, 2006 and 2005 do not necessarily reflect the proportion of the results of the Company for the complete financial years.

(b) 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.

3. Preparation of financial statements (Continued)

(b) Presentation of financial statements in constant Argentine Pesos (Continued)

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 six-month period ended June 30, 2006.

(c) Reclassifications

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

(d) Use of estimates

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

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 and the outstanding debt affect management´s estimates. There can be no assurance as to the future net cash inflows sufficient to repay the outstanding debt and recover the net book value of non-current assets.

4. 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:

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

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 $402 million as of June 30, 2006.

"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.

4. Summary of significant accounting policies (Continued)

(a) Impact of recently issued accounting standards (Continued)

"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.

(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 5.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

4. Summary of significant accounting policies (Continued)

(e) Receivables and payables (Continued)

based on the calculation of their discounted value in accordance with Technical Resolution No. 17 ("RT N° 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 June 30, 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) 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.

(i) 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 3.b). 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 17.a).

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.

4. Summary of significant accounting policies (Continued)

(i) Fixed assets, net (Continued)

Furthermore, in 2005 a pipeline relining campaign was carried out over a length of 87,75 km. In accordance with ENARGAS Resolutions Nos. 1660 and 1903, $29.1 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 2, 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 2.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.

(j) 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.

(k) 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 six-month period ended June 30, 2005 and 2006. The Company has determined an additional proportional charge for the six-month period ended June 30, 2006 for MPIT of $ 8.8 million, 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 8 for details.

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

5. Breakdown of the main accounts

	June 30, 2006	December 31, 2005
a) Accounts receivable, net		
Gas transportation services		
Billed		
Distributors	$ 10,820	$ 9,983
Industrial	13,504	15,741
Generators	15,721	12,522
Unbilled	38,513	34,634
Subtotal	78,558	72,880
Other services		
Billed	24	671
Unbilled	1,497	1,607
Subtotal	1,521	2,278
Allowance for doubtful accounts	(8,175)	(5,552)
Allowance for disputed amounts (See note 4.b)	(16,876)	(15,460)
Total	**55,028**	**54,146**
b) Other receivables, net		
Current		
Gas transportation services		
Tax credits	932	1,518
Directors' and management fees	476	773
Advances to employees	191	156
Deposit in escrow (Note 10)	374	5,792
Prepaid expenses	37,546	21,781
Receivables from transactions on behalf of third parties	6,515	6,222
Sundry	219	780
Subtotal	46,253	37,022
Other services		
Management fees – Gas Trust Program	660	917
Receivable with controlling shareholder	8	8
Receivables with equity investees	319	330
Other related parties	1,466	352
Sundry	3,240	1,694
Subtotal	5,693	3,301
Allowance for doubtful accounts	(613)	(618)
Total	$ **51,333**	$ **39,705**

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

5. Breakdown of the main accounts (Continued)

	June 30, 2006	December 31, 2005
Non-current		
Gas transportation services		
Deferred tax asset, net	$ 112,675	$ 104,662
MPIT	67,516	59,166
Gross revenue tax withholdings	812	812
Prepaid expenses	-	241
Deposit in escrow and disputed tax payments	4,515	4,693
Allowance for deposit in escrow and disputed tax payments	(4,515)	(4,693)
Subtotal	181,003	164,881
Other services		
Other related parties	-	865
Sundry	88	625
Subtotal	88	1,490
Total	**181,091**	**166,371**

c) Materials and spare parts

	June 30, 2006	December 31, 2005
Current		
Materials and spare parts	8,287	8,619
Total	**8,287**	**8,619**
Non-current		
Materials and spare parts	73,415	71,700
Allowance for slow-moving and obsolescence	(40,763)	(39,136)
Total	**32,652**	**32,564**

d) Accounts payable

	June 30, 2006	December 31, 2005
Gas transportation services		
Suppliers	4,388	11,268
Unbilled services	37,678	47,077
Total	**42,066**	**58,345**

e) Taxes payable

	June 30, 2006	December 31, 2005
VAT, net	1,148	1,017
Gross revenue tax	437	708
MPIT	7,207	6,613
VAT withholdings	620	826
Income tax withholdings	5,829	4,243
Gross revenue tax withholdings	77	114
Total	$ **15,318**	$ **13,521**

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

5. Breakdown of the main accounts (Continued)

	June 30, 2006	December 31, 2005
f) Others		
Current		
Easements	$ 6,500	$ 7,821
Directors' and management fees	568	982
Others	160	159
Total	**7,228**	**8,962**
Non-current		
Easements	7,313	5,533
Total	$ **7,313**	$ **5,533**

