

TRANSPORTADORA DE GAS DEL NORTE S.A.

**FINANCIAL STATEMENTS AS OF MARCH 31, 2006
PRESENTED IN COMPARATIVE FORM**

**FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN
ARGENTINA**

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY
ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

**FINANCIAL STATEMENTS
AS OF MARCH 31, 2006 PRESENTED IN COMPARATIVE FORM**

CONTENTS

Summary of activities

Limited Review Report

Financial statements

Balance sheets

Statements of operations

Statements of changes in shareholders' equity

Statements of cash flows

Notes to the financial statements

Note 1 - Formation of the Company and regulatory framework

Note 2 - Preparation and presentation of the financial statements

Note 3 - Principal valuation criteria

Note 4 - Breakdown of main captions of balance sheet, statements of operations and cash flows

Note 5 - Balances and transactions with controlling shareholders, related parties and Director's and Management fees

Note 6 - Results per ordinary share

Note 7 - Income tax and minimum presumed income tax

Note 8 - Information by business segment

Note 9 - Restricted assets

Note 10 - Debt

Note 11 - Common stock and dividends

Note 12 - Legal matters

Note 13 - Export market expansion trust

Note 14 - Domestic market expansion trust

Note 15 - Subsequent events

Exhibits A, C, D, E, G, H and I

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE PERIODS OF THREE MONTHS ENDED MARCH 31, 2006 AND 2005

In accordance with the terms of General Resolution 368/01 and its modifications issued by the National Securities Commission ("CNV"), we detail below an analysis of the results of the operations of Transportadora de Gas del Norte S.A. ⁽¹⁾ ("TGN" or "the Company") and its financial situation, which should be read together with the attached financial statements.

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION

• Net result for the period of three months ended March 31, 2006

(in millions of pesos)

	Three-month periods ended 03.31.		
	2006	2005	Variation \$
Net Revenues			
Gas transportation service	117.9	105.7	12.2
Allowances for disputed amounts	0.3	(0.2)	0.5
Benefit on social security contribution Decrees Nos 292/1520/814	(0.3)	(0.4)	0.1
Subtotal Gas transportation service	117.9	105.1	12.8
Gas pipeline O&M service	4.0	4.1	(0.1)
Management fees – Gas Trust Program	-	1.3	(1.3)
Subtotal Gas pipeline operation and maintenance service	4.0	5.4	(1.4)
Net Revenues	121.9	110.5	11.4
Cost of services			
Operating and maintenance costs	(22.2)	(27.1)	4.9
Fixed assets depreciation	(27.8)	(27.8)	-
Subtotal	(50.0)	(54.9)	4.9
Gross Profit	71.9	55.6	16.3
Administrative and selling expenses	(17.2)	(14.3)	(2.9)
Operating Income	54.7	41.3	13.4
Gain from equity investments, net	0.1	-	0.1
Financial and holding results	(73.9)	(15.2)	(58.7)
Other (expense) income, net	(0.8)	(3.6)	2.8
Net (loss) income before income tax	(19.9)	22.5	(42.4)
Income Tax	2.0	(14.1)	16.1
Net (loss) income for the period	(17.9)	8.4	(26.3)
Income before financial and holding results, foreign exchange differences capitalized in fixed assets written off, depreciation, amortization and income tax.	82.2	65.9	16.3

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

TRANSPORTADORA DE GAS DEL NORTE S.A.**SUMMARY OF ACTIVITIES FOR THE PERIODS OF THREE MONTHS ENDED MARCH 31, 2006 AND 2005****I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION (Cont.)**

(in millions of pesos)		
	03.31.06	12.31.05
Total Assets (in million of \$)	3,141	3,103
Total Liabilities (in million of \$)	2,317	2,262
Shareholders' Equity (in million of \$)	824	841
Shareholders' Equity / Total Liabilities	0.36	0.37

The net result for the three-month periods ended March 31, 2006 and 2005 was a \$ 17.9 million loss and a \$ 8.4 million gain, respectively.

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

- **Net Revenues**

(in millions of pesos)				
Three-month periods ended 03.31.				
Type of service	2006	%	2005	%
Gas transportation	117.9	96.7	105.1	95.1
Pipeline O&M services	4.0	3.3	5.4	4.9
Total net Revenues	121.9	100.0	110.5	100.0

- Gas Transportation service

The revenues corresponding to the gas transportation service in the first quarter of 2006 amounted to \$ 117.9 million, which in comparison with the \$ 105.1 million for the same period of the previous year, show a net increase of \$ 12.8 million (12.2%). This increase is due mainly to a combination of the following items:

- An increase of \$ 7.5 million in export revenues due to an increase in the PPI index applied to rates, as well as an increase of \$ 2.5 million arising from the increase in the rates of exchange used to post the invoicing.
- An increase of \$ 0.5 million in revenues of firm transport due to the availability of 0.8MM cubic meters per day of transport capacity in the last months of 2005 resulting from the expansion of Gasoducto Norte described in Note 14 to the Company's financial statements;
- An increase of \$ 0.5 million for the recovery of an allowance for disputed amounts.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE PERIODS OF THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

- **Net Revenues (Cont.)**

- Pipeline O&M and Work Management fees' service

The revenues corresponding to the pipelines O&M services and Management services for the first quarter of 2006 amounted to \$ 4.0 million, which in comparison with \$ 5.4 million in the same period last year, decreased \$ 1.4 million, due to the lower income accrued in 2006 from the Management service provided by TGN for the expansion of Gasoducto Norte (Note 14 to the Company's financial statements).

- **Costs of services**

(in millions of pesos)			
	Three-month periods ended 03.31.		
	2006	2005	Variation \$
<i>Fees for professional services</i>	0.4	0.8	(0.4)
<i>Salaries, wages and other personnel benefits and social security contributions</i>	7.9	7.0	0.9
<i>Fees for technical operator services</i>	2.4	1.5	0.9
<i>Inbound personnel expenses</i>	0.4	0.5	(0.1)
<i>Consumption of spare parts and materials</i>	2.2	3.5	(1.3)
<i>Gas imbalance</i>	0.1	0.3	(0.2)
<i>Maintenance and repair of fixed assets and third party services</i>	5.0	8.4	(3.4)
<i>Communications, freight and transportation, travel expenses</i>	1.1	1.7	(0.6)
<i>Insurance</i>	1.3	1.2	0.1
<i>Rentals and office supplies</i>	0.4	0.5	(0.1)
<i>Easements</i>	1.3	1.4	(0.1)
<i>Fixed assets depreciation</i>	27.8	27.8	-
<i>Slow-moving consumption materials and obsolescence</i>	(0.6)	-	(0.6)
<i>Others</i>	0.3	0.3	-
Total	50.0	54.9	(4.9)
% of Costs of services on net revenues	41.0%	49.7%	

Costs of services decreased \$ 4.9 million between the first quarter of 2006 and 2005, due mainly to a decrease of \$ 3.4 million in *Maintenance and repair of fixed assets and third party services* and a decrease of \$ 1.3 million in *slow-moving Consumption materials and obsolescence*, because in 2005 greater expenses had been incurred in certain construction and assembly contracts, cathodic protection work and replacement and repair of tubing, maintenance of compression equipment and greater use of tubing accessories in the installation of safety systems at the points of injection.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE PERIODS OF THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

• **Administrative and Selling expenses**

(in millions of pesos)

	Three-month periods ended 03.31.		
	2006	2005	Variation \$
<i>Salaries, wages and other personnel benefits and social security contributions</i>	3.7	2.7	1.0
<i>Fixed assets depreciation</i>	0.4	0.4	-
<i>Fees for professional services</i>	0.8	0.5	0.3
<i>Taxes, rates and contributions</i>	4.8	5.8	(1.0)
<i>Communications, freight and transportation, travel expenses</i>	0.2	0.2	-
<i>Maintenance and repair of fixed assets and third party Services</i>	0.7	0.6	0.1
<i>Doubtful accounts</i>	0.9	0.3	0.6
<i>Provision for contingencies</i>	5.2	3.2	2.0
<i>Directors' Fees</i>	0.3	0.2	0.1
<i>Others</i>	0.2	0.4	(0.2)
Total	17.2	14.3	2.9
% of Administrative and Selling expenses on net revenues	14.1%	12.9%	

Administrative and selling expenses increased \$ 2.9 million between the first quarter of 2006 and 2005, mainly in the following items:

- i. An increase of \$ 2.0 million in the caption *Provision for contingencies* due mainly to the changes in the provision for contingencies according to the estimate of the resolution of the claims facing TGN explained in Note 12 to the Company's financial statements;
- ii. An increase in *salaries, wages and other personnel benefits and social security contributions* of \$ 1.0 million due to salary adjustments granted by the Company since the second quarter of 2005;
- iii. A net increase in *Doubtful accounts* of \$ 0.6 million due to changes in the allowance for credits in litigation and/or old credits whose collectibility is considered doubtful;
- iv. A net decrease of \$ 1.0 million in *Taxes, rates and contributions*, due mainly to the recording in 2005 of \$ 1.9 million in court fees arising from an AFIP claim (Note 12.e)), partially offset by \$ 0.4 million from an increase in gross revenues tax associated with greater sales.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE PERIODS OF THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

• **Financial and Holding Results**

(in millions of pesos)

	Three-month periods ended 03.31.		
	2006	2005	Variation \$
Interests and restatements generated by liabilities (including the penalties for non-compliance mentioned in Note 10.e) to the Company's financial statements)	(51.1)	(45.7)	(5.4)
Incomes from restructuring of debt	0.5	-	0.5
Bank and financial commissions, charges and taxes.	(1.8)	(3.3)	1.5
Reimbursement agreement fee	(0.8)	(0.7)	(0.1)
Subtotal financial result generated by liabilities before exchange differences	(53.2)	(49.7)	(3.5)
Interests, restatements and expenses generated by assets	5.5	2.3	3.2
Holding results generated by assets	0.8	-	0.8
Result of discount of non-current assets at present value	0.1	(0.5)	0.6
Subtotal financial result generated by assets before exchange differences	6.4	1.8	4.6
Exchange rate differences:			
Generated by liabilities	(34.3)	40.7	(75.0)
Generated by assets	7.2	(8.0)	15.2
Subtotal exchange differences	(27.1)	32.7	(59.8)
Total	(73.9)	(15.2)	(58.7)

The most outstanding aspects of the changes in financial results between the first quarter of 2006 and 2005 were:

- i. In the first quarter of 2006, there was a \$ 34.3 million loss from *Exchange rate differences generated by liabilities* as a result of the increase recorded in the dollar rate of exchange in comparison with the rates at the closing of financial year 2005 for liability balances in that currency (\$ 3.082 at March 31, 2006 and \$ 3.032 at December 31, 2005). For the same reason, *Exchange rate differences generated by assets* were recorded as a gain in the amount of \$ 7.2 million (\$ 3.042 at March 31, 2006 and \$ 2.992 at December 31, 2005) calculated on assets in this currency.

In the first quarter of last year, the following had been posted: a decrease in the rate of exchange in comparison with December 2004 (\$ 2.877 and \$ 2.917, buying and selling rates, respectively at March 31, 2005 and \$ 2.939 and \$ 2.979, buying and selling rates at December 31, 2004). This variation in the rate of exchange generated a gain in liability exchange differences of \$ 40.7 million and a loss of \$ 8.0 million in assets.

- ii. The *Interest and indexing generated by liabilities* caption showed a net increase of \$ 5.4 million between the first quarter of 2006 and 2005, due mainly to an increase of \$ 4.9 million in penalties for non-compliance with the debt mentioned in Note 10.e) to the Company's financial statements. These penalties have been calculated on the amount of past due and unpaid debts at the end of the period. Additionally, this variation includes the variation in the exchange rates applied.

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE PERIODS OF THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

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

- iii. The Interest, indexing and expenses generated by assets caption showed a net increase of \$ 3.2 million due to the increase of the temporary investments of excess cash and banks.

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

	(in millions of pesos)	
	Three-month periods ended 03.31.	
	2006	2005
Net (loss) income for the period	(17.9)	8.4
Adjustments to arrive to cash net flow arising from operating activities	103.3	59.3
Subtotal	85.4	67.7
Net changes in assets and liabilities	(42.6)	(11.0)
Net cash flows provided by operating activities	42.8	56.7
Purchase of fixed assets	(5.4)	(9.7)
Net cash (used in) / provided by investing	(5.4)	(9.7)
Payment of debt	(1.3)	(29.0)
Interest paid	(0.6)	(20.3)
Net decrease in customer advances	(0.8)	(0.8)
Net cash used in financing activities	(2.7)	(50.1)
Financial and holding result generated by cash	12.5	(5.5)
Net increase (decrease) in cash	47.2	(8.6)
Cash and cash equivalents as of beginning of year	473.0	375.1
Cash and cash equivalents as of end of period	520.2	366.5

II) BUSINESS PROSPECTS

- i. At the date of issue of these Financial Statements, no significant progress has been made that would make it possible to consider that an agreement will be signed in the short term. In addition, there is nothing to guarantee that the eventual outcome of the renegotiation will effectively re-establish the equilibrium of the License and provide TGN with fair compensation for the losses suffered as a consequence of the Emergency Law. Despite the lack of results in the process embarked on by UNIREN, the Company has promoted this process whenever possible. The new framework should include minimum tariff and non-tariff conditions to allow reinvestment, to assist the reactivation of the flow of investments that in the past allowed a rapid overcoming of supply bottlenecks, and at the same time open the way to the integration of the energy markets of the region.
- ii. In addition, there have been no major developments in the treatment by the legislative branch of the bill on the National Regime for Public Utilities that had been submitted to Congress by the Government in August 2004. This bill modifies and repeals the relevant provisions of the Gas Act and represents an uncertainty factor that could affect the Company, although it is still premature to evaluate the impact it might have on the Company if passed.
- iii. Lastly, it should be mentioned that during the course of 2005 the Government made progress on the setting up of the Electronic Gas Market ("MEG") that had been created by Decree No.180/04. Energy Secretariat Resolution No.752/05 established

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE PERIODS OF THREE MONTHS ENDED MARCH 31, 2006 AND 2005

II) BUSINESS PROSPECTS (Contd.)

the start of well-head gas purchase and sale operations through the MEG for certain users (excluding residential consumers) as from September 1, 2005. The Company considers that the start-up of the MEG will have an adverse effect on income relating to the transported gas sold on that market.

