TRANSPORTADORA DE GAS DEL NORTE S.A.

Unaudited Interim Financial Statements as of and for the nine-month period ended September 30, 2006, presented in comparative form

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

TRANSPORTADORA DE GAS DEL NORTE S.A.
SUMMARY OF ACTIVITIES CORRESPONDING TO THE PERIODS OF NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

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

I) ANALYSIS OF RESULTS AND FINANCIAL SITUATION

**** Net result for the period of nine months ended September 30, 2006***

(in millions of pesos)

	Nine months periods ended 09.30.		
	2006	**2005**	**Variation $**
Net Revenues			
Gas transportation service	354.8	323.0	31.8
Allowances for disputed amounts	10.7	(1.4)	12.1
Discount as per Decrees No 292/1520/814	(1.2)	(1.2)	-
Subtotal Gas transportation service	**364.3**	**320.4**	**43.9**
Gas Pipeline O&M services	14.5	12.6	1.9
Management fees – Gas Trust Program	0.2	3.1	(2.9)
Subtotal Gas pipeline operation and maintenance service and other services	**14.7**	**15.7**	**(1.0)**
Net Revenues	**379.0**	**336.1**	**42.9**
Cost of services			
Operating and maintenance costs	(85.7)	(95.0)	9.3
Fixed assets depreciation	(83.5)	(83.8)	0.3
Subtotal	**(169.2)**	**(178.8)**	**9.6**
Gross Profit	**209.8**	**157.3**	**52.5**
Administrative and selling expenses	(59.3)	(39.3)	(20.0)
Operating Income	**150.5**	**118.0**	**32.5**
Gain from equity investments, net	0.7	0.5	0.2
Financial and holding results	(194.5)	(104.8)	(89.7)
Gain on debt restructuring	245.1	3.8	241.3
Other (expense) income, net	(0.2)	(3.9)	3.7
Net income before income tax	**201.6**	**13.6**	**188.0**
Income Tax	(9.3)	(21.7)	12.4
Net income (loss) for the period	**192.3**	**(8.1)**	**200.4**
Income before financial and holding results, gain on debt restructuring, depreciation, amortization and income tax.	**235.7**	**199.6**	**36.1**

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

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

(in millions of pesos)

	09.30.06	12.31.05
Total Assets *(in million of $)*	2,704	3,113
Total Liabilities *(in million of $)*	1,449	2,262
Shareholders' Equity *(in million of $)*	1,255	851
Shareholders' Equity / Total Liabilities	0.87	0.38

The net result for the nine-month periods ended September 30, 2006 and 2005 was a $ 192.3 million gain and a $ 8.1 million loss, respectively.

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

** Net Revenues*

(in millions of pesos)

	Nine-month periods ended 09.30.			
Type of service	**2006**	**%**	**2005**	**%**
Gas transportation	364.3	96.1	320.4	95.3
Gas Pipeline O&M services	14.7	3.9	15.7	4.7
Total net Revenues	**379.0**	**100.0**	**336.1**	**100.0**

- Gas Transportation services

The revenues corresponding to the gas transportation service in the nine-month period ended September 30, 2006 amounted to $364.3 million, which in comparison with the $320.4 million for the same period of the year 2005, show a net increase of $43.9 million (13.7%). The most significant variations are the following:

i. An increase of $ 16.3 million in exports revenues due to an increase in the PPI index applied to rates;

ii. An increase of $ 8.7 million derived from the increase in the exchange rates used to post the US dollar invoicing;

iii. An increase of $ 3.2 million in revenues of firm transportation due to the expansion of the Northern Gas Pipeline transport capacity by 0.8 MMm3/d in the last months of 2005 (Note 14 to the Company’s financial statements); and

iv. A reversal of $ 11.7 million of the allowance previously set up, because of the agreement reached with a customer of the gas transportation service.

At September 30, 2006, the contracted capacity of TGN’s transport system was 54.1 MMm3/d. (including 1.45 MMm3/d of the 2005 Gas Trust, which was placed into service in April 2006). Out of that total, 39.7 MMm3/d (73.4%) meet the demand for natural gas by Argentine users, and 14.4 MMm3/d (26.6%) are destined to consumptions in Chile, Uruguay and Brazil.

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

**** Net Revenues (Cont.)***

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

Sales for the period corresponding to the gas pipeline operation and maintenance and job management services amounted to $ 14.7 million. In the same period of 2005 sales had amounted to $ 15.7 million. The net decrease of $ 1 million is due to: (i) a $ 3.0 million lower revenue in 2006 from the job management service involving the expansion of the Northern Gas Pipeline (Note 14 to the financial statements of the Company) and (ii) $ a 2.0 million higher revenue from price differences invoiced in relation to certain operation and maintenance service contracts.

**** Costs of services***

(in millions of pesos)

	Nine-month periods ended 09.30.		
	2006	**2005**	**Variation $**
Maintenance and repair of fixed assets and third party services and supplies	23.4	30.2	(6.8)
Consumption of Spare parts and materials	8.4	9.8	(1.4)
Fees for technical operator services	3.1	*4.4*	(1.3)
Communications, freight and transportation, travel expenses	4.4	5.5	(1.1)
Fees for professional services	1.5	1.8	(0.3)
Fixed assets depreciation	83.5	83.8	(0.3)
Gas imbalance	2.7	3.0	(0.3)
Rentals and office supplies	1.2	1.4	(0.2)
Foreign staff residence	1.2	1.3	(0.1)
Insurance	3.9	3.8	0.1
Others	0.5	0.6	(0.1)
Slow-moving and obsolescence of spare parts and materials	3.3	2.4	0.9
Salaries, wages and other personnel benefits and social security contributions	27.7	26.4	1.3
Taxes, rates and contributions	0.3	0.3	-
Easements	4.1	4.1	-
Total	**169.2**	**178.8**	**(9.6)**
% of Costs of services on net revenues	**44.6%**	**53.2%**	

Costs of services decreased $9.6 million between the nine-month period ended September 30, 2006 and 2005. This decrease is due mainly to a combination of the following items;

i. A decrease of $6.8 million in Maintenance and repair of fixed assets and third party services and supplies;

ii. A decrease of $1.4 million in Consumption of spare parts and materials, because in 2005 greater expenses had been incurred in certain construction and assembly contracts, cathodic protection work and replacement and repair of tubing, maintenance of compression equipment and river crossing works;

iii. A decrease of $ 1.3 million in fees for technical operator services because the maximum amounts accrued for this item were adjusted to the limits established in the financial agreements reached with creditors during the period.

iv. A net increase of $ 1.3 million in salaries, wages and other personnel benefits and social security contributions as a result of pay increases granted by the Company in 2006, which were partially offset by the lower number of employees assigned to the Northern Gas Pipeline expansion project in 2006, in comparison with 2005.