	June 30, 2006	June 30, 2005
g) Net revenues		
Gas transportation services		
Gas transportation services	$ 236,147	$ 212,913
Discounts as per Decrees No. 292/1520/814	(826)	(826)
Allowance for disputed amounts (See Note 4.b)	(978)	(504)
Subtotal Gas transportation services	234,343	211,583
Other services		
Pipeline O&M services	7,906	7,928
Management fees – Gas Trust Program	106	2,135
Subtotal other services	8,012	10,063
Total	**242,355**	**221,646**
h) Financial and holding results, net:		
Generated by assets:		
Bank commissions and expenses	(171)	(155)
Discount granted	-	(352)
Holding results	5,478	(477)
Income (loss) on discounting of non-current and current assets	(923)	89
Total	**4,384**	**(895)**
Generated by liabilities:		
Bank commissions, expenses and taxes on banking and financial operations	(4,334)	(5,641)
Gain on extinguishment of debt	441	3,844
Fees for guarantee of loan agreements	(1,698)	(1,501)
Income (loss) on discounting of non-current and current liabities	282	-
Others	25	59
Total	**(5,284)**	**(3,239)**
i) Other (expense) income, net		
Loss on disposal of fixed assets and other expenses	(1,140)	(1,810)
Recovery of contingencies	31	247
Donations	(12)	(1,647)
Total	**(1,121)**	**(3,210)**
j) Cash and cash equivalents:		
Cash and banks	2,662	6,102
Mutual funds in foreign currency	386,090	160,948
Time deposits in foreign financial institutions	151,752	152,603
Mutual funds in $	32,295	21,987
Time deposits in local financial institutions	-	3,000
Government Bonds	-	1,996
Stock exchange securities in $	8,548	1,000
Cash and cash equivalents as shown in the statements of cash flows	$ **581,347**	$ **347,636**

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

6. 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

	June 30, 2006	December 31, 2005
Accounts receivable:		
Other	$ 6,732	$ 6,911
Other receivables:		
Current:		
Receivable with controlling shareholder	8	8
Receivables with equity investees	319	330
Other	1,466	352
Directors' and management fees	476	773
Non –current:		
Other	-	865
Accounts payable:		
Other related parties	13,255	10,183
Others:		
Directors' and management fees	568	982

Transactions with related parties

	June 30, 2006	June 30, 2005
Controlling shareholder:		
Other income	13	13
Equity investees:		
Net revenues	-	96
Others	-	28
Others:		
Net revenues	32,019	31,889
Cost of services	(5,884)	(4,022)
Financial and holding results, net	(1,698)	(1,501)
Others	-	55
Purchase of Materials and spare parts and other assets	24	15,692
Prepaid expenses on behalf of related parties ...	-	194
Directors' and management fees:		
Fees related to administrative tasks	(533)	(489)
Fees related to professional services	$ -	$ (125)

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

7. Earnings per share

Basic and diluted net losses per share are presented in conformity with Technical Resolution No. 18 ("RT No. 18") "Earnings per Share" for all periods presented.

Basic net loss per share is computed by dividing the net loss available to common shareholders for the period by the weighted average shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and potential common shares outstanding during the period. Potential common shares consist of the incremental number of common shares issuable upon conversion of convertible debt securities.

The following tables set forth the computation of basic and diluted net loss per share for the periods indicated:

	June 30, 2006	June 30, 2005
Numerator:		
Net (loss) income	$ (44,978)	$ 7,510
Plus accrued interest on convertible debt	2,919	2,772
Adjusted net (loss) income, assuming conversion of potential common shares	(42,059)	10,282
Denominator:		
Weighted average shares outstanding	351,499,185	351,499,185
Diluted effect of potential common shares	13,335,679	13,335,679
Adjusted weighted average shares outstanding, assuming conversion of potential common shares	364,834,864	364,834,864
Basic net (loss) income per share	$ **(0.1280)**	$ **0.0214**

The calculation of diluted net loss per share excludes potential common shares if their effect is anti-dilutive. Diluted loss per share for the six-month period ended June 30, 2006 excludes potential common shares because the effect of their inclusion would be anti-dilutive, or would decrease the reported loss per share.

Diluted income (loss) per share for the six-month periods ended June 30, 2006 and 2005 amount $ (0.1153) and 0.0282 respectively.

8. Income tax and MPIT

The Company is subject to income tax, however no income tax provision has been recorded for the six-month period ended June 30, 2006 and 2005, as the Company has experienced net losses for income tax purposes.

Income tax benefit for the six-month periods ended June 30, 2006 and 2005 consist of the following:

	June 30, 2006	June 30, 2005
Current tax expense	$ -	$ -
Deferred tax benefit (charge)	8,013	(21,494)
Income tax benefit (charge)	$ 8,013	$ (21,494)

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.