- iv. Since the enactment of Decree No. 180/04 and Resolution No. 185/04 issued by the MPFIPyS and the framework of the Financial Trusts Program "Gas Trusts", set up in the environment of the Federal Planning, Public Investments and Services Ministry, the Energy Secretariat commissioned TGN the expansion of its transport system by 1.8 MM cubic meters per day from the North basin (Note 14 to the Company's financial statements).

This project required the setting up of a private trust and financial contributions by the future beneficiaries of the expanded transport capacity. As a result, in February 2006 the work that increased the transport capacity to customers of the Argentine market by the above 1,8 MM cubic meters per day were concluded.

Contracts for the carrying system operated by TGN at December 31, 2005 totaled 53.44 MM cubic meters per day (excluding 1.0 MM cubic meters per day for the 2005 Gas Trust approved in February 2006). Of this total, 39.03 MM cubic meters per day (73%) is used to meet demand for natural gas by Argentine customers, and 14.41 MM cubic meters per day (27%) are intended for consumption in Chile, Uruguay and Brazil.

Under the same regulatory framework governing the expansion carried out during 2005, and once again at the request of the Energy Secretariat, in September 2005 TGN issued a call for a new Open Call to Tender for Capacity for the expansion of the Gasoductos Norte System. As a result, applications were received for over 31 MMcubic meters per day. At the date of these financial statements, the ENARGAS and the Energy Secretariat were analyzing the documentation received and the financing alternatives, to define the project to be implemented.

With respect to the expansions undertaken within the framework of the above Resolution No. 185/04 issued by the MPFIPyS, the Executive Branch submitted to Congress a bill that envisages the application of tariff charges for the expansion of the transport infrastructure and distribution of natural gas and electricity, which at present has been passed by the Lower Chamber.

- v. In the context of the process of restructuring of the Company's financial debt, the Extraordinary Shareholders' Meeting on January 26, 2006 gave its approval to the granting -as one of the components of the future debt restructuring- of new corporate bonds to be issued by the Company in exchange for existing debt, reflecting the new terms and conditions. On this basis, approval was granted for the setting up of a global program for the issue of ordinary non-convertible corporate bonds denominated in US dollars or any other currency, with ordinary guarantee, in different classes and/or series and/or segments, qualifying as "negotiable obligations" under the terms of Law 23,576 (text as per Law 23,962), for a maximum outstanding amount during the term of the program of up to five hundred million US dollars (US\$ 500,000,000) or its equivalent in other currencies (the "Program"), the duration of the Program being five years as from the date of its original authorization. In addition to the cases of exchange for corporate bonds or other debt, liabilities or bonds, the

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE PERIODS OF THREE MONTHS ENDED MARCH 31, 2006 AND 2005

II) BUSINESS PROSPECTS (Contd.)

funds resulting from the placement shall be applied exclusively to one or more of the purposes foreseen by section 36 of Law 23,576 (text as per Law 23.962).

In addition, during the course of 2005 the Company carried out intensive negotiations with a committee of creditors formed for the purpose, and although it is not possible to assure that the process will be completed successfully, it has begun to take certain preparatory steps with a view to the future launch of a voluntary exchange offer.

Additionally, and in preparation of a future exchange offer, this Shareholders' Meeting also resolved the issue of simple TGN Negotiable Obligations in the amount of one hundred and seventy-five million U.S. dollars (US\$ 175,000,000) to be delivered mainly in exchange of trust debt securities called 10.875% *Convertibility Insured Bonds (CRIBs)* expiring on July 15, 2012 and/or to be offered in subscription, whether in cash and/or delivery of CRIBs and/or any other manner resolved by the Board of Directors.

THE EXTRAORDINARY SHAREHOLDERS' METING HELD ON MARCH 23, 2006 APPROVED AN INCREASE IN CAPITAL BY MEANS OF THE CAPITALIZATION OF LOANS FOR US\$68 MILLION AND THE ISSUE OF NEW ORDINARY CLASS "C" SHARES REPRESENTATIVE OF 20% OF THE CAPITAL STOCK, DELEGATING TO THE BOARD THE TIMING OF THE ISSUE.

III) ALLOCATION OF THE RESULTS OF YEAR 2005

The Shareholders' Meeting held on April 5, 2006 resolved the destination of the results of the financial year ended December 31, 2005 approving: (i) the transfer of the loss in financial year 2005, amounting to \$ 46.1 million unallocated results; (ii) not to declare dividends; and (iii) maintaining the responsibility delegated by the Shareholders' Meeting held on April 4, 2003 to the Board of Directors of the Company regarding the Voluntary Reserve for Future Dividends.

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

(in millions of pesos)

	As of 03.31.				
	2006	2005	2004	2003	2002
<i>Current Assets</i>	630	445	352	254	209
<i>Non-current Assets</i>	2,511	2,490	2,504	2,592	3,695
Total	3,141	2,935	2,856	2,846	3,904
<i>Current Liabilities</i>	1,599	1,263	1,076	735	619
<i>Non-current liabilities</i>	718	776	838	1,131	2,275
Subtotal	2,317	2,039	1,914	1,866	2,894
<i>Shareholders' Equity</i>	824	896	942	980	1,010
Total	3,141	2,935	2,856	2,846	3,904

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE PERIODS OF THREE MONTHS ENDED MARCH 31, 2006 AND 2005

V) COMPARATIVE INCOME STRUCTURE FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2006, 2005, 2004, 2003 AND 2002

(in millions of pesos)

	Three-month periods ended 03.31.				
	2006	2005	2004	2003	2002
Ordinary operating income	54.7	41.3	45.9	46.7	66.6
Financial and holding results	(73.9)	(15.2)	(9.6)	(45.9)	(103.6)
Foreign exchange differences capitalized in fixed assets – written off	-	-	-	(277.9)	-
Gain from equity investments	0.1	-	0.3	-	1.6
Other (expenses) income net	(0.8)	(3.6)	(0.2)	(0.9)	2.0
Net result before tax	(19.9)	22.5	36.4	(278.0)	(33.4)
Income Tax	2.0	(14.1)	(14.9)	97.3	0.1
Net results of the period	(17.9)	8.4	21.5	(180.7)	(33.3)

VI) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE THREE-MONTH PERIODS ENDED MARCH 31, 2006, 2005, 2004, 2003 AND 2002

Volume invoiced in millions of cubic meters:

According to the type of carrying agreement

	Three-month periods ended 03.31.				
	2006	2005	2004	2003	2002
Firm transportation	4,155	3,840	3,959	3,390	3,267
Interruptible transportation and exchange and shifting	523	555	498	101	197
Total	4,678	4,395	4,457	3,491	3,464

According to the type of source

	Three-month periods ended 03.31.				
	2006	2005	2004	2003	2002
Norte Gas pipeline	1,906	1,758	1,649	1,613	1,424
Centro-Oeste Gas pipeline	2,772	2,637	2,808	1,878	2,040
Total	4,678	4,395	4,457	3,491	3,464

TRANSPORTADORA DE GAS DEL NORTE S.A.

SUMMARY OF ACTIVITIES FOR THE PERIODS OF THREE MONTHS ENDED MARCH 31, 2006 AND 2005

VII) COMPARATIVE INDICES AT MARCH 31, 2006, 2005, 2004, 2003 and 2002

	Three-month periods ended 03.31.				
	2006	2005	2004	2003	2002
Current liquidity (1)	0.39	0.35	0.33	0.35	0.34
Solvency (2)	0.36	0.44	0.49	0.53	0.35
Ordinary profits before income tax (3)	0.80	0.85	0.88	0.91	0.95

- (1) Current assets over current liabilities
- (2) Shareholders' Equity over total liabilities
- (3) Non-current assets over total assets

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

Buenos Aires, May 9, 2006

For Syndic's Committee
Syndic

The Board of Directors
Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.

LIMITED REVIEW REPORT

To the President and Directors of
Transportadora de Gas del Norte S.A.

1. We have carried out a limited review of the balance sheet of Transportadora de Gas del Norte S.A. ("TGN" or "the Company") at March 31, 2006, and the related statements of operations, changes in shareholders' equity and cash flows for the three-month periods ended on March 31, 2006 and 2005 with the complementary notes and exhibits. The preparation and issuance of these financial statements are the responsibility of the Company.
2. Our reviews were limited to the application of the procedures established by Technical Pronouncement No. 7 of the Argentine Federation of Professional Councils in Economic Sciences for limited reviews of financial statements which consist mainly of the application of analytical procedures to the amounts disclosed in the financial statements and inquiries of Company staff responsible for the preparation of the information included in the financial statements and its subsequent analysis. These reviews are substantially less in scope than an audit, the purpose of which is to express an opinion on the financial statements under examination. Therefore, we do not express an opinion on the Company's financial position, the results of operations, the changes in the shareholders' equity and its cash flows at those dates.
3. Our Limited Review Report on the financial statements at March 31, 2005, dated May 10, 2005, included observations related to:
 - a. the deviation 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 March 31, 2006, this effect has ceased to have a significant effect on the results of TGN and,
 - b. the deviation from professional accounting standards in connection with the discount of the value of assets and liabilities generated by application of the deferred tax method. As mentioned in Note 7 to the financial statements, the professional accounting standards in force establish that, since 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 March 31, 2006 we do not have any observation referred to this subject.

4. As mentioned in Note 1 to the financial statements, as a result of the economic crisis in Argentina, the Government issued some measures which had an effect mainly in the year 2002. The events related to changes in the economic context and the legal and contractual conditions under which the Company's business is developed have had a significant adverse effect on its financial and equity position and on its results. The impact generated by all these measures adopted to date by the National Government on the financial situation of the Company at March 31, 2006 was calculated according to the evaluations and estimates made by Company's Management at the date of preparing the financial statements, which could differ from actual future results, and those differences could be significant. Furthermore, the impacts generated by the Argentina's energy crisis, which are described in Note 1 to the financial statements, and changes in current regulations and laws may imply that actual future results could differ from the evaluations and estimates made at the date of preparation of the financial statements, and those differences, whether positive or negative, could be significant. In addition, the future evolution of the Argentina's economic and energy crisis might require that the Government modify some measures adopted or issue additional regulations.

In addition, as the Law on Public Emergency and Exchange System Reform authorizes the Executive Branch to renegotiate rates and the contracts for public works and services and since at the date of issue of this report, the result of that renegotiation is unknown, there is uncertainty as to the generation of future cash flows enabling settlement of liabilities and recovery of non-current assets value amounting to \$ 2.491 million.

5. As indicated in Note 12 to the financial statements, the Company is party to several legal and contractual claims totaling significant amounts, the outcome of which cannot be determined due to the complexity and current status of these claims.
6. As mentioned in Note 1 to the financial statements and due to the circumstances mentioned in 4 above, the Company's Board of Directors decided to suspend payments of principal on its financial debt and part of the payments corresponding to interest. Furthermore, the Company failed to comply with covenants in relation to certain financial liabilities. At March 31, 2006, the Company had not met the principal payments for US\$ 278 million and \$ 40 million, and the interest payments for US\$ 109 million and \$ 8 million. As a result, creditors are in a position to demand the lapsing of all the maturities laid down, requesting the early settlement of all their claims, which the Company discloses on the attached financial statements as current or non-current on the basis of the terms originally agreed.

As mentioned in Note 9 to the attached financial statements, corporate bondholders have been granted pre-judgment attachments to ensure collection of principal and interest due from the Company, filing requests for enforcement that have already been resolved.

At the date of issue of this report, as mentioned in Note 10 to the attached financial statements, the Company is renegotiating with its financial creditors the economic terms of its debt.

7. The financial statements of TGN at March 31, 2006 have been prepared assuming that the company will continue to operate as a going concern. Therefore, those financial statements do not include the effects of possible adjustments or reclassifications, if any, that might be required if the above situation is not resolved in favor of continuing the Company's activities and the Company were obliged to sell its assets and settle its liabilities, including contingencies, in conditions other than those of the normal course of its business.
8. Based on the work done and on our examination of the financial statements of Transportadora de Gas del Norte S.A. for the years ended on December 31, 2005 and 2004, on which we issued our report dated March 2, 2006, including qualifications related to the circumstances mentioned in points 3.b) and 4 to 7 of this report, we report that:
 - a. The financial statements of TGN at March 31, 2006 and 2005 detailed in paragraph 1., prepared in accordance with accounting standards in force in the Autonomous City of Buenos Aires, 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 points 4. to 7. of this report and in point 3.b) of the financial statements at March 31, 2005;
 - b. the comparative information included in the balance sheet, statements of operations, changes in shareholders' equity and cash flow, and in the complementary notes to the attached financial statements, arises from the Company's financial statements at December 31, 2005.
9. According to current regulations we inform that:
 - a. The financial statements of Transportadora de Gas del Norte S.A. are recorded in the "Inventory and Balance Sheet" book and comply, in matters within our field of competence with the rulings of the Corporate Companies Law and the corresponding resolutions of the National Securities Commission.

- b. The financial statements of Transportadora de Gas del Norte S.A. arise from accounting records carried in all formal respects in conformity with legal requirements, and maintain the security and integrity conditions based on which they were authorized by the National Securities Commission.
- c. As part of our examination, we have read the Summary of Activities, on which, as regards those matters that are within our competence, we have no observations to make other than those mentioned in points 3 to 7.
- d. At March 31, 2006 the debt of Transportadora de Gas del Norte S.A. accrued in favor of the Integrated Retirement and Survivors' Benefit System according to the accounting records amounted to \$ 991,394, none of which was claimable at that date.

The translation into English of the accompanying financial statements has been made solely for the convenience of English – speaking readers.