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

** Administrative and Selling expenses*

(in millions of pesos)

	Nine-month periods ended 09.30.		
	2006	**2005**	**Variation $**
Lawsuits	18.4	6.4	12.0
Allowance for doubtful accounts	6.9	1.0	5.9
Salaries, wages and other personnel benefits and social security contributions	13.0	10.9	2.1
Fees for professional services	2.1	1.6	0.5
Maintenance and repair of fixed assets and third party Services and supplies	1.3	1.2	0.1
Fees for technical and administrative tasks	0.8	0.7	0.1
Rentals and office supplies	0.4	0.6	(0.2)
Others	0.4	0.6	(0.2)
Insurance	0.2	0.3	(0.1)
Taxes, rates and contributions	13.8	13.9	(0.1)
Communications, freight and transportation, travel expenses	0.8	0.9	(0.1)
Fixed assets depreciation	1.2	1.2	-
Total	**59.3**	**39.3**	**20.0**
% of Administrative and Selling expenses on net revenues	**15.6%**	**11.7%**	

Administrative and selling expenses increased $20.0 million between the nine-month period ended September 30, 2006 and 2005, mainly in the following items:

i. An increase of $ 12.0 million in lawsuits due mainly to the charges in the provision for contingencies according to the estimates of the resolution of the claims facing explained in Note 12 to the Company’s financial statements;

ii. An increase of $ 5.9 million in allowance for doubtful accounts due to changes in the allowance for credits in litigation and / or old credits whose collectibility is considered doubtful; and

iii. An increase of $ 2.1 million in salaries, wages and other personnel benefits and social security contributions due to pay increases granted by the Company as from the second half of 2005.

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

* Financial and Holding Results

(in millions of pesos)

	Nine-month periods ended 09.30		
	2006	**2005**	**Variation $**
Interests and indexing generated by liabilities	(180.5)	(140.2)	(40.3)
Bank commissions, expenses and taxes on banking and financial operations.	(3.9)	(6.4)	2.5
Income of discount of certain liabilities at present value	0.3	-	0.3
Fees for guarantee of loan agreements	(1.7)	(2.3)	0.6
Subtotal financial result generated by liabilities before exchange differences	**(185.8)**	**(148.9)**	**(36.9)**
Interests, indexing and expenses generated by assets	18.6	8.4	10.2
Holding results generated by assets	6.0	0.4	5.6
Discounts granted	-	(0.3)	0.3
Bank commissions and expenses	(0.3)	(0.3)	-
(Loss) income of discount of non-current assets at present value	(0.1)	0.3	(0.4)
Subtotal financial result generated by assets before exchange differences	**24.2**	**8.5**	**15.7**
Exchange rate differences:			
Generated by liabilities	(48.4)	45.4	(93.8)
Generated by assets	15.5	(9.8)	25.3
Subtotal exchange differences	**(32.9)**	**35.6**	**(68.5)**
Total	**(194.5)**	**(104.8)**	**(89.7)**

Financial and holding losses amounted to $ 194.5 million in the nine-month period ended September 30, 2006 in comparison with $ 104.8 million recorded in the same period of the previous year:

i. At September 30, 2006 $ 48.4 million were recorded for Exchange rate differences generated by liabilities as result of the increase in the exchange rate of 2.3% (US$ = 1, $ 3.104 at September 30, 2006 and $ 3.032 at December 31, 2005) applied to the liability balances stated in that currency.

Also, exchange rate differences generated by assets for $ 15.5 million were recorded at September 30, 2006 ($ 3.064 at June 30, 2006 and $ 2.992 at December 31, 2005), which were calculated on the basis of the asset US dollar positions.

At September 30 of the previous year a decrease of 2.3% in the exchange rate ($ 2.910 at September 30, 2005 and $2.979 at December 31, 2004) had been recorded. This lower exchange rate led to liability exchange gains of $ 45.4 million and asset exchange losses of $ 9.8 million;

ii. The Interest and indexing generated by liabilities account increased by $ 40.3 million at September 30, 2006 in comparison with the same period of the previous year. The reasons for this increase are the following: (i) $ 15.4 million, attributable to the penalties calculated based on the amount of the past due and unpaid loans, as set forth in the financial agreements in force until September 29, 2006, when the restructuring process was concluded; and (ii) $ 23.5 million, attributable to higher interest accrued on certain loans, as agreed under the framework of that restructuring process;

iii. The Interest, indexing and expenses generated by assets caption increased $ 10.2 million, net, because of the variations in short-term investments of excess cash and banks held until the end of the debt restructuring process in September 2006, and because of the increase in the exchange rate during that period; and

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

* Financial and Holding Results (Cont.)

iv. Holding results generated by assets gain of $ 5.6 million was recorded because of the increased valuation of the gas stored (Other assets) on the basis of the replacement value of the cubic meter of gas.

* Gain on debt restructuring

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

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

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

The net gain on the restructured debt exchange amounted to $ 192.3 millions (including the waiver of interest and penalty charges, expenses related to the issuance of negotiable obligations and accrual of interest, commissions and expenses related to the new debt until the exchange date), which has been disclosed under Gain on loan restructuring, in the Statements of operations.

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

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

The gain on the restructuring of loans for the nine-month period ended September 30, 2006 includes the following results:

(in millions of pesos)

Gain on debt exchange for new negotiable obligations and payment in cash	192,3
Gain on partial redemption of Series A and B and to the full redemption of Series C and D of the Negotiable Obligations under the Global Program for US$ 320 million	52,4
Gain on repayment of other loans during the period	0,4
Gain on debt restructuring	**245,1**

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

* Gain on debt restructuring (Cont.)

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

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

* Summary of the Statement of Cash Flows

(in millions of pesos)

	Nine-month periods ended 09.30.	
	2006	**2005**
Net income (loss) for the period	**192.3**	**(8.1)**
Adjustments to arrive to cash net flow arising from operating activities	25.0	211.5
Subtotal	217.3	203.4
Net changes in assets and liabilities	(30.7)	(36.6)
Net cash flows provided by operating activities	**186.6**	**166.8**
Dividends received	-	0.5
Purchase of fixed assets	(30.5)	(66.9)
Net cash used in investing	**(30.5)**	**(66.4)**
Payment of debt	(372.5)	(39.4)
Interest paid	(169.1)	(4.1)
Attachments on debt	-	(47.3)
Net decrease in customer advances	(1.2)	(2.4)
Net cash used in financing activities	**(542.8)**	**(93.2)**
Financial and holding result generated by cash and cash equivalents	**33.1**	**(0.9)**
Net (decrease) increase in cash	**(353.6)**	**6.3**
Cash and cash equivalents as of beginning of year	**473.0**	**375.1**
Cash and cash equivalents as of end of period	**119.4**	**381.4**

(in millions of pesos)

	As of 09.30.	
	2006	**2005**
Cash and cash equivalents		
Cash and banks	7.7	11.7
Mutual funds in foreign currency	70.1	162.1
Time deposits in foreign financial institutions	-	175.1
Mutual funds in $	31.9	22.5
Time deposits in $	-	1.5
Government bonds – Discount bond	-	5.0
Stock exchange securities in $ and others	9.7	3.5
Cash and cash equivalents as of end of period	**119.4**	**381.4**

II) BUSINESS PROSPECTS

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

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

iii. 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 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 which is translated into lower revenues for approximately $ 12 million per annum.

iv. Since the enactment of Decree No. 180/04 and Resolution No. 185/04 issued by the MPFIPyS and the framework of the Financial Trusts Program "Gas Trusts", set up in the environment of the Federal Planning, Public Investments and Services Ministry, the Energy Secretariat commissioned TGN the expansion of its transport system by 1.8 MM cubic meters per day from the North basin (Note 14 to the Company's financial statements). Under the same regulatory framework as that which regulated the expansion work, in September 2005 TGN called a new Open Bid for the expansion of the capacity of the Northern Gas Pipeline System. As a result, requests for more than 31 MM m3/d were received.