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

8. Income tax and MPIT (Continued)

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

		June 30, 2006		December 31, 2005
Deferred tax assets and (liabilities):				
Accounts receivable	$	8,519	$	7,105
Short-term investments (valuation)		(3,634)		(3,094)
Other receivables		678		357
Fixed assets		(16,829)		(15,979)
Materials and spare parts		14,322		13,753
Other assets		(5,569)		(3,722)
Contingencies		31,491		27,056
Accounts payable		2,633		1,077
Foreign currency exchange losses		7,820		15,639
Tax loss carry forwards		309,634		298,748
Valuation allowance		(236,577)		(236,577)
Others		187		299
Net deferred tax asset	**$**	**112,675**	**$**	**104,662**

Income tax benefit (charge) for the six-month period ended June 30, 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:

		June 30, 2006		June 30, 2005
Net (loss) income before income tax	$	(52,991)	$	29,004
Income tax rate		35%		35%
Income tax benefit at statutory tax rate		18,547		(10,151)
Permanent differences:				
Inflation adjustment		(9,705)		(10,707)
Donations and non-deductible expenses		(123)		(610)
Change in valuation allowance		-		(2,545)
Gain from equity investees, net		189		28
Others		(895)		2,491
Income tax benefit (charge)	**$**	**8,013**	**$**	**(21,494)**

As of June 30, 2006, the Company had accumulated tax loss carry forwards of approximately $884.7 million. These tax loss carry forwards expire at various times from 2007 through 2011.

8. Income tax and MPIT (Continued)

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 4.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 $402 million as of June 30, 2006 and would have been reversed over the term of 21.5 years (as from June 30, 2006).

The Company has recorded tax credits in relation to the MPIT. These tax credits amount to $67.5 million as of June 30, 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.

9. 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.

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

9. Segment information (Continued)

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 15 for details):

For the six-month period ended June 30, 2006		**Gas transportation services**		**Others**	**Total**
		Domestic	**Exports**		
Net revenues	$	112,877	121,466	8,012	242,355
Cost of services, administrative and selling expenses (before depreciation and amortization)		(82,352)	(11,765)	(3,858)	(97,975)
Depreciation and amortization		(49,329)	(7,047)	(56)	(56,432)
Other expenses		(897)	(224)	-	(1,121)
Gain from equity investments, net		-	-	539	539
Financial and holding results, net		(112,286)	(27,931)	(140)	(140,357)
Income tax benefit		6,410	1,595	8	8,013
Net (loss) income for the period	**$**	**(125,577)**	**76,094**	**4,505**	**(44,978)**

As of June 30, 2006		**Gas transportation services**		**Others**	**Total**
		Domestic	**Exports**		
Fixed assets, net	$	1,822,903	453,447	2,279	2,278,629
Accounts receivable, net		27,672	25,835	1,521	55,028
Debt		1,796,745	446,940	2,246	2,245,931
Other net assets		575,018	143,036	718	718,772
Shareholders' equity		628,848	175,378	2,272	806,498
Purchase of fixed assets	$	15,703	3,906	19	19,628

For the six-month period ended June 30, 2005		**Gas transportation services**		**Others**	**Total**
		Domestic	**Exports**		
Net revenues	$	112,745	98,838	10,063	221,646
Cost of services, administrative and selling expenses (before depreciation and amortization)		(73,033)	(10,434)	(6,714)	(90,181)
Depreciation and amortization		(49,556)	(7,080)	(57)	(56,693)
Other expenses		(2,568)	(642)	-	(3,210)
Loss from equity investments, net		-	-	79	79
Financial and holding results, net		(34,109)	(8,485)	(43)	(42,637)
Income tax charge		(17,196)	(4,277)	(21)	(21,494)
Net (loss) income for the period	**$**	**(63,717)**	**67,920**	**3,307**	**7,510**

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

10. 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.

Transfer of ownership of certain assets

In May 1999, the Company filed an action against the *Subsecretaria de Normalización Patrimonial y Escribanía General* (Registry of Deeds) seeking to obtain the proper execution and delivery of deeds relating to certain assets transferred by GdE. Pursuant to the Transfer Agreement, GdE should have the assets registered under TGN´s name within two years of the Company's takeover of GdE. The Company received an unfavorable judgment on May 27, 2005, which has been appealed.

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 to report on the status of registration of the other buildings invoked in the complaint filed by TGN within the term of sixty days.

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 June 30, 2006.