Autonomous City of Buenos Aires, May 9, 2006

PRICE WATERHOUSE & CO.
S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T°1 F°17
Dr. Daniel A. Lopez Lado
Contador Público (UBA)
C.P.C.E.C.A.B.A.
Tomo 148 - Folio 91

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

BALANCE SHEETS as of March 31, 2006 compared with the year ended on December 2005
(in thousands of pesos)

	03.31.06	12.31.05
	in thousands of \$	
ASSETS		
CURRENT ASSETS		
Cash and banks	3,143	4,694
Short-term investments (Exhibit D)	519,619	470,357
Accounts receivable, net (Note 4.a))	51,683	54,146
Other receivables, net (Note 4.b)ii))	47,466	39,705
Materials and spare parts, net (Note 4.c)i))	7,593	8,619
Total current assets	629,504	577,521
NON-CURRENT ASSETS		
Other receivables (Note 4.b)ii))	162,333	156,369
Materials and spare parts, net (Note 4.c)ii))	35,172	32,564
Fixed assets, net (Exhibit A)	2,293,203	2,316,373
Investments (Exhibit C)	5,024	4,899
Other assets	15,762	15,355
Total Non-Current Assets	2,511,494	2,525,560
Total Assets	3,140,998	3,103,081
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable (Note 4.d))	33,988	58,345
Debt (Note 10.i))	1,464,047	1,370,635
Salaries and social security payable	5,384	7,176
Taxes payable (Note 4.e))	12,217	13,521
Customer advances	511	1,318
Others (Note 4.f)i))	6,406	8,962
Subtotal	1,522,553	1,459,957
Contingencies (Note 12 and Exhibit E)	76,416	72,611
Total Current Liabilities	1,598,969	1,532,568
NON-CURRENT LIABILITIES		
Debt (Note 10.ii))		
Customer advances	709,232	723,506
Others (Note 4.f)ii))	9,221	5,533
Total Non-Current Liabilities	718,453	729,039
Total Liabilities	2,317,422	2,261,607
SHAREHOLDERS' EQUITY (as respective statements)	823,576	841,474
Total Liabilities and Shareholder's Equity	3,140,998	3,103,081

The accompanying Notes 1 to 15 and Exhibits A, C, D, E, G, H and I are an integral part of these statements.

Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

STATEMENTS OF OPERATIONS for the three-month periods ended March 31, 2006 and 2005
(in thousands of pesos)

	03.31.06	03.31.05
	in thousands of \$	
Net revenues (Note 4.g))	121,936	110,504
Cost of services (Exhibit H)	(49,996)	(54,920)
Gross Profit	71,940	55,584
Selling expenses (Exhibit H)	(4,926)	(3,754)
Administrative expenses (Exhibit H)	(12,266)	(10,475)
Operating income	54,748	41,355
Results from equity investments, net	124	(16)
Financial and holding result, net		
Generated by assets:		
Interests and indexing	5,534	2,299
Exchange rate differences	7,209	(7,951)
Others (Note 4.h)i))	900	(481)
Subtotal	13,643	(6,133)
Generated by liabilities:		
Interests and indexing	(51,142)	(45,725)
Exchange rate differences	(34,282)	40,675
Others (Note 4.h)ii))	(2,157)	(4,051)
Subtotal	(87,581)	(9,101)
Other (expense) income, net (Note 4.i))	(817)	(3,620)
(Loss) income before income tax	(19,883)	22,485
Income tax benefit (Note 7)	1,985	(14,090)
Net (loss) income for the period	(17,898)	8,395
Loss per share:		
Neto (loss) income for the period per basic share (Note 6)	(0.0509)	0.0239
Neto (loss) income for the period per basic diluted (Note 6)	(0.0451)	0.0268

The accompanying Notes 1 to 15 and Exhibits A, C, D, E, G, H and I are an integral part of these statements.

Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY for the three-month periods ended March 31, 2006 and 2005

(in thousands of pesos)

Caption	Shareholders' contributions			Legal reserve	Voluntary reserve	Retained earnings (accumulated deficit)	Total shareholders' equity
	Common stock	Inflation adjustments of common stock	Total				
Balances as of December 31, 2004	351,499	506,053	857,552	46,205	125,588	(131,947)	897,398
Adjustment of balances at the beginning of the year (note 3.h)	-	-	-	-	-	(9,820)	(9,820)
Adjusted balances at the beginning of year	351,499	506,053	857,552	46,205	125,588	(141,767)	887,578
Net income for the period	-	-	-	-	-	8,395	8,395
Balances as of March 31, 2005	351,499	506,053	857,552	46,205	125,588	(133,372)	895,973
Complementary income for the nine-month period up to December 31, 2005	-	-	-	-	-	(54,499)	(54,499)
Balances as of December 31, 2005	351,499	506,053	857,552	46,205	125,588	(187,871)	841,474
Loss for the period	-	-	-	-	-	(17,898)	(17,898)
Balances as of March 31, 2006	351,499	506,053	857,552	46,205	125,588	(205,769)	823,576

The accompanying Notes 1 to 15 and Exhibits A, C, D, E, G, H and I are an integral part of these statements.

Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

STATEMENTS OF CASH FLOWS for the nine-month periods ended March 31, 2006 and 2005
(in thousands of pesos)

CHANGES IN CASH	03.31.06	03.31.05
	in thousands of \$	
Cash and cash equivalents as of beginning of year	472,989	375,082
Cash and cash equivalents as of end of period (Note 4.j))	520,166	366,488
Net increase (decrease) in cash	47,177	(8,594)
CAUSES OF CHANGES IN CASH		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income for the period	(17,898)	8,395
Adjustments to reconcile net income (net loss) to net cash flows from operating activities:		
Income tax	(1,985)	14,090
Depreciation of fixed assets	28,148	28,205
Net book value of fixed assets written off	405	2,539
Increase in allowances and provisions, net	5,132	(1,004)
Interests and indexing accrued by liabilities	51,142	45,725
Financial and holding results	20,576	(30,168)
Gain on equity investments	(124)	16
Subtotal	85,396	67,798
Net Changes in certain operating assets and liabilities:		
Decrease (Increase) in accounts receivable	1,922	(2,658)
Increase in other receivables	(15,558)	(3,006)
Increase in materials and spare parts and other assets	(1,360)	(221)
Decrease in accounts payable	(24,357)	(6,222)
Decrease in salaries and social security payable	(1,792)	(600)
(Decrease) Increase in taxes payable	(1,304)	1,428
Increase in other payables	1,132	264
Decrease in contingencies	(1,322)	(20)
Net cash flows provided by operating activities	42,757	56,763
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(5,383)	(9,734)
Net cash flows used in investing activities	(5,383)	(9,734)
Carried forward	37,374	47,029

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

STATEMENTS OF CASH FLOWS for the year ended December 31, 2005 and 2004 (Contd.)
(in thousands of pesos)

	03.31.06	03.31.05
	In thousands of \$	
CAUSES OF CHANGES IN CASH (Contd.)		
Brought forward	37,374	47,029
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of debt	(1,285)	(28,964)
Interest paid	(607)	(20,290)
Decrease in customer advances	(807)	(844)
Net cash flows used in financing activities	(2,699)	(50,098)
FINANCIAL AND HOLDING RESULT GENERATED BY CASH		
Interests, exchange rate differences and others results generated by cash	(12,502)	5,525
Total financial and holding result generated by cash	(12,502)	5,525
Net increase (decrease) in cash and cash equivalents	47,177	(8,594)

The accompanying Notes 1 to 15 and Exhibits A, C, D, E, G, H and I are an integral part of these statements.

Eduardo Ojea Quintana
Chairman

The limited review reporte dated May 9, 2006 is issued as a separate document.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK

a) Formation of the Company

Transportadora de Gas del Norte S.A. (the “Company” or “TGN”) was incorporated on November 24, 1992 following the introduction of Laws No. 23696 and No. 24076 (“The Gas Act”) and Decree No. 1189/92 of the National Executive Branch (“PEN”) which established the privatization of gas transport and distribution services and the creation of companies that were to receive licenses to operate such services.

TGN is the holder of a license (“the License”) for the providing of the public service for the carrying of natural gas, under which it is granted the exclusive right to exploit the two gas pipelines it owns in the North and Center-West of Argentina.

The Company’s gas pipeline system is directly connected to the two principal gas producing basins in the Northern and Central-Western regions in Argentina, to the Northwestern and Neuquina basins and indirectly to gas fields located in Bolivia.

The transfer of assets from Gas del Estado Sociedad del Estado (“GdE”) to TGN and commencement of operations took place on December 28, 1992, based on an agreement for the transfer of shares (the “Transfer Agreement”) between the National Government, GdE and the investment company Gasinvest S.A. (“Gasinvest” or “Controlling Shareholders”).

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

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

- i) The Law on Public Emergency No. 25.561 established the pesification of the tariffs of natural gas transportation for the local market at the rate of exchange of \$ 1 = US\$ 1, determining that the peso values will prevail on the date of enforcement of the Law and the revocation of the six-monthly adjustment mechanism based on the Producer Price Index (“PPI”). Additionally, this law authorizes the PEN to negotiate the rates and contracts of public works and utilities.

In Note 1.c) are the issues relating to rates, the License and the implications of the modifications made by this law to the regulatory framework of the Company.

- ii) As from 2004 the Government adopted a series of measures to redistribute in the short term the effects of the crisis in the energy sector arising from a shortfall in the supply of natural gas and electricity. The Energy Secretariat, the Fuels Under-secretariat and the ENARGAS have issued a number of regulations setting out prevention measures to avoid a crisis in the domestic supply of natural gas and its consequences on wholesale supply of electricity, including the suspension of exports of natural gas surpluses that could be used for domestic supply, the drawing up of a schedule of cuts in the volumes of gas allocated for export, and the generation of electricity for export. It was also resolved to create a trust fund to finance investment in systems for the carrying and distribution of natural gas. TGN cannot assure that these measures by the government will not have an adverse impact on its firm export transport contracts.

Furthermore, in April 2004 the National Executive Branch established the creation of the

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006
presented in comparative form (In thousands of pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)

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

Electronic Gas Market ("MEG") with the aim of improving the efficiency of allocation in the gas industry. As a result, spot sales of natural gas and the remaining carrying capacity must be traded on this market. TGN considers that the implementation of the MEG will have an adverse effect on its income related to the gas carried that will be sold on that market.

- iii) The change in the economic context and the legal and contractual conditions in which the Company has been acting, as well as the state of the renegotiation of its License, give rise to uncertainty as to the generation of future cash flows that will enable it to repay its liabilities, recover non-current assets, ensure the future development of its business and the preservation of the Company as a going concern.
- iv) As a result of the financial imbalance created by the prevailing economic measures as from January 2002, the Board of the Company decided to administer its resources so that it could continue to provide a safe and reliable public gas transportation service for which it is responsible under the terms of the Gas Act No. 24076 and section 10 of Law No. 25561 and could continue to operate as a going concern.
- v) In line with the objectives commented in the preceding point, and as indicated in Note 10.e), as from 2002 the Company has been obliged to postpone the payment of certain financial obligations, amounting to \$ 1,243.2 million (including principal and interest) and has failed to meet a series of indicators that it had committed to maintain with respect to those financial liabilities.

Therefore, as indicated in the same Note 10, the Company's financial creditors could invoke the expiry of all due dates established and request early payment of their loans, which the Company discloses in the financial statements as current and non-current, according to the original terms agreed.

The impact generated by all the measures adopted so far by the National Government on the balance sheet and financial position of the Company at March 31, 2006 was calculated on the basis of evaluations and estimates made by the Company's Board of Directors at the date its financial statements were prepared.

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

Con formato: Fuente: Negrita, Inglés (Estados Unidos), Sin Expandido / Comprimido

Con formato: Sangría: Izquierda: 1,25 cm, Interlineado: Mínimo 12 pt, Punto de tabulación: No en -2,54 cm + -1,27 cm + 0 cm + 0,51 cm + 0,76 cm + 1,52 cm

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006
presented in comparative form (In thousands of pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)

c) Regulatory framework

General matters

The Gas Act and its regulations, together with the License, the Transfer Agreement, the Bid Document for the privatization of GdE (the "Pliego"), and the resolutions issued by ENARGAS, establish the legal framework for the Company's business.

The License was granted for an initial period of thirty-five years. However, both the Gas Act and the License establish that the Company will be able to apply to ENARGAS for a renewal for a further ten-year period. At that time, ENARGAS is required to evaluate the performance of TGN and submit a recommendation to the PEN.

However, the circumstances mentioned in Note 1 b) cannot determine that Regulatory framework of gas industry is not going to experience additional changes to those already implemented by article 8° of the Law No. 25561.

Rates

The rates corresponding to the natural gas transportation service were established in the License and are regulated by ENARGAS.

The Gas Law establishes that the rates must cover reasonable costs of services, taxes and depreciation charges, while providing profit margins similar to those obtained from other activities subject to comparable or similar risks, and being in proportion to the level of efficiency in providing of the services.

According to the conditions originally agreed, rates were subject through to the expiry of the License to:

- i) adjustments derived from the five-yearly review to be performed by ENARGAS affecting, as far as possible, the "X" efficiency and "K" investments factors, where "X" reduces the rate as counterpart of efficiency increases and "K" increases it to encourage unprofitable investments;
- ii) non-recurrent adjustments to reflect variations in the costs resulting from changes to tax regulations (except in the case of changes in income tax); and
- iii) unscheduled adjustments as a result of other objective and justifiable causes at the discretion of ENARGAS.

With respect to the mechanism for setting rates and regardless of the provisions in the original contractual framework, the Law on Public Emergency N° 25.561 established the pesification of the rates of natural gas transportation for the local market at the exchange of \$ 1 = U\$S 1, determining that the peso values will prevail on the date of enforcement of the Law and the revocation of the six-monthly adjustment mechanism based on the PPI.

In addition, the process for the Second Five-year Tariff Review that was being carried out in 2001 to determine the new rates for the 2003-2007 period has been suspended.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006
presented in comparative form (In thousands of pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)

c) Regulatory framework (Contd.)

The License

The Law No. 25561 authorize the PEN to renegotiate the contracts for public works and services taking into account (i) the impact of rates on the competitiveness of the economy and the distribution of income, (ii) the quality of the services and the investment plans contemplated in the contracts, (iii) users' interests and service accessibility, (iv) the safety of the systems and (v) the companies' utilities.

The Unit for the Renegotiation and Analysis of Public Services Contracts ("UNIREN"), an entity created in July 2003 in the environment of the Ministries of Economy and Production ("MEP") and Federal Planning, Public Investments and Services ("MPFIPyS"), is currently in charge of the renegotiation process.