On April 5, 2006, the MPFIPyS, the Energy Secretariat, the ENARGAS, TGS S.A., TGN and the other parties signed a Letter of Intent establishing the general guidelines for the expansion of the transportation capacity of the Northern Gas Pipeline system operated by TGN and of the Southern Gas Pipeline operated by TGS S.A. by 13.8 MMm3/d and 6.5 MMm3/d, respectively, in successive stages as from 2006.

III) DESTINATION OF THE RESULTS OF FINANCIAL YEAR 2005

The Shareholders' Meeting held on April 5, 2006 resolved the destination of the results of the financial year ended December 31, 2005 approving: (i) the transfer of the loss in financial year 2005, 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.

TRANSPORTADORA DE GAS DEL NORTE S.A.
SUMMARY OF ACTIVITIES CORRESPONDING TO THE PERIODS OF NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

IV) COMPARATIVE BALANCE SHEET STRUCTURE AT SEPTEMBER 30, 2006, 2005, 2004, 2003 and 2002

(in millions of pesos)

	As of 09.30.				
	2006	**2005**	**2004**	**2003**	**2002**
Current Assets	222	483	436	316	236
Non-current Assets	2,482	2,497	2,521	2,541	3,278
Total	**2,704**	**2,980**	**2,957**	**2,857**	**3,514**
Current Liabilities	215	1,366	1,228	840	606
Non-current liabilities	1,234	725	836	1,037	1,634
Subtotal	**1,449**	**2,091**	**2,064**	**1,877**	**2,240**
Shareholders’ Equity	1,255	889	893	980	1,274
Total	**2,704**	**2,980**	**2,957**	**2,857**	**3,514**

V) COMPARATIVE STRUCTURE OF INCOME FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006, 2005, 2004, 2003 and 2002

(in millions of pesos)

	Nine-month periods ended 09.30.				
	2006	**2005**	**2004**	**2003**	**2002**
Ordinary operating income	150.5	118.0	113.6	126.6	153.6
Financial and holding results	(194.5)	(104.8)	(154.3)	(109.3)	(292.7)
Foreign exchange differences capitalized in fixed assets – written off	-	-	-	(277.9)	-
Gain on debt restructuring	245.1	3.8	-	-	-
Gain from equity investments	0.7	0.5	0.9	0.6	1.2
Other (expenses) income net	(0.2)	(3.9)	3.5	(3.4)	(0.7)
Net result before tax	201.6	13.6	(36.3)	(263.4)	(138.6)
Income Tax	(9.3)	(21.7)	1.8	79.8	56.3
Net results of the period	**192.3**	**(8.1)**	**(34.5)**	**(183.6)**	**(82.3)**

VI) COMPARATIVE STATISTICAL DATA CORRESPONDING TO THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006, 2005, 2004, 2003 and 2002

Volume invoiced in millions of cubic meters:

According to the type of carrying agreement

	Nine-month periods ended 09.30.				
	2006	**2005**	**2004**	**2003**	**2002**
Firm transportation	12,318	12,356	11,743	11,056	10,796
Interruptible transportation and exchange and shifting	1,916	1,385	860	661	315
Total	**14,234**	**13,741**	**12,603**	**11,717**	**11,111**

According to the type of source

	Nine-month periods ended 09.30.				
	2006	**2005**	**2004**	**2003**	**2002**
Norte Gas pipeline	5,496	5,018	5,078	4,840	4,730
Centro-Oeste Gas pipeline	8,738	8,723	7,525	6,877	6,381
Total	**14,234**	**13,741**	**12,603**	**11,717**	**11,111**

TRANSPORTADORA DE GAS DEL NORTE S.A.
SUMMARY OF ACTIVITIES CORRESPONDING TO THE PERIODS OF NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

VII) COMPARATIVE INDICATORS AT SEPTEMBER 30, 2006, 2005, 2004, 2003 and 2002

	Nine-month periods ended 09.30.				
	2006	**2005**	**2004**	**2003**	**2002**
Current liquidity (1)	1.03	0.35	0.36	0.38	0.39
Solvency (2)	0.87	0.42	0.43	0.52	0.57
Ordinary profits before income tax (3)	0.92	0.84	0.85	0.89	0.93

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

The September 30, 2006, 2005, 2004, 2003, 2002 figures that are disclosed for comparative purposes arise from summary of information of financial statements at those dates and include the impact of prior year adjustment described in Notes 3.a) and 3.h to the company financial statements..

Buenos Aires, November 7, 2006

The Board of Directors
Eduardo Ojea Quintana
President

The Limited Review Report dated November 7, 2006 is issued as a separate document.

TRANSPORTADORA DE GAS DEL NORTE S.A.

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

	September 30, 2006	December 31, 2005
ASSETS		
Current Assets		
Cash and banks	$ 7,768	$ 4,694
Short-term investments (Note 16.c)	114,515	470,357
Accounts receivable, net (Note 4.a)	69,007	54,146
Other receivables, net (Note 4.b)	19,367	39,705
Materials and spare parts, net (Note 4.c)	10,820	8,619
Total Current Assets	221,477	577,521
Non-current Assets		
Other receivables (Note 4.b)	165,130	166,371
Materials and spare parts, net (Note 4.c)	29,603	32,564
Fixed Assets, net (Note 16.a)	2,260,941	2,316,373
Investments (Note 16.b)	5,592	4,899
Other assets	20,780	15,355
Total Non-Current Assets	2,482,046	2,535,562
Total Assets	**2,703,523**	**3,113,083**
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable (Note 4.d)	28,154	58,345
Debt (Note 10.b)	94,921	1,370,635
Salaries and social security payable	7,652	7,176
Taxes payable (Note 4.e)	15,026	13,521
Customer advances	151	1,318
Others (Note 4.f)	7,498	8,962
Subtotal	153,402	1,459,957
Contingencies (Note 12 and 16.d)	61,570	72,611
Total Current Liabilities	214,972	1,532,568
Non-Current Liabilities		
Debt (Note 10.b)	1,198,548	723,506
Others (Note 4.f)	7,567	5,533
Subtotal	1,206,115	729,039
Contingencies (Note 12 and 16.d)	27,596	-
Total Non-Current Liabilities	1,233,711	729,039
Total Liabilities	**1,448,683**	**2,261,607**
Shareholder's Equity	**1,254,840**	**851,476**
Total Liabilities and Shareholder's Equity	**$ 2,703,523**	**$ 3,113,083**

The accompanying notes are an integral part of these financial statements

TRANSPORTADORA DE GAS DEL NORTE S.A.

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

		September 30, 2006		September 30, 2005
Net revenues (Note 4.g)	$	379,010	$	336,142
Cost of services (Note 16.f)		(169,202)		(178,799)
Gross Profit		**209,808**		**157,343**
Selling expenses (Note 16.f)		(18,981)		(11,858)
Administrative expenses (Note 16.f)		(40,325)		(27,473)
Operating income		**150,502**		**118,012**
Gain from equity investments, net		692		473
Financial and holding results, net				
Generated by assets:				
Interest and indexing		18,569		8,352
Exchange rate differences		15,453		(9,830)
Others (Note 4.h)		5,646		(44)
Subtotal		39,668		(1,522)
Generated by liabilities:				
Interest and indexing		(180,480)		(140,191)
Exchange rate differences		(48,392)		45,444
Others (Note 4.h)		(5,321)		(8,582)
Subtotal		(234,193)		(103,329)
Gain on debt restructuring (Note 10)		245,101		3,844
Other expense, net (Note 4.i)		(175)		(3,877)
Icome before income tax		**201,595**		**13,601**
Income tax charge (Note 7)		(9,303)		(21,734)
Net income (loss) for the period	**$**	**192,292**	**$**	**(8,133)**
Income (Loss) per share Basic (Note 6)		0.4376		(0.0223)

The accompanying notes are an integral part of these financial statements

TRANSPORTADORA DE GAS DEL NORTE S.A.