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

11. Debt

Short-term and long-term debt consists of the following:

	Interest rate	June 30, 2006	December 31, 2005
Current			
Global Program of Negotiable Obligations - US$ 300 million			
Serie III	(1)	$ 129,030	$ 124,278
Serie IV	(2)	41,566	38,381
Serie V	(3)	84,010	77,392
Serie VII	(4)	20,731	19,489
Global Program of Negotiable Obligations - US$ 320 million			
Debt with IFC (*)			
Serie I	(5)	51,098	42,933
Serie II	(6)	408,994	345,006
Serie III	(7)	38,768	33,099
Serie IV	(8)	33,348	28,526
Serie VI	(9)	160,156	135,099
Interest payable on CRIBs (**)	(10)	201,178	160,974
Loan agreements	(11)	390,566	362,411
Import financing	(12)	3,205	3,047
Total current debt		**1,562,650**	**1,370,635**
Non-current			
Global Program of Negotiable Obligations - US$ 320 million			
Debt with IFC (*)			
Serie I	(5)	17,972	21,401
Serie II	(6)	75,791	106,353
Serie III	(7)	10,624	12,618
Serie IV	(8)	9,166	10,887
Serie VI	(9)	29,678	41,647
CRIBs (**)	(10)	540,050	530,600
Total non-current debt		**683,281**	**723,506**
Total debt		**$ 2,245,931**	**$ 2,094,141**

Interest rates for the periods indicated were as follows:

(1) 2006 = 8.41%; 2005 = 4.47%
(2) 2006 = 7.07%; 2005 = 2.73%
(3) 2006 = 7.27%; 2005 = 2.93%
(4) 2006 = 6.49%; 2005 = 3.29%
(5) 2006 and 2005 = 9.52%
(6) 2006 and 2005 = 9.45%
(7) 2006 and 2005 = 10.66%
(8) 2006 and 2005 = 10.66%
(9) 2006 and 2005 = 9.45%
(10) 2006 and 2005 = 10.88%
(11) 2006 = 7.64%; 2005 = 5.81%
(12) 2006 = 5.54%; 2005 = 3.41%

(*) See Note 11.e) (**) See Note 11.c)

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

11. Debt (Continued)

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

The Company´s medium-term notes (the "Medium-Term Notes") in an aggregate principal amount of US$ 180 million (see table below for details) were issued pursuant to the Company's Global Program, which provides for the issuance of notes up to a maximum amount of US$300 million. The creation of the Global Program was originally approved by the Annual Shareholders' Meeting held on November 8, 1993 and was authorized by the CNV on March 3, 1994. The Global Program was subsequently extended by the Annual Shareholders' Meeting held in January 1999 and was authorized by the CNV on December 2, 1999. Proceeds from the debt issuances were used to finance capital expenditures projects.

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

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**			

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

11. Debt (Continued)

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

The Company´s unsecured non-convertible and/or convertible medium-term notes (the "Unsecured non-convertible and/or Convertible Medium-Term Notes") in an aggregate principal amount of US$ 255 million (see table below for details) were issued pursuant to the Company's Global Program, which provides for the issuance of unsecured non-convertible and/or convertible notes up to a maximum amount of US$320 million. The creation of this Global Program was originally approved by an Ordinary and Extraordinary Shareholders' Meeting held in February 1996 and subsequently authorized by the CNV. The notes may be converted into any class of common shares of the Company as per a formula defined in the agreement.

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		Annual nominal rate %
						Term	Grace on principal	
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**			

A description of the payments made in July 2006 has been provided in Note 11.e).

(c) 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. Accordingly, 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. Net proceeds from the notes totaling US$ 174.4 million were used to pay down outstanding short-term and long-term debt, the proceeds of which had been used to finance gas transportation system expansion works. The initial purchaser of the notes, Merrill Lynch Capital Services, placed the notes into a trust which in turn issued Convertibility Risk Insured Bonds or CRIBs mainly to US insurance entities and Argentine pension funds. CRIBs were covered by an insurance provided by the Overseas Private Investment Corporation ("OPIC") that covers risk of non-convertibility of local currency and transfer restrictions imposed by the government, in each case, if certain conditions are met. In July 2004, the Company stopped the payment of the OPIC insurance. In December 2005, the Company was noticed of the termination of the OPIC insurance contract effective July 2004.

The Company is contemplating a comprehensive restructuring of its financial debt. In anticipation of the proposed restructuring, the Company have offered CRIBs holders the opportunity to exchange their CRIBs (which represent indirect claims

11. Debt (Continued)

(c) Convertibility Risk Insured Bonds (CRIBs)(Continued)

against the Company through the trust which issued the CRIBs) for Exchange Notes which will be direct obligations of the Company.

The exchange offer was made in July and was completed on August 4, 2006 and as a result 100% of Cribs in the total principal amount of US$ 175,000,000 were exchanged for succesed Notes in the same total principal amount.