The objective of UNIREN is to counsel and assist in the process of renegotiation of contracts for public works and utilities established by Law No. 25561. Among its functions is that of *"submitting drafts of bills relating to possible temporary adjustments to prices, rates and/or their segmentation, or contractual clauses relating to public services through concessions or licenses"*, and to *"prepare a draft of the General Regulatory Framework for Public Services corresponding to National Jurisdiction, that encompasses the basic generic conditions for all sectors."*

On August 24, 2004 the PEN presented a Public Utilities Regime Bill ("Bill") to the Chamber of Deputies, the drafting of which had been commissioned to the UNIREN. The Bill is characterized by the great discretionary powers retained by the State, the modification of basic aspects of the Gas Law and the restriction in many fundamental aspects of the business decision-making capacity of providers under the current regulatory framework. It also establishes that in the event of irreconcilable inconsistencies between the bill and pre-existing regulatory frameworks, the former will prevail over the latter.

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

To date no significant progress has been made in the License renegotiation process, so the Company is unable to determine the future development of the process or the time that it will take. In effect, the term set for the renegotiation of public utility contracts has been extended on several occasions, and at present the extension expires on December 31, 2006 (Law 26,077).

As from March 2005 various public hearings have been convened to deal with the adaptations proposed by the UNIREN or, in some cases, the preliminary agreements reached between the companies and the UNIREN. The TGN hearing took place on March 18, 2005, but only for the purpose of analyzing a unilateral proposal that had been made by the UNIREN in July 2004 that TGN considers to be unsatisfactory. So far, the Company has not been able to negotiate an agreement with the UNIREN that could be considered reasonable.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 1 - FORMATION OF THE COMPANY AND REGULATORY FRAMEWORK (Contd.)**c) Regulatory framework (Contd.)***Technical assistance contract*

Under the terms of the regulatory framework, TGN receives technical and audit services from its shareholders or their related companies. This assistance includes aspects in relation to the performance of the system, safety, the environment, preventive maintenance, internal procedures, training, information systems and compliance with certain international standards in the gas transportation industry.

The current Technical Assistance and Audit contract, with the latest modification made in February 2006, is to run until December 17, 2017. The consideration for the services covered by the contract includes an annual payment equal to the higher of (i) US\$ 3,000,000 and (ii) 7% of net income for each year.

It should be noted that according to the original terms of certain long-term loan agreements, TGN cannot pay in each fiscal year fees for technical operator advice and technical audit services for an amount in excess of US\$ 1 million if: (i) there is an event of default or a potential event of default, (ii) if the ratio for coverage of the payment of the long-term debt were to be lower than 1.2 or if (iii) the ratio of total liabilities to new worth were to be higher than 1.2.

At March 31, 2006 the amount due under this heading totals US\$ 3.8 million.

NOTE 2 – PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS**a) Bases for preparation and presentation**

The financial statements are stated in thousands of Argentine pesos and were prepared in accordance with accounting disclosure and valuation standards contained in the Technical Pronouncements issued by the Argentine Federation of Professional Councils in Economic Sciences ("F.A.C.P.C.E."), approved by the Professional Council in Economic Sciences of the City of Buenos Aires ("C.P.C.E.C.A.B.A.") and according to the Resolutions issued by the National Securities Commission ("CNV").

In addition, ENARGAS Resolution No. 1660/00, amended by Resolution No. 1903/00, establishing certain disclosure and valuation criteria for the regulated activity of natural gas transportation and distribution have been applied. These criteria are similar to those established by the prevailing accounting standards.

A limited review was performed on the financial statements corresponding to the three-month periods ended March 31, 2006 and 2005. The Company's Board of Chairmans estimates that they include all the necessary adjustments to reasonably disclose the results for each period. The results of the three-month periods ended March 31, 2006 and 2005 do not necessarily reflect the proportion of the results of the Company for the complete financial years.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006
presented in comparative form (In thousands of pesos)

NOTE 2 – PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Contd.)

b) Unification of accounting standards

Within the framework of the manifestation of consent agreement executed on July 8, 2004 by the F.A.C.P.C.E. and the 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.

The main modifications introduced by the accounting standard unification process to be considered by the Company are the following:

- As mentioned in Note 7, for the calculation of the deferred tax, TGN has opted to maintain the effect of the inflation adjustment on fixed assets as a permanent difference.
- For the purpose of determining an impairment of assets, the accounting standards in effect until the previous fiscal year required comparison of the carrying value of assets with the cash flows they would generate at nominal values. The standards recently adopted require making this comparison with the cash flow at present values. This change of criterion has not impacted on these financial statements.

c) Recognition of the effects of inflation

The financial statements have been prepared in constant of currency units, reflecting the overall effects of inflation until August 31, 1995. As from that date restatement of the financial statements had been discontinued until December 31, 2001, as a result of a period of monetary stability. As from January 1, 2002 and up to March 1, 2003 the effects of inflation were recognized to reflect the inflation recorded during that period. As from that date, restatement of financial statements was discontinued again.

This criterion, required by the CNV, is not in accordance with current accounting standards, under which financial statements were to be restated until September 30, 2003. However, as of March 31, 2006 this deviation has not had a material impact.

The index used in restating the items was the domestic wholesale price index.

d) Accounting estimates

The preparation of financial statements at a given date requires the Company Directors to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the income and expenses recorded for the period.

The Company Directors make estimates to be able to calculate at a given time, for example, the allowance for bad debts, depreciation and amortization charges, the recoverable value of

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006
presented in comparative form (In thousands of pesos)

**NOTE 2 – PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS
(Contd.)**

d) Accounting estimates (Contd.)

assets, the income tax charge and provisions for contingencies. Future actual results may differ from the estimates made in preparing the financial statements.

Those estimates are influenced by the changes in the economic context and in the legal and contractual conditions in which the Company operates, as well as by the License renegotiation process and the Company's financial debt; therefore there is uncertainty regarding the generation of future cash flows to enable the repayment of liabilities, the recovery of non-current assets, the future development of its business and the preservation of the Company as a going concern.

e) Comparative information

The December 31 and March 31, 2005 figures that are disclosed in these financial statements for comparative purposes arise from financial statements at those dates and include the impact of the prior year adjustment described in Note 3.h).

Furthermore, certain modifications and reclassifications have been made in the comparative figures to conform to the current period presentation.

NOTE 3 – PRINCIPAL VALUATION CRITERIA

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

a) Cash and banks

Available cash has been computed at nominal value.

b) Foreign currency assets and liabilities

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

c) Short-term investments

Time deposits and bonds have been valued on the basis of the sum of money delivered at the transaction date, plus financial results accrued at the internal rate of return determined at that time.

Short-term investments in mutual funds have been stated at the unit values at each period/year end. Debt securities have been stated at their estimated net realizable value.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 3 – PRINCIPAL VALUATION CRITERIA (Contd.)**d) Accounts receivables and payables**

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

e) Other receivables and other payables

The minimum presumed income tax credit has been valued on the basis of the best estimate of the sum to be used, discounted at a rate reflecting the time value of money and the specific risks attaching to the transaction estimated at the time of addition to assets. The deferred tax assets and liabilities have been stated at nominal value.

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

f) Investments

The investments in foreign related parties Comgas Andina S.A. ("COMGAS") and Companhia Opeadora de Rido Grande do Sul ("COPERG") are recorded using the equity method of accounting based on their financial statements as March 31, 2006 and December 31, 2005 (Exhibit C).

The accounting standards used by the foreign related parties to prepare its financial statements are similar, in all significant aspects, to those used by the the Company.

The Company has decided to fully provide for its investment in the Brazilian company COPERG as the development of the business has not been in line with expectations. The original aim was to render of operation and maintenance services to the gas pipeline from Uruguayana to Porto Alegre. The construction of that pipeline has been delayed and it is unknown whether this infrastructure work will be carried out or not. The service rendered by COPERG is currently limited to an area near the Argentine border. Consequently, the reduced level of activity of that Company will not enable the recovery of the investment.

g) Materials and spare parts, net

They have been valued at replacement cost, net of the allowance for spare parts and slow moving and obsolete materials for consumption. Inventories have been broken down into current and non-current on the basis of the estimated consumption plan approved by the Company's Board of Directors.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 3 – PRINCIPAL VALUATION CRITERIA (Contd.)**g) Materials and spare parts, net**

Considering the economic and financial forecasts prepared by the Company on the basis of its best estimates according to the guidelines indicated in Note 2.d) and the resolution of uncertainties mentioned in Notes 1.b) and 1.c), the carrying value of spares and material for consumption does not exceed their recovery value.

h) Fixed assets, net

The original global value adopted in relation to assets transferred at the beginning of the Company operations is that assigned to them under the Transfer Agreement. Assets acquired or constructed after take-over were valued at acquisition or construction cost, including material, labor and indirect costs.

The Company has included as part of the value of fixed assets, the net cost generated by the financing by third parties during the construction period of which is extended over time, until start-up.

The above-mentioned values have been restated following the guidelines indicated in Note 2.c), and are disclosed net of accumulated depreciation.

Accounting and tax depreciation is calculated by the straight-line method applying amortization rates sufficient to extinguish original values at the end of reasonable useful lives. The parameters used in determining the useful life include the standards issued by the ENARGAS.

In the fiscal year ended December 31, 2005, an adjustment of \$ 11.7 million (net of tax effects for \$ 9.8 million) was recorded in relation to certain compression system equipment written off. This adjustment was charged against retained earnings at the beginning of the year ended December 31, 2004.

Furthermore, in 2005 a pipeline relining campaign was carried out over a length of 49.55 km. In accordance with ENARGAS Resolutions Nos. 1660 and 1903, \$ 20.7 million were capitalized, becoming part of the Company's Essential Fixed Assets and, consequently, of its tariff base.

Considering the economic and financial projections prepared by the Company on the basis of its best estimate according to the guidelines set out in Note 2.d) and the resolution of the uncertainties mentioned in Notes 1.b) and 1.c), the carrying value of the fixed assets, taken as a whole, does not exceed its recovery value.

j) Others Assets

Gas in pipelines has been valued at the replacement value of the cubic meter of gas plus average transportation cost. The results from the variation in these prices are recorded under financial results arising from assets - holding results. The book value of this asset does not exceed recoverable.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 3 – PRINCIPAL VALUATION CRITERIA (Contd.)**k) Debt**

Debt has been stated at par value, plus interest accrued at period/year end, under the terms originally agreed with creditors. Note 10 provides a detail of Company's debt and a description of the issues relating to the suspension of their repayment and the progress made in the restructuring process under way.

l) Income tax

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

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

A provision was recorded to cover tax loss carry-forward balances that are expected to be offset against future years' taxable profits before their expiration date.

As mentioned in Note 7, as the future years' taxable income is unlikely to be offset against all accumulated loss carry-forwards, the Company has recognized a partial loss of value of that credit.

m) Minimum presumed income tax

The Company calculates minimum presumed income tax by applying the current 1% rate on computable assets at the end of the fiscal year. This tax complements income tax. The Company's tax obligation for each year will agree with the higher of the two taxes. However, if minimum presumed income tax exceeds income tax in a given year, that amount in excess can be computed on account of income tax arising in any of the following ten years.

The Company recognized minimum presumed income tax accrued for the year ended December 31, 2005 and the one paid in previous years as a credit since it estimates it can be computed as payment on account of income tax.

The mentioned credit has been computed at its discounted value as indicated in Note 3.e).

n) Allowances

- For bad debts and accounts receivables in foreign currency, other index-linked adjustments and receivables in litigation: set up on the basis of an individual analysis of the recoverability of the credit portfolio.
- For slow-moving items and inventory obsolescence: set up to cover materials, spare parts and accessories that are not expected to be used in the future.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 3 – PRINCIPAL VALUATION CRITERIA (Contd.)**o) Shareholders' equity accounts**

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

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

p) Profit and loss accounts

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

q) 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 adjustment 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.

r) Intercompany accounts for sundry transactions

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

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

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

CAPTIONS	03.31.06	12.31.05
	in thousands of \$	
a) Accounts receivable, net		
Gas transportation service		
• Billed		
-Distributors	10,542	9,983
-Industrial	9,218	15,741
-Generators	13,890	12,522
Unbilled	37,875	34,634
Subtotal	71,525	72,880
Other services		
Billed	67	671
Unbilled	1,644	1,607
Subtotal	1,711	2,278
Allowance for doubtful accounts (Exhibit E)	(6,185)	(5,552)
Allowance for disputed amounts (Exhibit E)	(15,368)	(15,460)
Total	51,683	54,146
b) Other receivables, net		
i) Current		
Gas transportation service		
Tax credits	1,933	1,518
VAT, net	1,332	-
Directors´ and management fees (Note 5.i))	810	773
Advanced to employees	234	156
Deposit in escrow	902	5,792
Prepaid expenses	30,487	21,781
Receivables from transactions on behalf of third parties	6,367	6,222
Sundry	-	780
Subtotal	42,065	37,022
Other services		
Management fees - Gas Trusts Program-(Note 14)	992	917
Receivable with controlling shareholders (Note 5.i))	8	8
Receivables with equity investees (Note 5.i))	292	330
Other related parties (Note 5.i))	350	352
Guarantee deposits and others	4,420	1,694
Subtotal	6,062	3,301
Allowance for doubtful accounts (Exhibit E)	(661)	(618)
Total	47,466	39,705
ii) Non Current		
Gas transportation service		
Deferred tax asset, net (Note 7)	112,032	110,047
Minimum presumed income tax (Note 7)	48,060	43,778
Gross revenue tax withholding	812	812
Prepaid expenses	482	242
Deposit in escrow and disputed tax payments	4,771	4,693
Allowance for deposits in escrow and disputed tax payments (Exhibit E)	(4,771)	(4,693)
Subtotal	161,386	154,879