Statements of Changes in Shareholders' Equity
for the nine-month period ended September 30, 2006 and 2005
(in thousands of Argentine Pesos, except per share amounts)

	Shareholders' contributions			Legal reserve	Voluntary reserve	Retained earnings (accumulated deficit)	Total shareholders' equity
	Common stock	Inflation adjustment of common stock	Total				
Balances as of December 31, 2004 (as previously reported)	351,499	506,053	857,552	46,205	125,588	(131,947)	897,398
Modification of balances (see Note 3.a and Note 3.h.)	-	-	-	-	-	(227)	(227)
Balances as of December 31, 2004 (as modified) ..	351,499	506,053	857,552	46,205	125,588	(132,174)	897,171
Loss for the period	-	-	-	-	-	(8,133)	(8,133)
Balances as of September 30, 2005	351,499	506,053	857,552	46,205	125,588	(140,307)	889,038
Complementary loss for the three-month period up to December 31, 2005	-	-	-	-	-	(37,562)	(37,562)
Balances as of December 31, 2005	351,499	506,053	857,552	46,205	125,588	(177,869)	851,476
Issuance of new shares for capitalized debt (Note 10)	87,875	-	87,875	-	-	123,197	211,072
Income for the period	-	-	-	-	-	192,292	192,292
Balances as of September 30, 2006	**439,374**	**506,053**	**945,427**	**46,205**	**125,588**	**137,620**	**1,254,840**

The accompanying notes are an integral part of these financial statements

TRANSPORTADORA DE GAS DEL NORTE S.A.

Statements of Cash Flows for the nine-month period ended September 30, 2006 and 2005

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

	September 30, 2006	September 30, 2005
Cash and cash equivalents as of beginning of year	$ 472,989	$ 375,082
Cash and cash equivalents as of end of the period (Note 4.j)	119,432	381,380
Net (decrease) increase in cash	**(353,557)**	**6,298**
Cash flows from operating activities		
Income (loss) for the period	192,292	(8,133)
Adjustments to reconcile net income (net loss) to net cash flows from operating activities:		
Income tax	9,303	21,734
Depreciation of fixed assets	84,726	85,032
Net book value of fixed assets written off	1,225	3,410
Increases in allowances and provisions, net	17,755	6,580
Financial and holding results, net	180,480	140,191
Gain on debt restructuring	(245,101)	(3,844)
Other financial and holding gains/losses	(22,674)	(41,065)
Gain on equity investments	(692)	(473)
Changes in certain assets and liabilities, net of non-cash transactions:		
Increase in accounts receivable	(7,436)	(16,507)
Decrease (increase) in other receivables	11,897	(16,448)
Increase in materials and spare parts and other assets	(2,548)	(2,464)
Decrease in accounts payable	(30,191)	(2,889)
Increase in salaries and social security payable	476	2,620
Increase in taxes payable	1,505	298
Increase (decrease) in other payables	570	(837)
Decrease in contingencies	(4,938)	(370)
Net cash flows provided by operating activities	**186,649**	**166,835**
Cash flows from investing activities		
Purchase of fixed assets	(30,519)	(66,883)
Dividends received	-	493
Net cash flows used in investing activities	**(30,519)**	**(66,390)**
Cash flows from financing activities		
Payment of debt	(372,553)	(39,395)
Interest paid	(169,088)	(47,300)
Attachments on debt	-	(4,143)
Decrease in customer advances	(1,167)	(2,419)
Net cash flows used in financing activities	**(542,808)**	**(93,257)**
Financial and holding result generated by cash		
Interests, exchange rate differences and other results generated by cash and cash equivalents	33,121	(890)
Total financial and holding result generated by cash.	**33,121**	**(890)**
Net (decrease) increase in cash and cash equivalents.	**$ (353,557)**	**$ 6,298**

The accompanying notes are an integral part of these financial statements

TRANSPORTADORA DE GAS DEL NORTE S.A.

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

1. The Company and its operations

(a) Formation of the Company

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

The Company was granted a license (the "License") pursuant to which TGN is authorized to provide the public service of gas transportation through the exclusive utilization of two former GdE pipelines in the northern and central-western regions of Argentina. The TGN system is directly connected to two of the principal producing gas fields in northern and central-western Argentina, the Noroeste basin and the Neuquen basin, respectively, and indirectly to gas fields in Bolivia.

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

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

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

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

The Federal Energy Bureau, the Fuels Under-Secretariat and the ENARGAS issued several rules and regulations establishing measures to prevent domestic natural gas shortages and their effects on wholesale electricity supply. Such measures include the suspension of exports of natural gas surpluses than can be of use for the domestic market and the establishment of a schedule of programmed cutbacks of gas volumes allocated for export, export-related electricity generation as well as other export-related gas transportation services. There can be no assurance that these governmental measures will not affect adversely the Company´s firm gas transportation export contracts. Furthermore, the Company believes that the MEG will adversely affect its revenues related to transported gas marketed through the MEG, which amount approximately $ 12 million per annum.

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

1. The Company and its operations (Continued)

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

The impact generated by all the measures adopted so far by the National Government on the balance sheet and financial position of the Company at September 30, 2006 was calculated on the basis of evaluations and estimates made by the Company's Board of Directors at the date its financial statements were prepared.

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

(c) Regulatory framework

General

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

The License was granted for an original term of 35 years, with an initial expiration date of December 28, 2027. However, the Natural Gas Act and the License provide that TGN may apply to ENARGAS for a renewal of the License for an additional ten-year term. ENARGAS is required at that time to evaluate the Company's performance and make a recommendation to the Executive Branch of the Argentine Government.

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

Regulation of transportation rates

The regulatory regime applicable to gas transportation companies is established under the Natural Gas Act and the License. Rates are regulated by ENARGAS. Pursuant to the Natural Gas Act, rates include the cost of the transportation service plus a margin, and should cover all reasonable operating expenses, taxes and depreciation and provide a reasonable rate of return to licensees.

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

1. The Company and its operations (Continued)

(c) Regulatory framework (Continued)

Regulation of transportation rates (Continued)

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

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

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

Renegotiation of public service agreements

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

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

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

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

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

1. The Company and its operations (Continued)

(c) Regulatory framework (Continued)

Renegotiation of public service agreements (Continued)

No significant developments have occurred to date in connection with the renegotiation process. The deadline for this renegotiation, was further extended to December 31, 2006 (Law 26,077). There can be no assurance that the renegotiation process will be finalized within the revised timeframe, or that the ultimate outcome of the renegotiation will restore the imbalance caused by Law 25,561.

Technical assistance agreement

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

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

Additionally, TGN is to comply with a series of negative covenants under its financial agreements currently in force. There are certain restrictions and limitations on payments of the technical assistance fee (TAF), as explained in Note 10.