(d) Other loan agreements

In December 2000, the Company entered into a syndicated loan agreement with a group of banks ("Syndicated Loan Agreement") for an aggregate principal amount of US$ 70 million. The Syndicated Loan Agreement was structured in two tranches for US$ 35 million each. Tranch A, which expires January 4, 2004, bears interest at annual LIBOR plus 2.5%. Tranch B, which expires January 4, 2005, bears interest at annual LIBOR plus 3%. Interest is payable quarterly. Both tranches also accrues a rate of 1.3% annually to cover political risk insurance. Proceeds from these loans were used to finance capital expenditures related to gas transportation systems.

The Company also has $49.4 million and US$ 29.2 million in loan facilities with local and foreign financial institutions. These loans have been classified as current debt as of June 30, 2006.

(e) Defaulted obligations

As further described in Note 2, as a result of the devaluation of the Argentine Peso and subsequent pesification of the Company´s rates in January 2002, the uncertainties of the economic situation and the changes to the regulatory framework under which the Company operates, the Company defaulted on its principal and interest obligations under their various debt agreements. As of June 30, 2006, defaulted debt obligations aggregate US$ 286.3 million and US$ 121.4 million in principal and interest amounts, respectively, and $40.9 million and $8.5 million in principal and interest amounts, respectively.

The aggregate amounts of debt outstanding as of June 30, 2006 are US$ 711.8 million and $49.4 million. From that amount, US$ 490.4 million and $40.9 million were classified as current and US$ 221.4 million as non-current. These amounts include penalty interest in the aggregate amount of US$ 40.5 million.

Certain of the debt agreements entered into by the Company contain various restrictive covenants covering ratios relating to minimum long-term debt coverage and total liabilities to equity, additional debt incurrence, as well as other customary covenants, representations and warranties and events of default. The Company was not in compliance with certain covenants under the respective borrowing agreements.

Due to the non-compliance with the respective covenants, including but not limited to the events of the default, the borrowings are callable by the lenders. However, the Company classified the outstanding debt as current and non-current according to the original terms of the agreements. Since Argentine GAAP requires callable debt to be classified as current, such classification represents a departure from Argentine GAAP. In response of being out of compliance with these covenants, during 2002, the Company initiated negotiations with the lenders to reach standstill agreements. Although the Company did not sign any standstill agreement, lenders have not requested acceleration of payment.

On the other hand, the Company agreed with certain financial creditors to pay down outstanding short-debt obligations. Creditors allowed the Company certain

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

11. Debt (Continued)

(e) Defaulted obligations (Continued)

concessions including a reduction of principal and interest amount. Gain on the extinguishment of these debts is disclosed in Note 5.

Furthermore, in July 2006 the Company allocated US$ 35.0 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 11.b). The net result of that redemption is approximately US$ 17 million and was charged to financial results generated by liabilities in that month.

(f) Interest payments

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.

(g) Comprehensive debt restructuring program

On August 3, 2006, TGN made a public offer to exchange its financial debt in the process of being restructured. This offer will remain in effect until August 31, 2006, unless it is extended by the Company.

This offer consists of (i) a cash payment of up to US$ 52,440,000 , and the delivery of (ii) up to 87,874,796 new Class C shares to be issued as a result of the capitalization of US$ 68,000,000, (iii) new ordinary non-convertible Class A negotiable obligations for up to US$ 250,000,000, and (iv) new ordinary non-convertible Class B negotiable obligations denominated in US dollars for 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) above. The four components of the offer will be distributed on a pro rata basis among the creditors accepting the exchange. The new negotiable obligations shall have the following characteristics:

	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 will 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 shall 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 shall accrue 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.

Under various agreements entered into with holders of the financial debt subject to restructuring as from June 12, 2006, and a letter issued by the

11. Debt (Continued)

International Finance Corporation on July 31, 2006, at the date of the launch, TGN's exchange offer had been accepted by 80.02% of the holders of the total debt to be restructured.

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.

12. Shareholder's equity

(a) Common stock

At June 30, 2006, the Company has 179,264,584 authorized, issued and outstanding shares of $1 par value Class A common stock and 172,234,601 shares of $1 par value Class B common stock. Common stockholders are entitled to one vote for each share held on record on all matters submitted to a vote of shareholders.

(b) Controlling group

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.

(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.

13. 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 $85.5 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:

(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; however, it appealed the penalty paid equal to 50% of the tax assessed. Since, there can be no assurance that the Company will receive a favorable ruling on this matter; the Company is temporarily paying this tax under protest as from 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. The Company contested the fines administratively, but in October 2002, the Ministry of Economy reaffirmed the ENARGAS resolution and reduced the fines to $5.1 million. The Company subsequently filed a motion for relief, which is still pending.

(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.

13. Contingencies (Continued)

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

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

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 7 (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 June 30, 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.

13. Contingencies (Continued)

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

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 case is still pending.