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

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

CAPTIONS	12.31.05	12.31.04
	in thousands of \$	
Other services		
Other related parties (Note 5.i))	889	865
Others	58	625
Subtotal	947	1,490
Total	162,333	156,369
c) Materials and spare parts, net		
i) Current		
Materials and spare parts	7,593	8,619
Total	7,593	8,619
ii) Non-current		
Materials and spare parts	73,679	71,700
Allowance for slow-moving and obsolescence (Exhibit E)	(38,507)	(39,136)
Total	35,172	32,564
d) Accounts payable		
Gas transportation service		
Suppliers	3,161	11,268
Unbilled services	30,827	47,077
Total	33,988	58,345
e) Taxes payable		
VAT, net	-	1,017
Gross revenue tax	514	708
Minimum presumed income tax	6,563	6,613
VAT withholdings	954	826
Income tax withholdings	4,093	4,243
Gross revenue tax withholdings	93	114
Total	12,217	13,521
f) Others		
i) Current		
Easement	5,006	7,821
Directors' and management fees (Note 5.i))	1,241	982
Others	159	159
Total	6,406	8,962
ii) Non current		
Easement	9,221	5,533
Total	9,221	5,533
g) Net revenues	03.31.06	03.31.05
	in thousands of \$	
Gas transportation service		
Gas transportation service	117,949	105,720
Benefit on social security contributions Decrees No. 292/1520/814	(378)	(378)
Allowances for disputed amounts	288	(210)
Subtotal gas transportation service	117,859	105,132
Other services		
Gas Pipeline O & M services	4,015	2,214
Management fees – Gas Trusts Program (Note 14)	62	3,158
Subtotal other services	4,077	5,372
Total	121,936	110,504

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

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

CAPTIONS	12.31.05	12.31.04
	in thousands of \$	
h) Financial and holding result, net		
i) Generated by assets:		
Bank commissions and expenses	(79)	(73)
Discount granted	835	109
Holding results	144	(517)
Total	900	(481)
ii) Generated by liabilities:		
Bank commissions, expenses and taxes on banking and financial operations	(1,765)	(3,333)
Gain on extinguishment of debt (Note 10.e))	441	-
Fees for guarantee of loan agreement (Note 5.ii))	(845)	(746)
Discounts obtained	12	28
Total	(2,157)	(4,051)
i) Other (expense) income, net		
Gain on disposat of fixed assets and other expenses	(816)	(2,413)
Donations	(1)	(1,207)
Total	(817)	(3,620)
j) Statements of cash flows – Cash and cash equivalents composition		
Cash and banks	3,143	4,256
Mutual funds in foreign currency (Exhibit D)	340,127	174,590
Time deposits in foreign financial institutions (Exhibit D)	134,956	155,098
Mutual funds in \$ (Exhibit D)	35,420	31,544
Stock exchange securities in \$ (Exhibit D)	6,520	1,000
Cash and cash equivalents at the end of period	520,166	366,488

NOTE 5 – BALANCES AND TRANSACTIONS WITH CONTROLLING SHAREHOLDERS, RELATED PARTIES AND DIRECTOR´S AND MANAGEMENT FEES

CAPTIONS	03.31.06	12.31.05
	miles de \$	
i) Balances with controlling shareholders, related parties and director´s and management fees as of March 31, 2006 and December 31, 2005		
- Other related parties	7,649	6,911
Other receivables:		
Current:		
-Receivables with controlling shareholders (Note 4.b)i))	8	8
-Receivables with equity investees (Note 4.b)ii))	292	330
-Other related parties (Note 4.b)iii))	350	352
-Director´s and management fees (Note 4.b)iv))	810	773
Non-Current:		
-Other related parties (Note 4.b)v))	889	865
Accounts payable:		
- Other related parties	12,584	10,183
Other:		
- Directors´ and management fees (Note 4.f)vi))	1,241	982

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 5 – BALANCES AND TRANSACTIONS WITH CONTROLLING SHAREHOLDERS, RELATED PARTIES AND DIRECTOR´S AND MANAGEMENT FEES (Contd.)

CAPTIONS	12.31.05	12.31.04
	miles de \$	
ii) Transactions with controlling shareholders, related parties and director´s and management fees for the three month period ended March 31, 2006 and 2005		
Controlling shareholders:		
-Other income	6	6
Equity investees:		
- Net revenues	-	28
- Other income		
Other:		
- Net revenues	15,943	15,712
-Cost of service	(2,854)	(2,525)
-Fees for guarantee of loans agreements (Note 4.h) ii)	(845)	(691)
-Acquisition of materials and spare part and other assets	-	36
-Prepaid expenses an behalf of third parties	-	194
Directors´ and management fees:		
-Fee related to administrative task (Exhibit H)	(258)	(173)
-Fee related to professional services	-	(92)

NOTE 6 - RESULTS PER ORDINARY SHARE

Below is the reconciliation between the weighted average shares outstanding and the weighted average of diluted shares. The latter average was determined considering the possibility of the holders of convertible negotiable obligations described in Note 9.2 exercising their right to convert the securities held by them into shares:

	03.31.06	03.31.05
	Amount of shares	
Weighted average shares outstanding (Note 11.a.)	351,499,185	351,499,185
Diluted effect on potential common shares (1)	13,335,679	13,335,679
Adjusted weighted average shares outstanding assuming conversion of potencial common shares	364,834,864	364,834,864

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

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

	03.31.06	03.31.05
	in thousands of \$	
Net (loss) income for the period	(17,898)	8,395
Net (loss) income for calculation of the result per basic share	(17,898)	8,395
Plus accrued interest on convertible debt	1,460	1,395
Net (loss) income for calculation of the result per diluted share	(16,438)	9,790
Net (loss) income for the period per basic share	(0.0509)	0.0239
Net (loss) income for the period per diluted share	(0.0451)	0.0268

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 7 – INCOME TAX AND MINIMUN PRESUMED TAX

The following table details the breakdown of assets and liabilities temporary differences at March 31, 2006 and December 31, 2005:

	03.31.06	12.31.05
Deferred tax assets (liabilities):		
Short term investments (valuation)	(5,325)	(3,094)
Accounts receivable (doubtful accounts)	7,295	7,105
Other receivable (doubtful accounts and discount at present value)	5,706	5,742
Fixed assets (valuation)	(15,780)	(15,979)
Materials and spare parts (valuation)	13,533	13,753
Other assets (valuation)	(3,865)	(3,722)
Accounts payable	1,904	1,077
Contingencies (lawsuits)	28,416	27,056
Foreign currency exchange losses (for devaluation January 2002)	11,729	15,639
Tax loss carry forward	304,265	298,748
Valuation Allowance	(236,577)	(236,577)
Others	731	299
Net total deferred tax assets	112,032	110,047

At period end, the net deferred tax asset arising from the information included in the preceding tables amounts to \$ 112 million. 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.

In accordance with CNV General Resolution No. 487/06 and the new standards in effect as from the current fiscal year, for purposes of the calculation of the deferred tax the Company may either opt to recognize the inflation adjustment contained in the accounting valuation of fixed assets as a timing difference, giving rise to the computation of the related liability, or as a permanent difference, disclosing the accounting effect that application of the other criterion would have produced.

In this regard, the Company has opted to recognize this as a permanent difference. Therefore, in compliance with that Resolution, it reports that had the timing difference recognition been opted for, the deferred liability would have increased by approximately \$407 million.

Below is a reconciliation of the income tax charged against results for the period to that which would derive from applying the statutory income tax rate to the pre-tax income/loss:

	03.31.06	03.31.05
Net (loss) income before income tax	(19,883)	22,485
Income tax rate	35%	35%
Income tax benefit at statutory tax rate	6,959	(7,870)
Permanent differences:		
- Inflation adjustment	(4,902)	(5,647)
-Donations and non deductible expenses	(3)	(625)
-Change in valuation allowance	-	(2,545)
-Gain from equity investees, net	43	15
-Others	(112)	2,582
Total result Income tax	1,985	(14,090)
Current tax	-	-
Deferred tax – income (loss)	1,985	(14,090)
Total result income tax	1,985	(14,090)

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 7 – INCOME TAX AND MINIMUM PRESUMED TAX (Contd.)

The tax loss carry-forwards recorded by the Company and still available at period end, which may be offset against future years' taxable income, are the following:

	03.31.06	03.31.05
Deferred tax – income (loss)	1,985	(14,090)
Temporary differences:		
Decrease Foreign currency exchange losses (for devaluation January 2002)	3,910	3,910
Increase allowance contingencies	(1,360)	(1,110)
Decrease (increase) allowance materials and spare parts	220	(14,029)
(Increase) decrease Tax loss carry forward	(5,517)	24,268
Financial result generated by short term investments	2,231	-
Others temporary differences net	(1,469)	1,051
Total tax determined for tax purpose	-	-

The tax loss carry-forwards recorded by the Company and still available at period end, which may be offset against future years' taxable income, are the following:

Year	Amount	Year of expiry
Tax loss carry-forward for year 2002	1,032,919	2007
Used during year 2003	(236,074)	
Tax loss carry-forward for year 2004	38,447	2009
Tax loss carry-forward for year 2005	18,275	2010
Tax loss carry-forward for period ended 03.31.06 (estimated)	15,762	2011
Total accumulated tax loss carry-forward as of March 31, 2006	869,329	

Below is a breakdown of the minimum notional income tax credit at March 31, 2006, which has been stated at discounted values, as indicated in Note 3 e):

Year	Amount	Year of expiry
2002	12,959	2012
2003	14,097	2013
2004	15,366	2014
2005	16,294	2015
Three-months period ended 03.31.06 (estimated)	4,650	2016
Subtotal of the credit for minimum presumed income tax at nominal values	63,366	
Discount at present net value	(15,306)	
Balance at the end of the period	48,060	

Due to a specific situation in the Company, characterized by (i) the tax loss carry-forward generated in 2002 (which represents a deferred tax asset of considerable significance) and (ii) the uncertainty regarding the generation of profits in the coming years, in the calculation of deferred tax, the projections of future taxable gains have been taken into consideration, thereby setting up an allowance for the impossibility of using part of the tax loss carry-forward prior to its statute of limitation. The projections have become the basis for the best estimate, according to the guidelines set out in Note 2.d), and considering the resolution of the uncertainties mentioned in Notes 1.b) and 1.c) referring to the changes in the Argentine economic context and the legal and contractual conditions of the Company. On the basis of its best estimates, the carrying value of the assets for deferred tax and for minimum presumed tax does not exceed its recovery value.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 8 - INFORMATION BY BUSINESS SEGMENT

The following table shows additional information on the statement of operations of the Company and main balance sheet items at March 31, 2006 and December 31, 2005 segregated by business segment:

(in thousands of pesos)				
Result for the three-months period ended March 31, 2006	Gas transportation services		Others	Total
	Domestic market	Export market		
Net revenues	55,952	61,907	4,077	121,936
Cost of services, selling and administrative expenses (before depreciation and amortization)	(32,568)	(4,651)	(1,821)	(39,040)
Depreciation and amortization	(24,604)	(3,516)	(28)	(28,148)
Other expenses	(653)	(164)	-	(817)
Gain from equity investments, net	-	-	124	124
Financial and holding results, net	(59,150)	(14,714)	(74)	(73,938)
Income tax benefit	1,588	395	2	1,985
Net loss for the year	(59,435)	39,257	2,280	(17,898)
Balance sheet as of March 31, 2006				
Fixed assets, net	1,834,562	456,347	2,294	2,293,203
Accounts receivable, net	26,065	23,907	1,711	51,683
Debt	1,738,622	432,484	2,173	2,173,279
Other net assets	521,575	129,742	652	651,969
Shareholders' equity	643,580	177,512	2,484	823,576
Purchase of fixed assets	4,307	1,071	5	5,383

Result for the three-months period ended March 31, 2005	Gas transportation services		Others	Total
	Domestic market	Export market		
Net revenues	54,761	50,371	5,372	110,504
Cost of services, selling and administrative expenses (before depreciation and amortization)	(32,247)	(4,607)	(4,090)	(40,944)
Depreciation and amortization	(24,655)	(3,522)	(28)	(28,205)
Other expenses	(2,896)	(724)	-	(3,620)
Gain from equity investments, net	-	-	(16)	(16)
Financial and holding results, net	(12,187)	(3,032)	(15)	(15,234)
Income tax benefit	(11,272)	(2,804)	(14)	(14,090)
Net loss for the year	(28,496)	35,682	1,209	8,395
Balance sheet as of December 31, 2005				
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	452,077	112,454	565	565,096
Shareholders' equity	654,448	183,960	3,066	841,474
Purchase of fixed assets	72,494	18,033	91	90,618

NOTE 9 – RESTRICTED ASSETS

- i The large majority of the assets transferred by GdE, mainly those included in the Gas pipelines, High Pressure Branches, Compressor Plants and high pressure control and/or Measurement Stations (Exhibit A) captions, have been defined by the License as “essential for providing the service licensed”. In line with the License, the Company must repair and maintain the essential assets, together with their improvements and expansion, according to certain standards set out in the License. The Company cannot in any way dispose of essential assets, pledge them, lease or loan them, or give them any use other than the providing of carrying services, without the prior approval of ENARGAS.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006
presented in comparative form (In thousands of pesos)

NOTE 9 – RESTRICTED ASSETS (Contd.)

- ii* In May 1999, TGN lodged legal action against the Under Secretariat of Equity Normalization and the Notary General of the Government, for the purpose of obtaining the title deeds of certain property that was transferred to TGN by GdE. The claim is intended to legally determining the terms within which the defendants must notarize the property transferred, and to ensure that in the event of non-compliance, the intervening Judge can issue the conveyance deeds for them. A ruling issued in the court of original jurisdiction was adverse to TGN to the May 27, 2005, which appealed before the National Court of Appeals in Federal Administrative Litigation.

According to the Transfer Contract, GdE must make reasonable efforts to ensure that all the property transferred is registered in the name of TGN within two years of takeover.