2. Preparation of financial statements

(a) Purpose of these financial statements

The financial statements have been translated from the original Unaudited Interim Financial Statements for the nine-month period ended September 30, 2006 prepared in Spanish originally issued in Argentina. The translation into English has been made solely for the convenience of English – speaking readers, and certain notes have been rephrased to facilitate the understanding of legislation and the local economic environment. The additional information to the notes to the financial statements required by section 68 of the Buenos Aires Stock Exchange Regulations for local purpose has not been included.

(b) Basis of presentation

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

2. Preparation of financial statements (Continued)

(b) Basis of presentation (continued)

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

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

(c) Presentation of financial statements in constant Argentine Pesos

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

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

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

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

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

(d) Reclassifications

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

2. Preparation of financial statements (Continued)

(e) Use of estimates

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

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

3. Summary of significant accounting policies

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

(a) Impact of recently issued accounting standards

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

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

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

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

In August 2005, the CPCECABA issued Resolution CD N° 93/05 which provides for two approaches to the accounting treatment of differences between the tax basis and book basis of fixed asset items for deferred income tax calculation purposes, when companies prepare price-level restated financial statements.

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

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

Based on the foregoing, the Company has decided to continue treating the differences between the tax basis and price-level restated amounts of fixed assets as permanent. The effect of the unrecognized deferred liability was $397 million as of September 30, 2006.

3. Summary of significant accounting policies (Continued)

"Impairment of long-lived assets"

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

"Minimum presumed income tax credit valuation"

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

(b) Revenue recognition

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

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

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

Total gross revenue taxes are included in selling expenses for all periods indicated. Following ENARGAS resolutions, the effect of gross revenue tax rates are passed through the customers via an increase in the monthly billings for regulated services. Accordingly, the Company includes a separate charge in its invoices to customers for the amount of the gross revenue tax rates.

3. Summary of significant accounting policies (Continued)

(c) Cash and banks

Cash and banks are stated at face value.

(d) Cash and cash equivalents

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

(e) Receivables and payables

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

(f) Investments

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

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

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

As of September 30, 2006, the investment in the Brazilian entity Companhia Operadora de Rio Grande do Sul (COPERG) was written down to zero since its original cost was deemed to be permanently impaired. COPERG was formed to provide operating and maintenance services to a planned pipeline extending from Uruguayana to Porto Alegre in Brazil. The construction of this pipeline has been delayed and there can be no assurance that it will actually take place. COPERG currently serves a small area close to the Argentina-Brazil border.

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

(g) Materials and spare parts, net

Materials and spare parts are stated at replacement cost. Where necessary, provision is made for obsolete, slow moving or defective inventory.

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

(h) Fixed assets, net

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

3. Summary of significant accounting policies (Continued)

(h) Fixed assets, net (Cont.)

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

Furthermore, in 2005 and nine-month period ended September 30, 2006 a pipeline relining campaign was carried out over a length of 87,75 km. In accordance with ENARGAS Resolutions Nos. 1660 and 1903, $31.8 million were capitalized, becoming part of the Company's Essential Fixed Assets and, consequently, of its tariff base.

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

The Company capitalizes interest on long-term construction projects.

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

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

(i) Other assets-Gas stored

Gas stored in pipelines is stated at replacement value plus the average cost of transportation, which does not exceed its estimated realizable value. Differences from period-to-period are included in Financial and holding results, net.

(j) Debt

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

(k) Income tax

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

3. Summary of significant accounting policies (Continued)

(l) Minimum presumed income tax (MPIT)

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

The Company has estimated the existence of income tax losses for the nine-month period ended September 30, 2005 and 2006. The Company has determined an additional proportional charge for the nine-month period ended September 30, 2006, which, together with the prior years´ charges, were deferred as "Other non-current receivables", and it has been estimated as recoverable based on the Company's tax projections and its legal expiration terms. According to Argentine GAAP, MPIT credits were nominal-valued. See Note 7 for details.

(m) Allowances and provisions

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

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

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

(n) Shareholders' equity accounts

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

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

(o) Profit and loss accounts

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

(p) Balances and transactions with related parties

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

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

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

4. **Breakdown of the main accounts**

	September 30, 2006	December 31, 2005
a) Accounts receivable, net		
Gas transportation services		
Billed		
Distributors	$ 11,028	$ 9,983
Industrial	15,987	15,741
Generators	13,757	12,522
Unbilled	38,038	34,634
Subtotal	78,810	72,880
Other services		
Billed	2,496	671
Unbilled	1,288	1,607
Subtotal	3,784	2,278
Allowance for doubtful accounts (Note 16.d)	(10,848)	(5,552)
Allowance for disputed amounts (Note 16.d)	(2,739)	(15,460)
Total	**69,007**	**54,146**
b) Other receivables, net		
Current		
Gas transportation services		
Tax credits	3,410	1,518
Directors' and management fees (Note 5)	903	773
Advances to employees	187	156
Deposit in escrow	374	5,792
Prepaid expenses	3,069	21,781
Receivables from transactions on behalf of third parties	6,756	6,222
Sundry	218	780
Subtotal	14,917	37,022
Other services		
Management fees – Gas Trust Program (Note 14)	262	917
Receivable with controlling shareholder (Note 5)	8	8
Receivables with equity investees (Note 5)	447	330
Other related parties (Note 5)	1,816	352
Sundry	2,968	1,694
Subtotal	5,501	3,301
Allowance for doubtful accounts (Note 16.d)	(1,051)	(618)
Total	**$ 19,367**	**$ 39,705**

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

4 Breakdown of the main accounts (Continued)

	September 30, 2006	December 31, 2005
Non-current		
Gas transportation services		
Deferred tax asset, net (Note 7)	$ 95,359	$ 104,662
MPIT (Note 7)	68,717	59,166
Gross revenue tax withholdings	996	812
Prepaid expenses	-	241
Deposit in escrow and disputed tax payments	4,639	4,693
Allowance for deposit in escrow and disputed tax payments (Note 16.d)	(4,639)	(4,693)
Subtotal	165,072	164,881
Other services		
Other related parties (Note 5)	-	865
Sundry	58	625
Subtotal	58	1,490
Total	**165,130**	**166,371**

c) Materials and spare parts

	September 30, 2006	December 31, 2005
Current		
Materials and spare parts	10,820	8,619
Total	**10,820**	**8,619**
Non-current		
Materials and spare parts	72,047	71,700
Allowance for slow-moving and obsolescence (Note 16.d)	(42,444)	(39,136)
Total	**29,603**	**32,564**

d) Accounts payable

	September 30, 2006	December 31, 2005
Gas transportation services		
Suppliers	3,252	11,268
Unbilled services	24,902	47,077
Total	**28,154**	**58,345**

e) Taxes payable

	September 30, 2006	December 31, 2005
VAT, net	1,431	1,017
Gross revenue tax	519	708
MPIT	3,837	6,613
VAT withholdings	2,616	826
Income tax withholdings	6,544	4,243
Gross revenue tax withholdings	79	114
Total	$ **15,026**	$ **13,521**

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

4. Breakdown of the main accounts (Continued)

	September 30, 2006	December 31, 2005
f) Others		
Current		
Easements	$ 6,500	$ 7,821
Directors' and management fees (Note 5)	838	982
Others	160	159
Total	**7,498**	**8,962**
Non-current		
Easements	7,567	5,533
Total	$ **7,567**	$ **5,533**