(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. 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. The Company estimated and recorded a provision for US$ 3.9 million in relation to the above-mentioned ENARGAS resolutions.

14. 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. The net book value of the assets held in the trusts amounts to $ 27 million as of June 30, 2006.

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 special-purpose financial statements.

15. 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.

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.

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

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 June 30, 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.

In July 2006 TGN received notice from the tax authorities of Province of Salta demanding payment of stamp duties on the Operation and Maintenance Contract, which will be answered by the Company. It should be noted that if payment of stamp duty is determined to be applicable, it must borne by the Trust in accordance with contract clauses.

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.

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 31 MMm3/d. Offers for capacity of 26.1 MMm3/d have been accepted by ENARGAS.

On April 5, 2006 the MPFIPyS, the Secretariat of Energy, the ENARGAS, TGS S.A., TGN and other parties signed a Letter of Intent establishing general guidelines to expand the transportation capacity of the Northern Gas Pipeline System (Sistema de Gasoducto Norte) operated by TGN and the Southern Gas Pipeline (Sistema de Gasoducto Sur) operated by Transportadora de gas del Sur S.A. ("TGS") by 13.8 MMm3/d and 6.5 MMm3/d, respectively, in successive stages as from 2006. The works are expected to be performed under a trust, as established by MPFIPyS Resolution No. 185/04.

Of the volume awarded to TGN, 9.3 MMm3/d correspond to the Gasoducto Norte and 4.5 MMm3/d to the Gasoducto Centro Oeste, and it has been determined that the first stage would be of 2.9 MMm3/d and 1.0 MMm3/d, repectively, in the two pipelines.

In accordance with the terms of the Letter of Intent, TGN has submitted the preliminary design for the works and an estimate of the cost to ENARGAS.

On April 26, 2006, the National Congress passed a law vesting the National Executive Branch with the power to apply tariff charges to finance the expansion involving the natural gas and electricity transportation and distribution systems.

16. Subsequent events

Subsecuent to June 30, 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 special purpose financial statements.

17. 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)

17. Other financial statement information (Continued)

(a) Fixed Assets, net

	06.30.2006												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	-	-	33	76,190	15,631	2	761	-	-	16,392	59,798	60,526
Installations and fixtures	2,067	-	-	-	2,067	392	4	41	-	-	433	1,634	1,675
Gas pipelines	2,014,947	-	(428)	508	2,015,027	468,639	3.33 and 2.22	27,862	(120)	132	496,513	1,518,514	1,546,308
Recoating (i)	17,590	11,548	-	-	29,138	-	-	307	-	-	307	28,831	17,590
High-pressure branch lines ...	620	-	-	-	620	192	3.33 and 2.22	9	-	-	201	419	428
Compressor Plants	800,266	-	(97)	150	800,319	256,403	4	19,797	(43)	(215)	275,942	524,377	543,863
High pressure control and/or measurement stations	70,576	-	(65)	(53)	70,458	27,755	5	1,926	(4)	(24)	29,653	40,805	42,821
Other technical installations	47,286	-	(525)	(33)	46,728	19,242	6.67	1,276	(251)	(23)	20,244	26,484	28,044
Machinery, equipment and tools	22,097	-	(173)	718	22,642	16,931	10, 20 and 50	690	(151)	316	17,786	4,856	5,166
Computer and telecommunications system	71,600	-	(339)	92	71,353	37,433	10 and 20	2,523	(268)	(173)	39,515	31,838	34,167
Vehicles	15,839	-	(378)	255	15,716	11,906	20	660	(267)	(63)	12,236	3,480	3,933
Furniture and fixtures	9,466	-	(11)	29	9,484	8,035	10	188	(8)	-	8,215	1,269	1,431
Assets held at third parties ..	7,094	-	(37)	452	7,509	4,558	12.5	392	(38)	50	4,962	2,547	2,536
Work in process	23,938	6,975	(37)	(547)	30,329	-	-	-	-	-	-	30,329	23,938
Advances to suppliers	672	1,105	-	(1,604)	173	-	-	-	-	-	-	173	672
Total as of 06.30.2006	**3,183,490**	**19,628**	**(2,090)**	**-**	**3,201,028**	**867,117**		**56,432**	**(1,150)**	**-**	**922,399**	**2,278,629**	**-**
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 4.i.for details.