- iii* In July 2003, March 2005 and June 2005 TGN was notified of several claims for summary collection lodged by two holders of negotiable obligations issued by the Company amounting to US\$ 1.8 million in principal. Due to the amounts of the claims, there was an attachment on the Company's bank accounts. The final calculation of these attachments was approved in favor of the holders and placed at their disposal at the end of 2005 and beginning of 2006, and paid in full as well as the corresponding professional fees.
- iv* Additionally, in the caption Other non-current receivables are included the attachments and legal deposits arising from several legal actions.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 10 – DEBT

	Interest rate	03.31.06	12.31.05
	%	In thousands of \$	
i) Current			
Global Program of Negotiable Obligations - US\$ 300 MM			
Serie III	(1)	122,315	124,278
Serie IV	(2)	39,483	38,381
Serie V	(3)	79,688	77,392
Serie VII	(4)	20,047	19,489
Global Program of Negotiable Obligations - US\$ 320 MM			
Debt with IFC			
Serie I	(5)	47,277	42,933
Serie II	(6)	379,126	345,006
Serie III	(7)	36,137	33,099
Serie IV	(8)	31,118	28,526
Serie VI	(9)	148,460	135,099
Interest payable on Cribs	(10)	182,009	160,974
Loan agreements	(11)	375,240	362,411
Import finance	(12)	3,147	3,047
Total current debt		1,464,047	1,370,635
ii) Non current			
Global Program of Negotiable Obligations of US\$ 320 MM			
Debt with IFC			
Serie I	(5)	19,874	21,401
Serie II	(6)	92,091	106,353
Serie III	(7)	11,733	12,618
Serie IV	(8)	10,123	10,887
Serie VI	(9)	36,061	41,647
Cribs	(10)	539,350	530,600
Total non-current debt		709,232	723,506
Total debt		2,173,279	2,094,141

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

(1) Interest Rate 2005 and 2004 = 4.47%	(5) Interest Rate 2005 and 2004 = 9.52%	(9) Interest Rate: 2006 y 2005 y 2004 = 9.45%
(2) Interest Rate 2005 and 2004 = 2.73%	(6) Interest Rate 2005 and 2004 = 9.45%	(10) Weighted average interest rate 2006 y 2005 = 10.88% y 2004 = 10.88%
(3) Interest Rate 2005 and 2004 = 2.93%	(7) Interest Rate 2005 and 2004 = 10.66%	(11) Weighted average interest rate 2005 – 2006 = 5.40% y 2004 = 6.34% 2005 = 5.81%
(4) Interest Rate 2005 and 2004 = 3.29%	(8) Interest Rate 2005 and 2004 = 10.66%	(12) Weighted average interest rate 2006 = 5.34% y 2005 = 3.41 %

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 10 – DEBT (Contd.)**a) Global Program of Medium Term Negotiable Corporate Bonds -US\$ 300 million**

On March 3, 1994, through Resolution No. 10450, the CNV approved the entering of the Company to the Public Offering System and the set up of the Negotiable Obligations Global Program for an outstanding amount of up to US\$ 150 million later increased to US\$ 300 million. At its expiry, the Program was renewed through a Shareholders' Meeting resolution dated January 1999. On December 2, 1999, through Resolution No. 13135, the CNV authorized the Company to establish that program.

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

The amounts and conditions of the series issued under this Global Program are as follows:

Series	Date of Issue	Placing agent	Amount in US\$ million	Principal Payments	Interest payments	Annual interest Rate
III	10.31.1996	Santander	50.0	4 annual installments of US\$ 12.5 million each as from fifth year	Semi-annually on outstanding principal	180 days LIBOR plus 3.125%
IV	06.26.1997	Santander	46.0	4 annual installments of US\$ 11.5 million each as from second year	Semi-annually on outstanding principal	180 days LIBOR plus 1% per 1 and 2 years; plus 1.25% per 3 and 4 years; plus 1.50% per 5 year
V	06.26.1997	Santander	24.0	2 annual installments of US\$ 12.0 million each as from sixth year	Semi-annually on outstanding principal	Same as above plus 180 days LIBOR plus 1.70% per 6 and 7 years
VI	03.04.1998	Nassau Branch of BankBoston N.A., Supervielle Société Générale y BEAL	40.0	A single payment due on third year	Semi-annually on outstanding principal	180 days LIBOR plus spread ranging between 0.75% through 1.50%
VII	03.04.1998	Nassau Branch of BankBoston N.A., Supervielle Société Générale y BEAL	20.0	10 equal semi-annually installments	Semi-annually on outstanding principal	180 days LIBOR plus spread ranging between 0.75% through 1.50%
Total			180.0			

b) Global Program of Negotiable Obligations either Non-convertible or convertible into ordinary shares in the medium term -US\$ 320 million

On February, 1996, the Shareholders' Ordinary and Extraordinary Meeting decided to set up a Global Program for the issue of simple obligations or obligations convertible into ordinary shares, for up to a maximum outstanding amount equivalent to US\$ 250 million, establishing that the issue of convertible negotiable obligations under this Global Program was not to exceed 21,052,632 notes. The maximum outstanding amount under the authorized Global Program was subsequently increased up to US\$ 320 million. This Program was authorized through Certificate No. 120/96 issued by the Board of Issuing Companies of the CNV.

Within the framework of this Global Program, on August, 1996 the Company entered into a Negotiable Obligation Purchase agreement with the International Finance Corporation ("IFC"), a World Bank organization, whereby IFC acquired ordinary negotiable obligations for US\$ 235 million par value and negotiable obligations convertible into Class A and B shares

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 10 – DEBT (Contd.)

b) Global Program of Negotiable Obligations either Non-convertible or convertible into ordinary shares in the medium term -US\$ 320 million (Contd.)

for US\$ 20 million par value. The net proceeds were appropriated to financing the Company's Investment Plan for the 1995-1997 three-year period.

The main characteristics of the series issued and paid-in under that Program are as follows:

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

c) Convertibility Risk Insured Bonds (CRIBS)

In May 11, 2000, the Ordinary Shareholders' Meeting approved the issue of Ordinary non-convertible secured Corporate Bonds qualifying as "*negotiable bonds*" under the terms of Law No. 23576 and its regulatory decree for a principal value of up to US\$ 200 million nominal value.

Consequently, in July 2000 the Company placed a bond for US\$ 175 million, to be amortized over a period of 12 years, with a grace period of 8 years for principal and accruing interest at an annual fixed rate of 10.875% payable semi-annually, plus 0.325% per annum for political risk insurance.

The bond was purchased by Merrill Lynch Capital Services, which transferred them to a financial trust from Argentina. This trust in turn issued the Convertibility Risk Insured Bonds (CRIBs), that is, bonds insured to cover non-convertibility and non-transferability risks. This insurance policy was issued by Overseas Private Investment Corporation ("OPIC"), a US government agency. In view of the circumstances described in Note 10.e), the Company has ceased to pay the premiums on this insurance since July 2004, so the insurance contract with OPIC is no longer in force.

Most of the purchasers of these CRIBs were US-based insurance companies and Argentine Pension Fund Managers. The funds disbursed under this loan have been used to finance investments in assets related to the gas transportation system.

Within the framework of the financial debt restructuring the Company expects to obtain, one of the most important steps consists in reaching an agreement with holders of CRIBs Debt Securities to exchange their current holdings for new negotiable obligations issued directly by TGN which will be substantially identical to the CRIBs in all material respects. The Extraordinary Meeting of Shareholders held on January 26, 2006 authorized the issue of ordinary, non-preferential US dollar-denominated negotiable obligations, not convertible for shares, for an amount of up to US\$175 million which may be exchanged for CRIBs Debt

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006
presented in comparative form (In thousands of pesos)

NOTE 10 – DEBT (Contd.)

c) Convertibility Risk Insured Bonds (CRIBS) (Contd.)

Securities and/or offered for their subscription in cash and/or by delivering CRIBs and/or in such other manner as the Board of Directors may determine.

On January 30, 2006, a Special Meeting of CRIBs debt security holders was held at which the trustees were authorized to execute a supplementary trust agreement amending the terms of the CRIBs Trust so that a voluntary exchange method may be established, as described in the preceding paragraph. On February 11, 2006, the Company's Board of Directors approved the execution of that supplementary trust agreement and the issue of negotiable obligations to be exchanged for CRIBs under the same terms and conditions. The amendment to the Trust Agreement was signed on February 16, 2006.

At the date of issue of these financial statements, the exchange offer had not been made.

d) Others loan agreements

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

The Company carries other peso and US dollar-denominated loans for \$ 48.0 million and US\$ 28.6 million, respectively, from domestic and foreign banks, which have been disclosed as current loans at March 31, 2006.

e) Defaulted Obligations

As mentioned in Note 1.b), as from 2002 the Company has found itself obliged to postpone the payment of certain financial obligations. The obligations defaulted at March 31, 2006 amount to US\$ 278.4 million in principal and US\$ 109.4 million in interest and \$ 39.8 million in principal and \$ 8.2 million in interest.

At March 31, 2006, the total financial debts in US dollars amounting to US\$ 689.6 million and in Argentine pesos amounting to \$ 48.0 million (of which US\$ 459.5 million and \$ 48.0 million were recognized as current and US\$ 230.1 million as non-current). This balances included US\$ 35,1 corresponding the penalties estimated to the above non-compliance.

Additionally, the Company has failed to meet a series of indicators that it had committed to maintain with respect to certain financial liabilities.

Due to such failure to comply, the Company's financial creditors could invoke the expiry of all due dates established and request early payment of their loans, which the Company discloses in the financial statements as current and non-current, according to the original terms agreed.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 10 – DEBT (Contd.)**e) Overdue and unpaid obligations (Contd.)**

During 2002 the Company initiated contacts with the creditors of these obligations to agree on the terms for a standstill that would prevent the enforcement of acceleration clauses and would allow the Company to begin talks with the Government on the restoring of its cash flows, to establish a definitive proposal for its financing structure and normalize compliance with its financial liabilities. Although no formal agreement took place, the standstill has effectively been implemented.

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

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

f) Interest payment

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

The Company made quarterly partial payments of accrued interest August 2005. In all these mentioned payments of interest, TGN unilaterally applied a temporary cap of 3.5% on the annual interest rate.

The payment terms of future interest will be established according to the financial restructuring agreement that the Company hopes to reach during the next months.

g) Progress in the restructuring of the financial debt

In 2005, the Company reached a provisional agreement with its main financial creditors on the economic terms for the restructuring of its financial debt, although other matters are still under discussion. During the 2005, the Company carried out negotiations with an *ad hoc* creditor committee and, although there is no assurance that that process will be successfully completed, certain actions started to be adopted for the future launch of a voluntary exchange offer.

In the context of the process of restructuring of the Company's financial debt, the Extraordinary Shareholders' Meeting on January 26, 2006 gave its approval to the granting - as one of the components of the future debt restructuring- of new corporate bonds to be issued by the Company in exchange for existing debt, reflecting the new terms and conditions. On this basis, approval was granted for the setting up of a global program for the issue of ordinary non-convertible corporate bonds denominated in US dollars or any other currency, with ordinary guarantee, in different classes and/or series and/or segments, qualifying as “negotiable obligations” under the terms of Law 23,576 (text as per Law

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 10 – DEBT (Contd.)**g) Progress in the restructuring of the financial debt (Contd.)**

23,962), for a maximum outstanding amount during the term of the program of up to five hundred million US dollars (US\$ 500,000,000) or its equivalent in other currencies (the “Program”), the duration of the Program being five years as from the date of its original authorization.

Additionally, in the context described, the Extraordinary Shareholders’ Meeting held on March 23, 2006 approved an increase in capital by means of the capitalization of loans for US\$68 million and the issue of new ordinary Class “C” shares representative of 20% of the capital stock, delegating to the Board the timing of the issue.

On the basis of the planned schedule, the restructuring proposal will be launched during the next few months of 2006.

NOTE 11 - COMMON STOCK AND DIVIDENDS**a) Common stock**

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

	Date	Thousands of \$	Registration in the Superintendency of Corporations			
			Date	No.	Book	Volume
Incorporation of the Company Capitalizations of irrevocable contributions:	11.24.92	12	12.01.92	11667	112	A
	12.28.92	267,255	03.07.94	1894	114	A
	03.25.94	84,232	06.09.94	5589	115	A
Total		351,499				

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

The “Pliego” Terms and Conditions and the Transfer Agreement impose certain restrictions on the transfer of Company's shares held by Gasinvest and the transfer of shares of the latter held by its shareholders.

In accordance with such restrictions, Gasinvest S.A. shall not reduce its participation in the Company's capital and votes to less than 51% (“Control Package”) without prior approval by ENARGAS.

ENARGAS shall approve the transfer of the Control Package only if such transfer: (i) is made in block or if as a result there from, the new owner holds all Class A ordinary shares outstanding; (ii) does not affect the quality of gas transportation services provided by the Company; (iii) the Technical Operator, or any substitute therefore which may be accepted by ENARGAS, holds at least 10% of ordinary shares outstanding of the new owner and has entered into a Technical Assistance Agreement with the Company.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 11 - COMMON STOCK AND DIVIDENDS (Contd.)

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

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

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

c) Restrictions on distribution of profits

In accordance with Argentine Law No. 19550, the by-laws and Resolution No. 195 of the CNV, 5% of the net income for the year must be transferred to the Company's Legal reserve, until it reaches 20% of subscribed capital and integral adjustment to capital.

As originally established in certain long-term financing contracts, the Company must not declare or pay dividends, distribute shares, redeem or acquire its own capital or options on it if: (i) there is a case of non-compliance or potencial case of non-compliance, (ii) the coefficient of coverage of payment of the long-term debt is lower than 1.2 or (iii) if total liabilities-shareholders' equity ratio is lower than 1.2.

d) Voluntary reserve

The amounts included under this caption were set up by the Shareholders' meetings approving the corresponding annual financial statements.

This reserve can be released by the Board of Chairmans, which, through delegation of the Shareholders' Meeting, is empowered to decide its total or partial distribution, at the time considered advisable for corporate purposes, in proportion to the respective shareholdings.

NOTE 12 - LEGAL MATTERS

There are several lawsuits and claims filed against the Company as a result of its activities. Although the amount of the obligations arising from those claims cannot be adequately estimated due to their complexity and current status, according to the opinion of the Company's Board of Directors and its legal advisors, based on the estimates described in Note 2.d), those claims, individually or as a whole, would not have a significant impact on TGN shareholders' equity or on the result of its operations in excess of the amounts recorded as reserves. However, actual future results might differ from the estimates and evaluations made at the date of preparation of these financial statements.