	September 30, 2006	September 30, 2005
g) Net revenues		
Gas transportation services		
Gas transportation services	$ 354,782	$ 323,066
Discounts as per Decrees No. 292/1520/814 (Note 3.b)	(1,203)	(1,204)
Allowance for disputed amounts (Note 3.b)	10,703	(1,447)
Subtotal Gas transportation services	364,282	320,415
Other services		
Pipeline O&M services	14,563	12,569
Management fees – Gas Trust Program (Note 14)	165	3,158
Subtotal other services	14,728	15,727
Total	**379,010**	**336,142**
h) Financial and holding results, net:		
Generated by assets:		
Bank commissions and expenses	(257)	(269)
Discount granted	-	(352)
Holding results	6,054	362
Income (loss) on discounting of non-current and current assets	(151)	215
Total	**5,646**	**(44)**
Generated by liabilities:		
Bank commissions, expenses and taxes on banking and financial operations	(3,980)	(6,381)
Fees for guarantee of loan agreements (Note 5)	(1,698)	(2,274)
Income (loss) on discounting of non-current and current liabities	311	-
Others	46	73
Total	**(5,321)**	**(8,582)**
i) Other (expense) income, net		
Loss on disposal of fixed assets and other expenses	(118)	(2,477)
Recovery of contingencies	68	247
Donations	(125)	(1,647)
Total	**(175)**	**(3,877)**
j) Cash and cash equivalents:		
Cash and banks	7,768	11,692
Mutual funds in foreign currency	70,081	162,149
Time deposits in foreign financial institutions	-	175,089
Mutual funds in $	31,911	22,464
Time deposits in local financial institutions	-	1,500
Government Bonds	-	4,980
Stock exchange securities in $	9,672	3,506
Cash and cash equivalents as shown in the statements of cash flows	$ **119,432**	$ **381,380**

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

5. Balances and transactions with related parties

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

Balances with related parties

	September 30, 2006	December 31, 2005
Accounts receivable:		
Other	$ 6,987	$ 6,911
Other receivables:		
Current:		
Receivable with controlling shareholder (Note 4.b) ...	8	8
Receivables with equity investees (Note 4.b)	447	330
Other (Note 4.b)	1,816	352
Directors' and management fees (Note 4.b)	903	773
Non –current:		
Other (Note 4.b)	-	865
Accounts payable:		
Other related parties	1,678	10,183
Others:		
Directors' and management fees (Note 4.b)	838	982

Transactions with related parties

	September 30, 2006	September 30 2005
Controlling shareholder:		
Other income	19	19
Equity investees:		
Net revenues	38	96
Others	227	28
Others:		
Net revenues	48,448	48,414
Cost of services	(4,916)	(5,857)
Financial and holding results, net (Note 4.h)	(1,698)	(2,274)
Others	116	84
Purchase of Materials and spare parts and other assets	-	15,317
Purchases of other assets	26	375
Prepaid expenses on behalf of related parties	140	194
Directors' and management fees:		
Fees related to administrative tasks (Note 16.f)	(802)	(735)
Fees related to professional services	$ -	$ (125)

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

6. Earnings per share

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

Denominator:	September 30, 2006	September 30, 2005
Weighted average shares outstanding................	439,373,981	351,499,185
Diluted effect of potential common shares..........	-	13,335,679
Adjusted weighted average shares outstanding, assuming conversion of potential common shares.....	439,373,981	364,834,864

At September 30, 2005 the Company held negotiable obligations convertible into shares, which have been redeemed under the loan restructuring process described in Note 10.

At September 30, 2006 there are no debt securities convertible into shares, so no diluted earnings per share have been disclosed.

7. Income tax and MPIT

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

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

	September 30, 2006	September 30, 2005
Current tax expense	$ -	$ -
Deferred tax charge	(9,303)	(21,734)
Income tax charge	$ (9,303)	$ (21,734)

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

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

	September 30, 2006	**December 31, 2005**
Deferred tax assets and liabilities:		
Short-term investments (valuation)	$ -	$ (3,094)
Accounts receivable	4,507	7,105
Other receivables	560	357
Fixed assets	(17,505)	(15,979)
Materials and spare parts	14,911	13,753
Other assets	(5,621)	(3,722)
Accounts payable	1,073	1,077
Expenses related to debt restructuring	10,532	-
Contingencies	32,831	27,056
Foreign currency exchange losses	3,910	15,639
Tax loss carry forwards	168,019	298,748
Valuation allowance	(118,138)	(236,577)
Others	280	299
Net deferred tax asset	**$ 95,359**	**$ 104,662**

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

7. Income tax and MPIT (Continued)

Income tax charge for the nine-month period ended September 30, 2006 and 2005 differed from the amounts computed by applying the Company's statutory income tax rate to pre-tax loss as a result of the following:

		September 30, 2006		**September 30, 2005**
Net income before income tax	$	201,595	$	13,601
Income tax rate		35%		35%
Income tax charge at statutory tax rate		(70,558)		(4,760)
Permanent differences:				
Inflation adjustment		(14,460)		(15,759)
Effect of the issue of new shares as a result of the capitalization of debt		(43,119)		-
Donations and non-deductible expenses		(83)		(610)
Change in valuation allowance		118,439		(2,545)
Gain from equity investments, net		242		166
Others		236		1,774
Income tax charge	**$**	**(9,303)**	**$**	**(21,734)**

As of September 30, 2006, the Company had accumulated tax loss carry forwards of approximately $480 million. These tax loss carry forwards expire at various times from 2007 through 2011.

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

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

As discussed in Note 3.a), in August 2005, the CPCECABA issued Resolution CD N° 93/05 which provides for two approaches to the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes, when companies prepare price-level restated financial statements.

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

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

Based on the foregoing, the Company has decided to continue treating the differences between the tax basis and price-level restated amounts of non-monetary assets and liabilities as permanent. The effect of the unrecognized deferred liability was $397 million as of September 30, 2006 and would have been reversed over the term of 21 years (as from September 30, 2006).

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

7. Income tax and MPIT (Continued)

The Company has recorded tax credits in relation to the MPIT. These tax credits amount to $68.7 million as of Sepember 30, 2006. Taking into account that the expiration period extends at various times from the year 2012 through 2016, the Company considers its ultimate realization to be more likely than not based on current projections.

8. Segment information

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

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

For the nine-month period ended September 30, 2006		**Gas transportation services**		**Others**	**Total**
		Domestic	**Exports**		
Net revenues	$	183,932	180,350	14,728	379,010
Cost of services, administrative and selling expenses (before depreciation and amortization)		(120,305)	(17,187)	(6,290)	(143,782)
Depreciation and amortization		(74,061)	(10,580)	(85)	(84,726)
Other expenses		(140)	(35)	-	(175)
Gain from equity investments, net		-	-	692	692
Financial and holding results, net		(155,620)	(38,710)	(195)	(194,525)
Gain on debt restructuring		196,081	48,775	245	245,101
Income tax benefit		(7,443)	(1,851)	(9)	(9,303)
Net income for the period	**$**	**22,444**	**160,762**	**9,086**	**192,292**

As of September 30, 2006		**Gas transportation services**		**Others**	**Total**
		Domestic	**Exports**		
Fixed assets, net	$	1,808,753	449,927	2,261	2,260,941
Accounts receivable, net		36,656	28,567	3,784	69,007
Debt		1,034,776	257,400	1,293	1,293,469
Other net assets		174,689	43,454	218	218,361
Shareholders' equity		985,322	264,548	4,970	1,254,840
Purchase of fixed assets	$	24,415	6,073	31	30,519