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

17. 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	06.30.2006	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	(i) 1	490	246	5,438	4,899	Gas pipeline services	06.30.06	7	-	11,092	11,099	49.0
Companhia Operadora de Rio Grande do Sul	Common	(ii) 1	49	0.1	111	119	Gas pipeline services	06.30.06	-	109	118	227	49.0
Impairment of investment .					(111)	(119)							
Total				246.1	5,438	4,899							

(i) Chilean Pesos
(ii) Brazilian Reais

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

17. Other financial statement information (Continued)

(c) Short-term investments

	June 30, 2006	December 31, 2005
Mutual funds in foreign currency	$ 386,090	$ 309,920
Time deposits in foreign financial institutions .	151,752	131,315
Mutual funds in $	32,295	27,044
Government bonds – Discount bond	2,420	2,062
Stock exchange securities in $ and others	8,548	16
Total	$ 581,105	$ 470,357

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

17. Other financial statement information (Continued)

(d) Allowances and provisions

		06.30.2006					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	2,623	-	-	8,175	5,552
Allowance for disputed amounts and others (See Note 4.b)....................................		15,460	1,416	-	-	16,876	15,460
Allowance for other receivables................		618	(5)	-	-	613	618
Subtotal		**21,630**	**4,034**			**25,664**	**21,630**
Non Current							
Allowance for disputed tax payments and judicial escrow accounts...............................		4,693	(178)	-	-	4,515	4,693
Allowance for slow-moving and obsolescence		39,136	1,627			40,763	39,136
Allowance for impairment of COPERG		119	(8)	-	-	111	119
Subtotal		**43,948**	**1,441**	**-**	**-**	**45,389**	**43,948**
Total allowances deducted from assets	**$**	**65,578**	**5,475**	**-**	**-**	**71,053**	**65,578**
Included in Liabilities							
Current							
Provision for contingencies.................		72,611	14,571	(1,345)	(27,288)	58,549	72,611
Non Current							
Provision for contingencies.................		-	(378)	-	27,288	26,910	-
Total provisions included in liabilities		**72,611**	**14,193**	**(1,345)**	**-**	**85,459**	**72,611**
Total as of 06.30.2006	$	**138,189**	**19,668**	**(1,345)**	**-**	**156,512**	**-**
Total as of 12.31.2005	$	**121,535**	**21,738**	**(5,084)**	**-**	**-**	**138,189**

TRANSPORTADORA DE GAS DEL NORTE S.A.
Notes to the Special-purpose Unaudited Interim Financial Statements
as of and for the six-month period ended June 30, 2006 and 2005
(in thousands of Argentine Pesos, except per share amounts)

17. Other financial statement information (Continued)

(e) Assets and liabilities in foreign currency

	06.30.2006					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	3.046	$	11	US$	3	$ 9
Banks	US$	330	3.046		1,007	US$	319	954
					1,018			963
Short-term investments								
Mutual funds in foreign institutions	US$	126,753	3.046		386,090	US$	103,583	309,920
Time deposits in foreign institutions	US$	49,820	3.046		151,752	US$	43,889	131,315
Government bonds - Discount bonds	US$	794	3.046		2,420	US$	689	2,062
					540,262			443,297
Accounts receivable								
Gas transportation services	US$	9,190	3.046		27,992	US$	9,118	27,281
Other services	US$	576	3.046		1,753	US$	507	1,517
					29,745			28,798
Other receivables								
Prepaid expenses	US$				-	US$	1,203	3,599
Management fees - Gas Trust Program	US$	217	3.046		660	US$	306	917
Guarantee deposits	US$	189	3.046		574			-
Prepaid expenses on behalf of third parties and others	R$	101	1.261		128	R$	101	140
	US$	83	3.046		252	US$	1,395	4,174
					1,614			8,830
Total current assets.............................				**$**	**572,639**			**$ 481,888**

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

	03.31.2006					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	$ch	938,464	0.0058		5,438	$ ch	844,655		4,899
					5,438				4,899
Total non-current assets				**$**	**5,438**			**$**	**5,436**
Total assets				**$**	**578,077**			**$**	**487,324**
Liabilities									
Current liabilities									
Accounts payable									
Suppliers	US$	4,935	3.086	$	15,231	US$	3,900	$	11,825
	EURO				-	EURO	5		18
	£				-	£	118		615
					15,231				12,458

TRANSPORTADORA DE GAS DEL NORTE S.A.

Notes to the Special-purpose Unaudited Interim Financial Statements as of and for the six-month period ended June 30, 2006 and 2005

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

	06.30.2006				12.31.2005		
	Foreign currency class and amounts		Exchange rate	Amount in $	Foreign currency class and amounts		Amount in $
Loans							
Global Program of Negotiable Obligations - US$ 300 MM	US$	89,221	3.086	275,337	US$	85,600	259,540
Global Program of Negotiable Obligations - US$ 320 MM	US$	224,356	3.086	692,364	US$	192,831	584,663
CRIBs interest	US$	65,191	3.086	201,178	US$	53,092	160,974
Loan agreements	US$	110,559	3.086	341,184	US$	104,408	316,564
Import financing	US$	1,038	3.086	3,205	US$	1,005	3,047
				1,513,268			1,324,788
Customers' advances	US$	104	3.086	320	US$	435	1,318
				320			1,318
Total current liabilities				**$ 1,528,819**			**$ 1,338,564**
Non-current liabilities							
Loans							
Global Program of Negotiable Obligations - US$ 320 MM	US$	46,413	3.086	143,231	US$	63,623	192,906
CRIBs	US$	175,000	3.086	540,050	US$	175,000	530,600
				683,281			723,506
Total non-current liabilities				**$ 683,281**			**$ 723,506**
Total liabilities				**$ 2,212,100**			**$ 2,062,070**