The main legal matters of the Company are described below. The provision for contingencies set up by the Company up to March 31, 2006 amounts to \$ 76,4 million (Exhibit E).

a) Tax on Economic Activities (Gross Revenue Tax) - Province of Salta

On April 26, 2002 the General Tax Bureau of Salta determined through administrative procedure and according to its vested powers, an obligation for this tax for financial years 1996 to 2001 in the amount of \$ 1.3 million in principal, plus \$ 1.4 million in interest calculated up to May 31, 2002. This obligation was determined on the market value of

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 12 - LEGAL MATTERS (Contd.)**a) Tax on Economic Activities (Gross Revenue Tax) - Province of Salta (Contd.)**

“retained gas”. After several administrative proceedings, on January 18, 2004 the Provincial Executive Branch issued Decree No. 118 that confirmed the tax assessment and ended the administrative proceedings. TGN initiated litigation for recovery of monies paid in error after paying the assessed amount that totaled \$ 3.7 million for the tax and related items. The presiding judge issued a ruling in favor of TGN. Additionally, TGN has appealed the fine levied by the Tax Authorities, equivalent to 50% of the tax assessed, before administrative authorities even though it is forecast that the outcome of this matter will be unfavorable. Meanwhile the Company is temporarily paying the accrued taxes. Because the outcome of this matter is unclear, since April 2004 the Company is paying the accrued tax.

b) Las Mesitas accident

ENARGAS imposed twelve fines on TGN in October 1999 for an accumulated total of \$ 5.6 million, as it considered that the Company had incurred in an incorrect operation of the parallel pipe of 16” that cause a serious accident in Las Mesitas province of Salta. TGN contends that the accident, which was an isolated case, was entirely due to an event beyond its control since the parallel pipe was being operated below the approved and prudent operating limits of resistance according to information held by TGN.

Following the administrative proceedings failed by TGN in October, 2002, the Economy Ministry confirmed ten of the fines, amounting to \$ 5.1 million, that had been imposed. The Company has filed an appeal against that ruling.

c) Rescission the firm gas transportation contract with AES Paraná S.C.A.

In July 1999 TGN signed a contract with AES Paraná for firm transportation of up to 1.81 MMm³/day of natural gas for a term of 20 years, at the rate regulated by ENARGAS (Loma La Lata - Litoral area) plus an additional contribution equivalent to 5.6% of that rate. A significant expansion of the transportation system would be required for contract execution. As a result of the public events taking place in Argentina as from December 2001, which led to the conversion into “pesos” and the freezing of transportation rates in January, 2002, TGN notified AES Paraná about the need to review the transportation contract due to excessive onerousness.

In February 2003, after a fruitless attempt to gain a restructuring of the interests in play on an equitable basis, the Company found itself obliged to call for the rescinding of the transport contract. The application was filed with the ENARGAS under the jurisdiction granted by section 66° of Law No. 24.076 to that regulatory authority.

TGN requested suspension of its effects as long as the causes of major force preventing fulfillment of Company obligations under that contract continue to exist. AES Paraná answered the claim in May 2003, opposing its advancement, arguing that TGN has acted negligently by omitting to take the required steps to ensure the availability of the necessary resources to face the obligations TGN assumed in the transportation contract.

AES Paraná appears to have cross-claimed for the damages incurred due to the lack of transportation. It also questions the competence of ENARGAS to have jurisdiction over the case. TGN was notified on August 5, 2003 and replied to the motion to dismiss based on incompetence alleging ENARGAS attributes under Law 24.076, Section 66 to hear the case

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006
presented in comparative form (In thousands of pesos)

NOTE 12 - LEGAL MATTERS (Contd.)

c) Rescission the firm gas transportation contract with AES Paraná S.C.A. (Contd.)

under dispute. In May 2004 the ENARGAS issued a resolution dismissing the defense based on lack of competence filed by AES Paraná.

In December 2005, the ENARGAS issued Resolution MJ No. 681, through which TGN and AES Paraná were requested to negotiate the terms for the continuity of the contract within thirty days after notification, ensuring compliance with commitments taken. In addition, the ENARGAS established that after that period the parties should inform the outcome of the negotiations, and if no agreement is reached, they should submit proposals to ensure compliance with the purpose of the contract, which will not have a binding effect. Resolution MJ No. 681 was issued as a result of a request filed by AES Paraná in February 2005 - dismissed by the ENARGAS- for the regulatory entity to decree a precautionary measure to oblige TGN to provide AES Paraná the service of firm transportation, or otherwise compensate the latter for the cost of the alternative fuel (gas oil). Department of Justice (MJ) Resolution No. 681 has been appealed by AES Paraná.

When the original thirty-day term mentioned above expired, the Company requested the ENARGAS an extension of thirty additional days.

d) Aguaray and General Mosconi Municipalities – Rate on commercial, industrial and service activities.

In July 2003, the Municipality of Aguaray, Province of Salta, demanded that TGN pay \$ 4.6 million for the “Contribution that is levied on Commercial, Industrial and Services Activities” and interest, plus \$ 3.3 million in fines for alleged tax fraud. Notwithstanding the administrative appeal for reversal of decision lodged on September 29, 2003 TGN initiated a legal certainty action with the Federal Court No. 1 of Salta, arguing the legality of the rate.

In addition, the Company requested that preliminary injunction be ordered, which was granted on October 1, 2005. In March 2006, the lower court rendered judgment in favor of TGN's position, which has been appealed by the Municipality, therefore it has not become firm.

On February 1, 2006, General Mosconi Municipality, in the Province of Salta, notified TGN of the payment of \$ 34.8 million for the same tax (including interest, adjustments and expenses) for the period between January 1995 and July 2005.

TGN filed the corresponding administrative claim for reversal of ruling and an appeal for the calculation to the Arbitration Commission on the understanding that it violates the Multilateral Agreement. In March 2006, the Municipality reduced the amount claimed to \$ 14.0 million; however, the Company will continue to contest this claim by pursuing all legal remedies available to it.

e) Global Negotiable Obligation Programs official assessment

In December 2004, the Company was notified of two resolutions, through which the Tax Authorities officially assessed income tax and Value Added Tax amounting to \$ 50.7 million and \$ 31.7 million, respectively, calculated on interest corresponding to Negotiable Obligations Global Programs. The amounts include compensatory interest and fines.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 12 - LEGAL MATTERS (Contd.)**e) Global Negociable Obligation Programs official assessment (Contd.)**

Those resolutions are related to the process for confirming compliance with the requirements ensuring that returns paid to the holders of those corporate bonds enjoy the benefits granted by section 36 bis of Law No. 23.576.

TGN appealed the sanctions imposed before the Federal Tax Court, and for both lawsuits handled in separated files by tax, the Authorities requested the suspension of the process to analyze the evidence filed by TGN following Instruction No. 1/05. This rule sets forth the guidelines to be considered by the collection entity to apply Jointly Resolutions Nos. 470 and 1.738 of the CNV and AFIP, respectively, detailing the criteria to be applied to confirm compliance with the requirement for placing Negotiable Obligations Bonds by public offering.

The Company has approved the extensions requested in both lawsuits, which have not yet expired.

f) Correction Factors of Volumes Measured

In June 2004, the ENARGAS levied a fine on TGN for \$ 0.1 million through Resolution No. 3027, considering that the Company had not complied with mandatory procedures established in the Service Regulations to modify gas measurements according to delivery point atmospheric pressure. The Company calculated and set a provision for \$ 1.3 million for the possible contingency arising from potential net compensation claimed from TGN by loaders.

g) Fixed asset useful life official assessment

At the end of December 2005, TGN was notified of two resolutions, through which the Tax Authorities officially assessed income tax differences for the periods 1999 to 2002. The total claim amounts to \$ 21.1 million and include interest up to that date and a fine of 70% on the tax calculated.

Adjustments made are based on the rejection of useful lives assigned by TGN to "Gasoducto Norte" and all its compression plants, used to calculate depreciation for income tax purposes, as the Tax Authorities considered that the lives should be longer than those adopted by the Company. The revenue authority considers that useful lives should be 45 years, i.e. equal to the original term of the License granted to TGN to render the public gas transport service, plus its ten-year extension. The Company understands that the useful lives questioned, used to determine accounting as well as tax depreciation, are technically adequate and are supported by a report of a consultancy expert on the issue.

On February 17, 2006, TGN challenged those official assessments by filing motions with the Federal Tax Court.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 13 – EXPORTS EXPANSION TRUST

On March 8, 2004, TGN Company acting as trustor, and HSBC Bank Argentina S.A. acting as trustee, executed a Framework Agreement for the creation of Financial Trusts for up to US\$ 50 million, with a life of five years (the "Program"), subject to the provisions of Law No. 24.441 and ENARGAS Resolution No. 2877.

The Program contemplates the possibility of setting up trusts issuing securities authorized for public offering or not, to finance extensions of the Company's gas pipeline system. The Program also establishes that the extension assets will be the exclusive property of the Company at the expiry of the trust, free from charges or taxes. The Company will be in charge of the operation and maintenance of those assets as long as the trust is in force.

Within the framework of that Agreement, the Company's Board of Directors authorized: (i) the creation of the TGN Financial Trust Series 01, under which debt securities for a face value of US\$ 7.5 million were totally subscribed on March 26, 2004, and were issued and earmarked for 303,000 m3/day enlargement works hired by Metrogas S.A. (the gas distributor operating in Santiago de Chile), and (ii) the creation of the TGN Financial Trust Series 02, under which debt securities for a face value of US\$ 6.3 million, were also subscribed on April 16, 2004 and were issued and earmarked for 247,000 m3/day enlargement works hired by Colbún S.A.

Series 01 Securities define September 30, 2019 as the *Final Payment Date* or the date in which Series 01 Securities are to be repaid, whereas the *Final Payment Date* for Series 02 Securities is March 30, 2019 or the date in which Series 02 Securities are repaid.

It is important to highlight that, according to the contractual framework, neither TGN nor the Trustee will be obliged to cover with their own property any difference there would be arising from any lack of funds at the TGN Financial Trusts to cover the payment of interests and/or principal related to the Securities Series 01 and 02 and/or the taxes and expenses of the Trusts. The security holders will not be entitled to claim that difference from TGN or from the Trustee and the maximum contractual responsibility of TGN in its capacity as Technical Operator has been restricted. The Company does not consolidate the mentioned trust in its financial statements.

The extension works for TGN Financial Trusts Series 01 and 02 were completed in the established term. The investment at March 31, 2006 amounts to \$ 29 million and its residual value at that date is approximately of \$ 27 million.

NOTE 14 – DOMESTIC MARKET EXPANSION TRUST

Resolution No. 185/04 of the MPFIPyS, Public Investment and Services, covered by Decree No. 180/2004, provides for the creation of a Gas Trusts Program to be organized by the Energy Department, with a view to financing natural gas transport and distribution infrastructure works.

In the context of that Resolution, the Government required TGN as licensee and other companies as investors to undertake the expansion of its carrying system with the aim of contributing to an improvement in gas supply by 2005. The project principal, a local trust organized in December 2004 by the Energy Secretariat and administered by Nación Fideicomisos S.A., charged TGN with the management of the expansion works for the Gasoducto Norte and its subsequent operation and maintenance, for which the Company will

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006 presented in comparative form (In thousands of pesos)

NOTE 14 – DOMESTIC MARKET EXPANSION TRUST (Contd.)

receive 1% of the amount of the work, before value-added tax (approximately US\$1.5 million).

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

The extension of Gasoducto Norte transport capacity, in the final stages at present, includes the construction of approximately 234 kilometers of parallel pipelines and the incorporation of 22,700 HP to transport 1.8 MM^{m3}/day of additional gas. The total estimated cost of the work amounts to US\$ 183 million (before Value Added Tax) at closing.

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

The participation in the total cost of the works that TGN has undertaken to contribute to the Government corresponds to the current net value of receivables for rates, considering the incremental costs of operation and maintenance for the expansion to be carried out. The amount thus undertaken by TGN for expansion of Gasoducto Norte amounts to US\$ 10.5 million (including Value Added Tax).

Until March 31, 2006 the Company carried out works amounting to US\$ 8.4 million corresponding to the extension of Gasoducto Norte, on account of the contribution committed.

The Company will receive the regulated rate for firm transportation services aimed at recovering the investment related to the extension work and to cover its operation and maintenance costs.

In July 2005, as instructed by the ENARGAS in Note No. 3767, TGN the invoicing of the "Gas Trust" on behalf of and for the account of the "Gas Trust – "Gasoducto Norte Extension". The amount invoiced for that charge is paid directly by the customers through deposit into a trust account opened by the Trust in the bank "Banco de la Nación Argentina".

Under the same regulatory context covering that extension, on September 2005, TGN called for an Open Tender on Capacity for the extension of the "Gasoducto Norte" System at the request of the Energy Secretariat. Tenders for 26.1 MM^{m3/day} capacity has been accept 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 TGS S.A. by 13.8 MM^{m3}/d and 6.5 MM^{m3}/d, respectively, in successive stages as from 2006. The works are expected to be performed under a trust, as established by MPFIPy S Resolution No. 185/04.

TRANSPORTADORA DE GAS DEL NORTE S.A.

NOTES TO THE FINANCIAL STATEMENTS for three –month period ended March 31, 2006
presented in comparative form (In thousands of pesos)

NOTE 14 – DOMESTIC MARKET EXPANSION TRUST (Contd.)

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 respectively in the two pipelines

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

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 enlargement works involving the natural gas and electricity transportation and distribution systems.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to March 31, 2006, there have been no other events, situations or circumstances that have impacted or could impact significantly on the net worth, or economic and financial situation of the Company that have not been mentioned in these financial statements.

Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of March 31, 2006 and December 31, 2005
(in thousands of pesos)

FIXED ASSETS, NET

EXHIBIT A

Account	03.31.06												12.31.05	
	Original values					Depreciation						Net book value	Net book value	
	At the beginning of the year	Increases	Disposals	Transfers	At the end of the period	At the beginning of the period	For the period		Disposals	Transfers	Accumulated at the end of the period			
							%	Amount						
Land	3,275	-	-	-	3,275	-	-	-	-	-	-	3,275	3,275	
Building and constructions	76,157	-	-	(22)	76,135	15,631	2	381	-	-	16,012	60,123	60,526	
Installations and fixtures	2,067	-	-	-	2,067	392	4	20	-	-	412	1,655	1,675	
Gas Pipelines	2,014,947	-	(294)	358	2,015,011	468,639	3.33 y 2.22	13,931	(88)	132	482,614	1,532,397	1,546,308	
Recoating	17,590	3,148	-	-	20,738	-	-	77	-	-	77	20,661	17,590	
High-pressure branch lines	620	-	-	-	620	192	3.33 y 2.22	4	-	-	196	424	428	
Compressor Plants	800,266	-	(72)	(514)	799,680	256,403	4	9,897	(31)	(215)	266,054	533,626	543,863	
High pressure control and/or measurement stations	70,576	-	(65)	2	70,513	27,755	5	963	(4)	-	28,714	41,799	42,821	
Other technical installations	47,286	-	(34)	(38)	47,214	19,242	6.67	641	(14)	(23)	19,846	27,368	28,044	
Machinery, equipment and tools	22,097	-	(26)	469	22,540	16,931	10. 20 y 50	343	(22)	316	17,568	4,972	5,166	
Computer and Telecommunication system	71,600	-	(305)	(134)	71,161	37,433	10 y 20	1,278	(234)	(147)	38,330	32,831	34,167	
Vehicles	15,839	-	-	(63)	15,776	11,906	20	327	-	(63)	12,170	3,606	3,933	
Furniture and fixtures	9,466	-	(5)	22	9,483	8,035	10	94	(3)	-	8,126	1,357	1,431	
Assets held at third parties	7,094	-	-	-	7,094	4,558	12.5	192	-	-	4,750	2,344	2,536	
Work in process	23,938	1,580	-	888	26,406	-	-	-	-	-	-	26,406	23,938	
Advances to suppliers	672	655	-	(968)	359	-	-	-	-	-	-	359	672	
Total as of 03.31.2006	3,183,490	5,383	(801)	-	3,188,072	867,117		28,148	(396)	-	894,869	2,293,203	-	
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	

Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of March 31, 2006 and December 31, 2005
(in thousands of pesos)

INVESTMENTS

EXHIBIT C

Issuer	Class	Par value	Amount	Cost value	Book value		Information on the issuer							Percentage of direct holding
					03.31.06	12.31.05	Principal activity	Date	Latest financial statements				Shareholders' equity	
									Common stock and inflation adjustment of common stock	Other Reserves	Retained earnings			
In thousand \$													%	
NON-CURRENT INVESTMENT														
Investments in other companies														
Corporations Law No. 19550, section 33														
Comgas Andina S.A.	Ordinary	(1) \$ch 1 per share	490	246	5,024	4,899	Providing of gas pipeline operation and maintenance services	03.31.06	7	-	10,245	10,252	49.0	
Companhia Operadora de Rio Grande do Sul	Ordinary	(2) R\$ 1 per share	49	0.1	114	119	Providing of gas pipeline operation and maintenance services	03.31.06	-	109	123	232	49.0	
Allowance for long term investment - COPERG (Note 3.4.e) and Exhibit E)					(114)	(119)								
Total				246	4,899	4,445								

(1) Chilean pesos

(2) Reales

Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of March 31, 2006 and December 31, 2005
(in thousands of pesos)

SHORT-TERM INVESTMENTS

EXHIBIT D

Caption	03.31.06	12.31.05
	Balances at the end of the year	Balances at the end of the year
Short term investments		
Mutual funds in foreign currency	340,127	309,920
Time deposits in foreign financial institutions	134,956	131,315
Mutual funds in \$	35,420	27,044
Stock exchange securities in \$	6,520	16
Government Bonds – Discount Bonds	2,596	2,062
Total	519,619	470,357

Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS as of March 31, 2006 and December 31, 2005 and 2004
(in thousands of pesos)

ALLOWANCES AND PROVISIONS**EXHIBIT E**

Caption	03.31.06			12.31.05	
	Balances at the beginning of the year	Net Increases	Decreases	Balances at the end of the year	Balances at the end of the year
Deducted from Assets					
Current					
Allowances for doubtful accounts					
Accounts receivable, net	5,552	633 ⁽²⁾	-	6,185	5,552
Allowance for disputed amounts and others	15,460	(92) ⁽¹⁾	-	15,368	15,460
Allowance for other receivables	618	43 ⁽²⁾	-	661	618
Subtotal	21,630	584	-	22,214	21,630
Non Current					
Allowance for disputed tax payments and judicial escrow accounts	4,693	78 ⁽⁴⁾	-	4,771	4,693
Inventories					
Allowance for slow-moving materials and spare parts and obsolescence	39,136	(629) ⁽⁵⁾	-	38,507	39,136
Long term investments in other companies					
Allowance for impairment of COPERG (Note 3.f) and Exhibit C)	119	(5) ⁽³⁾	-	114	119
Subtotal	43,948	(556)	-	43,392	43,948
Total allowances deducted from assets	65,578	28	-	65,606	65,578
Included in Liabilities					
Provisions for contingencies					
For labor, civil and contentious-administrative lawsuits	72,611	5,127 ⁽⁴⁾	(1,322) ⁽⁶⁾	76,416	72,611
Total provisions included in liabilities	72,611	5,127	(1,322)	76,416	72,611
Total 03.31.06	138,189	5,155	(1,322)	142,022	-
Total 12.31.05	121,535	21,738	(5,084)	-	138,189

(1) Charged to Net revenues (Note 4.g)) by \$ 288 income and to Selling expenses – Doubtful accounts (Exhibit H) by \$ 196.

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

(3) Charged to gain from equity investments, net

(4) Charged to administrative expenses – Lawsuits (Exhibit H)

(5) Charged to Obsolescence of consumption material and spares (Exhibit H)

(6) Corresponds to the use during the period

Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.

FREE TRANSLATION FROM THE ORIGINAL FINANCIAL STATEMENTS PREPARED IN SPANISH ORIGINALLY ISSUED IN ARGENTINA

TRANSPORTADORA DE GAS DEL NORTE S.A.

FINANCIAL STATEMENTS at March 31, 2006 and December 31, 2005 (in thousands of pesos)

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

EXHIBIT G

	03.31.06			12.31.05	
	Foreign currency class and amounts	Exchange rate	Amount in \$	Foreign currency class and amounts	Amount in \$
ASSETS			En thousand of \$		En thousand of \$
CURRENT ASSETS					
CASH AND BANKS					
Cash	US\$ 3	3.042	9	US\$ 3	9
Banks	US\$ 364	3.042	1,108	US\$ 319	954
			1,117		963
SHORT-TERM INVESTMENTS					
Mutual funds in Foreign institutions	US\$ 111,180	3.042	340,127	US\$ 103,583	309,920
Time deposits in Foreign institutions	US\$ 44,364	3.042	134,956	US\$ 43,889	131,315
Discount Bond	US\$ 853	3.042	2,596	US\$ 689	2,062
			477,679		443,297
ACCOUNT RECEIVABLE					
Gas Transport Services	US\$ 7,859	3.042	23,907	US\$ 9,118	27,281
Other Services	US\$ 520	3.042	1,583	US\$ 507	1,517
			25,490		28,798
OTHER RECEIVABLES					
Prepaid expenses				US\$ 1,203	3,599
Management fees – Gas trust program	US\$ 301	3.042	917	US\$ 306	917
Guarantee deposits	US\$ 200	3.042	608		
Prepaid expenses in behalf of third parties and others	R\$ 101	1.4238	144	R\$ 101	140
	US\$ 1,041	3.042	3,167	US\$ 1,395	4,174
			4,836		8,830
Total current assets			509,122		481,888
NON-CURRENT ASSETS					
OTHER RECEIVABLES					
Deposit in escrow				US\$ 179	537
Guarantee deposits					537
INVESTMENTS					
Comgas Andina (Exhibit C)	\$ch 881,647	0.0057	5,024	\$ ch 844,655	4,899
COPERG ((Note 3.f) and Exhibit C and E)			5,024		4,899
			5,024		5,436
Total non-current assets			514,146		487,324
Total assets					
LIABILITIES					
CURRENT LIABILITIES					
ACCOUNTS PAYABLE					
Suppliers	US\$ 4,708	3.082	14,509	US\$ 3,900	11,825
	L		-	L 118	615
	EURO		-	EURO 5	18
			14,509		12,458
CARRY FORWARD			14,509		12,458

US\$: United States dollars

\$ch: Chilean pesos

R\$: Reales

L: Pounds

TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** at March 31, 2006 and December 31, 2005 (in thousands of pesos)**ASSETS AND LIABILITIES IN FOREIGN CURRENCY (Contd.)****EXHIBIT G**

	03.31.06			12.31.05	
	Foreign currency class and amounts	Exchange rate	Amount in \$	Foreign currency class and amounts	Amount in \$
BROUGHT FORWARD			En thousand of \$		En thousand of \$
			14,509		12,458
DEBT					
Global Program of Negotiable Obligations – US\$ 300 MM	US\$ 84,858	3.082	261,533	US\$ 85,600	259,540
Global Program of Negotiable Obligations - US\$ 320 MM	US\$ 208,345	3.082	642,118	US\$ 192,831	584,663
Cribs interest	US\$ 59,056	3.082	182,009	US\$ 53,092	160,974
Loan agreements	US\$ 106,176	3.082	327,235	US\$ 104,408	316,564
Import finance	US\$ 1,021	3.082	3,147	US\$ 1,005	3,047
			1,416,042		1,324,788
CUSTOMERS' ADVANCES	US\$ 166	3.082	511	US\$ 435	1,318
			511		1,318
Total current liabilities			1,431,062		1,338,564
NON-CURRENT LIABILITIES					
DEBT					
Global Program of Negotiable Obligations - US\$ 320 MM	US\$ 55,121	3.082	169,882	US\$ 63,623	192,906
Cribs	US\$ 175,000	3.082	539,350	US\$ 175,000	530,600
			709,232		723,506
Total non-current liabilities			709,232		723,506
Total liabilities			2,140,294		2,062,070

US\$: United States dollars

Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.

INFORMATION REQUIRED BY SECT. 64. SUB SECT. I .b) OF LAW No. 19550 for the three months ended March 31, 2006 and 2005
(in thousands of pesos)

	Total 03.31.06	Cost of services			Selling expenses			Administrative expenses	Financial and holding results	Investments in fixed assets	Total 03.31.05
		Transportation service	Other services	Total	Transportation service	Others services	Total				
		\$									
Fees for technical and administrative tasks	258	-	-	-	-	-	-	258	-	-	173
Fees for professional services	1,193	267	104	371	-	-	-	807	-	15	1,302
Salaries, wages and other personnel benefits	10,002	5,741	844	6,585	314	-	314	3,043	-	60	8,693
Social security contributions	1,729	1,164	161	1,325	8	-	8	396	-	-	1,272
Fees for technical operator services	2,362	2,362	-	2,362	-	-	-	-	-	-	1,492
Inbound personnel expenses	353	353	-	353	-	-	-	-	-	-	488
Spare parts and materials	2,848	2,104	84	2,188	-	-	-	2	-	658	3,478
Gas imbalance	151	151	-	151	-	-	-	-	-	-	269
Third party services and supplies	733	582	60	642	5	-	5	86	-	-	510
Maintenance and repair	4,943	4,267	101	4,368	-	-	-	575	-	-	8,855
Travel expenses	965	710	128	838	9	-	9	88	-	30	1,472
Freight and transportation	181	114	26	140	-	-	-	24	-	17	173
Communications	237	133	31	164	5	-	5	68	-	-	301
Insurance	1,345	1,271	2	1,273	-	-	-	72	-	-	1,276
Office supplies	248	111	21	132	3	-	3	113	-	-	408
Rentals	272	146	118	264	1	-	1	7	-	-	240
Easements	1,350	1,350	-	1,350	-	-	-	-	-	-	1,356
Taxes, rates and contributions	4,889	122	-	122	3,505	147	3,652	1,115	-	-	5,958
Financial results generated by assets	(13,643)	-	-	-	-	-	-	-	(13,643)	-	6,133
Financial results generated by liabilities	87,581	-	-	-	-	-	-	-	87,581	-	9,101
Fixed assets depreciation	28,148	27,725	28	27,753	57	-	57	338	-	-	28,205
Fixed assets expenses	638	-	-	-	-	-	-	-	-	638	258
Allowance for doubtful accounts	872	-	-	-	872	-	872	-	-	-	303
Provision for contingencies	5,205	-	-	-	-	-	-	5,205	-	-	3,191
Allowance for slow-moving and obsolescence	(629)	(629)	-	(629)	-	-	-	-	-	-	-
Others	313	244	-	244	-	-	-	69	-	-	344
Total at 03.31.06	142,544	48,288	1,708	49,996	4,779	147	4,926	12,266	73,938	1,418	-
Total at 03.31.05	-	50,908	4,012	54,920	3,648	106	3,754	10,475	15,234	868	85,251

The limited review report dated May 9, 2006 is issued as a separate document.

TRANSPORTADORA DE GAS DEL NORTE S.A.**FINANCIAL STATEMENTS** as of March 31, 2006**TERMS AND GUIDELINES FOR THE RESTATEMENT OF INVESTMENTS, RECEIVABLES AND LIABILITIES** (in thousands of pesos)**EXHIBIT I**

	03.31.06			
	Short-term Investments (1)	Account receivables and other receivables (2)	Debt	Other liabilities (3)
	thousands of \$			
a) Past due				
03.31.2005	-	14,101	1,018,762	-
06.30.2005	-	1,826	32,437	-
09.30.2005	-	1,526	58,252	-
12.31.2005	-	2,677	42,293	-
03.31.2006	-	4,527	91,474	-
b) Without due date	519,619	113,872	107,902	-
c) To be due				
06.30.2006	-	94,752	25,538	58,506
09.30.2006	-	27	35,593	-
12.31.2006	-	69	25,590	-
03.31.2007	-	19	26,206	-
03.31.2008	-	7,011	111,281	9,221
03.31.2009	-	48,060	111,949	-
03.31.2010	-	-	126,434	-
03.31.2011	-	-	119,856	-
03.31.2012	-	-	119,856	-
03.31.2013	-	-	119,856	-

Total 2005	519,619	288,467	2,173,279	67,727
-------------------	----------------	----------------	------------------	---------------

a) Balances subject to adjustment	-	741	48,005	-
b) Balances not subject to adjustment	519,619	287,726	2,125,274	67,727

Total 2005	519,619	288,467	2,173,279	67,727
-------------------	----------------	----------------	------------------	---------------

a) Interest bearing balances	519,107	194	357,239	3,875
b) Non-interest bearing balances	512	288,273	1,816,040	63,852

Total 2005	519,619	288,467	2,173,279	67,727
-------------------	----------------	----------------	------------------	---------------

- (1) Except in equity investments.
(2) Includes accounts receivables - trade and other receivables, except its allowances.
(3) Includes all non- financial debts, except contingencies.

Eduardo Ojea Quintana
Chairman

The limited review report dated May 9, 2006 is issued as a separate document.