For the nine-month period ended September 30, 2005		**Gas transportation services**		**Others**	**Total**
		Domestic	**Exports**		
Net revenues	$	170,183	150,232	15,727	336,142
Cost of services, administrative and selling expenses (before depreciation and amortization)		(107,962)	(15,456)	(9,680)	(133,098)
Depreciation and amortization		(74,329)	(10,618)	(85)	(85,032)
Other expenses		(3,102)	(775)	-	(3,877)
Gain from equity investments, net		-	-	473	473
Financial and holding results, net		(83,881)	(20,865)	(105)	(104,851)
Gain on debt restructuring		3,075	765	4	3,844
Income tax benefit		(17,387)	(4,325)	(22)	(21,734)
Net (loss) income for the period	**$**	**(113,403)**	**98,958**	**6,312**	**(8,133)**

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

8. Segment information (Continued)

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

9. Restricted assets

Certain restrictions with respect to Essential Assets

A substantial portion of the assets transferred by GdE (mainly pipelines, high-pressure branch lines, compressor plants and high-pressure control and measurement stations), has been defined in the License as "Essential Assets" for the performance of the licensed service. Pursuant to the License, the Company is required to segregate and maintain the Essential Assets, together with any future improvements, in accordance with certain standards defined in License.

The Company may not, for any reason, dispose of, encumber, lease, sublease or lend Essential Assets for purposes other than the provision of the licensed service without ENARGAS´ prior authorization.

On September 27, 2006 TGN attended a hearing at which the defendant agreed to notarize 11 out of the 20 real estate properties within a term of 15 days and that it would confirm the date for the notarization of the other buildings at the hearing.

As established in the new financial agreements held for the restructuring of the financial debt, TGN may not sell assets, unless certain conditions are met, as described in Note 10.

Summary attachments

As of December 31, 2005 in the caption other receivables are included the attachments and legal deposits arising from several legal actions, part of them have been already resolved at September 30, 2006.

10. Debt

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

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

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

10. Debt (Continued)

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

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

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

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

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

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

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

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

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

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

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

10. Debt (Continued)

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

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

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

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

In this date, the net gain on the restructured debt exchange amounted to $ 192.3 millions (including the waiver of the right to collect interest and penalty charges, the reversal of expenses related to the issuance of the Negotiable Obligations and the accrual of interest, commissions and expenses of the new debt until the exchange date) and has been charged to Gain on debt restructuring in the statements of operations.

The gain on the restructuring of loans for the nine-month period ended September 30, 2006 includes the following results:

	(Millions of $)
Gain on debt exchange for new negotiable obligations and payment in cash	192.3
Gain on partial redemption of Series A and B and to the full redemption of Series C and D of the Negotiable Obligations under the Global Program for US$ 320 million	52.4
Gain on repayment of other loans during the period	0.4
Gain on debt restructuring	245.1

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

The new negotiable obligations shall have the following characteristics:

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

10. Debt (Continued)

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

	Ordinary non-convertible Class A negotiable obligations	**Ordinary non-convertible Class B negotiable obligations**
Amount	Up to VN US$ 250,000,000	Up to VN US$ 250,000,000
Due date	December 31, 2012	December 31, 2012
Amortization	They will be amortized: at 9% in 2005, 12% during 2006 and 2007, 13.5% in 2008 and 2009, 15% in 2010 and 2011, and 10% in 2012	In a one-off payment
Interest	They shall accrue interest at an annual rate of 6.0% during 2005, at 6.5% between 2006 and 2010, and at 7.5% during 2011 and 2012, payable quarterly on March 31, June 30, September 30 and December 31 of each year.	They shall accrue interest at an annual rate of 7.0% during 2005, 7.5% during 2006 y 2007, 8.0% during 2008 y 2009, 9.0% during 2010, 9.5% during 2011 y 10% during 2012, payable quarterly on March 31, June 30, September 30 and December 31 of each year.

Below is a description of the main negative covenants under the new financial agreements signed by the Company, the terms and conditions of which are detailed in the pertinent Offering Circular under the Negotiable Obligation issue program, which was published at the CNV on September 14, 2006.

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

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

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

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

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

10. Debt (Continued)

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

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

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

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

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

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

10. Debt (Continued)

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

At September 30, 2006 and December 31, 2005, the breakdown of the Company's loans is as follows:

	30.09.06	**31.12.05**
	Thousands of $	
Current		
Ordinary non-convertible Class A	93.120	-
Global Program of Negotiable Obligations - US$ 300 million	-	259.540
Creditors not accepting the exchange offer	1.801	-
Global Program of Negotiable Obligations - US$ 320 million		584.663
Interest payable on CRIBs	-	160.974
Loan agreements	-	362.411
Import financing	-	3.047
Total	**94.921**	**1.370.635**
Non Current		
Ordinary non-convertible Class A	566.480	-
Ordinary non-convertible Class B	632.068	-
Global Program of Negotiable Obligations - US$ 320 million	-	192.906
CRIBs	-	530.600
Total	**1.198.548**	**723.506**
Total	**1.293.469**	**2.094.141**

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

c) Description of the main restructured loans

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

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

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

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

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

10. Debt (Continued)

c) Description of the main restructured loans (Continued)

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

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

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

The following summarizes information concerning borrowings under this program:

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

10. Debt (Continued)

c) Description of the main restructured loans (Continued)

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

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

Convertibility Risk Insured Bonds (CRIBs)

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

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

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

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

Other loan agreements

On December, 2000, the Company entered into a syndicated loan agreement with a group of banks led by Bank of America, BankBoston and Banco Francés-BBV subject to the following basic terms and conditions: (i) Amount: US$ 70 million, in two tranches of US$ 35 million each; (ii) Maturities: one tranche in January 4, 2004 and the other in January 4, 2005; (iii) Interest: 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.

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

11. Shareholder's equity

(a) Common stock

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

Item	Date	thousands of $	Registration in the Superintendency of Corporations			
			Date	N°	Book	Volume
Incorporation of the Company	24.11.92	12	1.12.92	11667	112	A
Capitalizations of irrevocable contributions:	28.12.92	267,255	7.03.94	1894	114	A
	25.03.94	84,232	9.06.94	5589	115	A
Issuance of new shares for capitalized loans (Note 10)	29.09.06	87,875	18.08.06	13005	32	-
Total		**439,374**				

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

Gasinvest, the controlling shareholder of the Company, and Gasinvest´s shareholders, are restricted by the Pliego and the Transfer Agreement as to dispose of a portion of their interests in the Company and Gasinvest, respectively. Unless a prior regulatory approval from ENARGAS is obtained, Gasinvest is precluded from reducing its interest in the Company to less than 51%. Likewise, the shareholders of Gasinvest are precluded from reducing their interest in Gasinvest without prior regulatory approval. However, restrictions are not applicable where shares are transferred among related parties of each shareholder. ENARGAS may approve the transfer of shares provided that (i) the shares are transferred in whole but not in part, or the new acquirer purchases all of the outstanding Class A shares of common stock; (ii) the quality of the service is not affected; and (iii) the service operator, or a successor (as approved by ENARGAS) owns at least 10% of the outstanding shares of the new acquirer and enters into a technical assistance agreement.