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

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

17. Other financial statement information (Continued)

(f) Cost of services, administrative and selling expenses

		Cost of services			Selling expenses				
	Total At 06.30.2006	**Transportation service**	**Other services**	**Total**	**Transportation service**	**Others services**	**Total**	**Administrative expenses**	**Total At 06.30.2005**
Fees for technical and administrative tasks	533	-	-	-	-	-	-	533	489
Fees for professional services	2,405	819	143	962	17	-	17	1,426	2,354
Salaries, wages and other personnel benefits	21,680	12,833	1,854	14,687	381	-	381	6,612	20,319
Social security contributions	4,108	2,737	362	3,099	52	-	52	957	3,563
Fees for technical operator services	4,726	4,726	-	4,726	-	-	-	-	2,965
Inbound personnel expenses	835	835	-	835	-	-	-	-	987
Spare parts and materials	5,858	5,666	164	5,830	-	-	-	28	6,984
Gas imbalance	1,987	1,987	-	1,987	-	-	-	-	1,014
Third party services and supplies .	1,686	1,384	127	1,511	10	-	10	165	1,180
Maintenance and repair	15,775	14,739	192	14,931	-	-	-	844	21,931
Travel expenses	2,553	1,930	360	2,290	21	-	21	242	3,240
Freight and transportation	317	227	42	269	-	-	-	48	348
Communications	456	248	59	307	9	-	9	140	615
Insurance	2,735	2,580	4	2,584	-	-	-	151	2,628
Office supplies	490	221	42	263	4	-	4	223	790
Rentals	562	295	252	547	1	-	1	14	460
Easements	2,700	2,700	-	2,700	-	-	-	-	2,711
Taxes, rates and contributions	9,195	144	-	144	7,085	255	7,340	1,711	9,908
Fixed assets depreciation	56,432	55,586	56	55,642	113	-	113	677	56,693
Allowance for doubtful accounts ...	3,056	-	-	-	3,056	-	3,056	-	1,128
Provision for contingencies	14,015	-	-	-	-	-	-	14,015	4,373
Allowance for slow-moving and obsolescence	1,627	1,627	-	1,627	-	-	-	-	1,525
Others	676	385	2	387	6	-	6	283	669
Total at 06.30.2006	**154,407**	**111,669**	**3,659**	**115,328**	**10,755**	**255**	**11,010**	**28,069**	**-**
Total at 06.30.2005	**-**	**113,613**	**6,554**	**120,167**	**7,880**	**216**	**8,096**	**18,611**	**146,874**

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

17. Other financial statement information (Continued)

(g) Aging of assets and liabilities

	06.30.2006			
	Short-term investments	**Account receivables and other receivables (a)**	**Debt**	**Other liabilities (b)**
a) Past due				
Until 06.30.2005	-	15,417	1,057,610	-
09.30.2005	-	1,552	60,730	-
12.31.2005	-	2,663	45,281	-
03.31.2006	-	2,641	75,373	-
06.30.2006	-	10,069	68,566	-
b) Without due date	581,105	114,049	124,925	-
c) To be due				
09.30.2005	-	93,078	51,431	58,252
12.31.2006	-	2,704	25,623	13,402
03.31.2007	-	2,411	26,240	-
06.30.2007	-	116	26,871	-
06.30.2008	-	5,415	114,108	7,313
06.30.2009	-	67,516	147,467	-
06.30.2010	-	-	121,679	-
06.30.2011	-	-	120,011	-
06.30.2012	-	-	120,011	-
06.30.2013	-	-	60,005	-
Total at 06.30.2006	**581,105**	**317,631**	**2,245,931**	**78,967**
a) Balances subject to adjustment	-	19	49,381	-
b) Balances not subject to adjustment	581,105	317,612	2,196,550	78,967
Total at 06.30.2006	**581,105**	**317,631**	**2,245,931**	**78,967**
a) Interest bearing balances	580,620	165	1,836,280	3,875
b) Non -interest bearing balances	485	317,466	409,651	75,092
Total at 06.30.2006	**581,105**	**317,631**	**2,245,931**	**78,967**

(a) Excludes allowances.
(b) Excludes debt and contingencies.