(c) Restriction on distribution of profits

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

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

(d) Voluntary reserves

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

12. Contingencies

The Company is a party to several civil, taxes, commercial and labor proceedings and claims that have arisen in the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company's management based upon the information available at this time and consultation with external and internal legal counsel, that the expected outcome of these claims and legal actions, individually or in the aggregate, will not have a material effect on the Company's financial position, cash flows or results of operations in excess of the reserves that the Company has established for an aggregate amount of $89.1 million to cover for potential losses under these claims. However, the actual outcome of these claims could differ from the estimated recorded amounts.

Following is a summary of the most significant claims and legal actions. At September 30, 2006 the allowance set up by the Company amounted to $ 89.2 million (Note 16.d).

(a) Gross Revenue Tax – Province of Salta

On April 26, 2002, the Tax Authority of the Province of Salta, Argentina, assessed the Company approximately $1.3 million and $1.4 million in additional taxes and interest, respectively, for the fiscal years 1996 through 2001 resulting from a tax audit for that period. Amounts have been assessed as of May 31, 2002. The tax authority determined the deficiency based on the market value of gas stored. After several administrative proceedings, on January 18, 2004, the Provincial Government issued Decree 118 which affirmed the tax authority assessment. Subsequently, the Company paid $ 3.7 million including penalties and interest; however, it appealed the penalty paid equal to 50% of the tax assessed. By means of Decree 2287 dated September 25, 2006, the Province of Salta dismissed an appeal lodged by TGN against a resolution adopted by the Department of Finance imposing a fine on it in relation to this tax claim. Since, there can be no assurance that the Company will receive a favorable ruling on this matter; the Company is temporarily paying this tax under protest as from April 2004.

(b) Las Mesitas accident

In October 1999, ENARGAS fined the Company $5.6 million due to allegations that the Company improperly operated a parallel 16" gas pipeline causing a serious accident in Las Mesitas, Province of Salta, Argentina. The Company believes that the accident was an isolated event and was not related to the Company's operation of the pipeline. The Company believes that it operated the pipeline with due care and below the resistance levels approved based on information available at that time. The Company contested the fines administratively, but in October 2002, the Ministry of Economy reaffirmed the ENARGAS resolution and reduced the fines to $5.1 million. The Company subsequently filed a motion for relief, which is still pending.

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

In July 1999, AES Parana S.C.A. ("AESP") and the Company had entered into a firm gas transportation contract (the "AES-TGN Agreement"), whereby the Company committed to transport up to 1.81 MMm3/day of natural gas as from an agreed-upon date for a period of 20 years. The gas transportation rate set in the contract was the ENARGAS-regulated rate for Loma La Lata - Litoral zones and included an additional contribution equal to 5.6% of such regulated rate. The AESP-TGN Agreement required the Company to perform certain transportation capability expansion works to meet its obligations. In 2002, due to the political, social and economic crisis in Argentina that resulted in significant changes in general economic policies and regulations as well as specific changes in the energy sector (including pesification and freezing of rates), the Company proposed AESP to revise the existing terms of the contract due to the impossibility of performance under the current changes in legislation.

12. Contingencies (Continued)

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

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

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

In June 2006, as a result of a resolution previously issued by the ENARGAS calling upon TGN and AES Parana to carry out negotiations to establish the conditions for the continuity of the contract, both parties reached an agreement by which they will: (i) suspend the prosecution of their respective claims and (ii) rescind the firm transportation contract if AES Parana obtains the providing of the transportation service of at least 1.5 MM m3/d (minimum volume) before December 1, 2008.

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

At September 30, 2006, TGN adjusted the amount of the provision recorded for potential challenges from AES regarding the amount of that compensation.

(d) Municipal taxes

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

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

(e) Tax assessments related to payments to note holders

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

12. Contingencies (Continued)

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

These claims resulted from a tax audit seeking to verify compliance of the requirements of Law 23,576 under which interest paid to note holders are entitled to certain tax benefits provided the requirements are fulfilled. The Company filed an appeal and injunctive relief was granted. The case is still pending.

(f) Gas measurement procedures

In June 2004, ENARGAS assessed the Company approximately $0.1 million in fines. ENARGAS asserted that the Company was not in compliance with certain mandatory procedures established in the Service Agreement relating to gas measurements in the point of delivery. In this connection, the Company determined and reserved approximately $1.3 million to cover potential claims from certain customers.

(g) Tax assessment related to fixed asset useful life

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

(h) Redirecting of the transportation capacity

In April 2006, the ENARGAS adopted two resolutions establishing: (i) the reassignment for the term of one year as from April 28, 2006 –renewable at the discretion of the ENARGAS- to the distributor GasNea and the sub-distributor Redengás of a firm transportation capacity volume equal to 0.268 MM m3/d (between May and September 2006) and 0.579 MM m3/d (between October 2006 and April 2007) which originally corresponded to the firm transportation contract entered into by and between TGN and YPF S.A. ("YPF") in 1998 for up to 2.8 MM m3/d to supply a power plant in Uruguayana, Brazil; (ii) that the rate payable by GasNea and Redengás to TGN for the reassigned volume is the peso rate as opposed to the US dollar rate applicable to the contract entered into by and between TGN and YPF; (iii) that GasNea and Redengás must pay TGN the peso rate for the capacity reassigned between April 29, 2004 and April 28, 2006, and (iv) obliging TGN to reimburse YPF for the proportional part of the transportation rate in US dollars collected by TGN from April 29, 2004 to April 28, 2006 for the reassigned volume. TGN requested that the two resolutions be reconsidered alleging their unlawfulness for violation of vested rights and requested a stay of their effects while the respective administrative appeals are pending. On October 4, 2006, the ENARGAS resolved to stay the retroactive effects of the two resolutions for 30 business days in order to help TGN and YPF reach an agreement. The Company estimated and recorded a provision for US$ 3.9 million in relation to the above-mentioned ENARGAS resolutions.

13. TGN financial trusts

On March 8, 2004, in accordance with ENARGAS Resolution 2877, the Company (as "Trustor") and HSBC Bank Argentina S.A. (as "Trustee") entered into a Trust Agreement. Under the Trust Agreement, the trusts can be funded by private and/or public placement of securities for up to a total amount of US$ 50 million within a 5-year timeframe. Pursuant to the Trust Agreement, two trusts were created (the "TGN Serie I Trust" and the "TGN Serie 2 Trust", and collectively referred to as the "Trusts") for the purpose of implementing gas transportation capacity expansion projects.

On March 26, 2004, the TGN Serie 01 Trust was funded by the issuance of US$ 7.5 million in principal amount of securities to private contributors, the proceeds from which were used to finance the expansion of transportation capacity of 303,000 m3/d contracted by Metrogas S.A. (a Chilean gas distribution company). The TGN Serie 01 Trust expires on the earlier of September 30, 2019 or when securities are repaid, whichever occurs first.

On April 16, 2004, the TGN Serie 02 Trust was funded by the issuance of US$ 6.3 million in principal amount of securities to private contributors, the proceeds from which were used to finance the expansion of transportation capacity of 247,000 m3/d contracted by Colbun S.A. The TGN Serie 02 expires on the earlier of March 30, 2019 or when the securities are repaid, whichever occurs first.

The Company operates the assets and renders the maintenance services through the termination of the Trusts. Once the Trusts are terminated, the ownership of the assets resulting from the expansion will be transferred to the Company. Additionally, those assets will be classified as Essential Assets. The projects have been completed. The net book value of the assets held in the trusts amounts to $ 27 million as of September 30, 2006.

Under the Trust Agreement, neither the Company nor the Trustee are liable with their own respective assets to pay, if principal and/or interest and/or taxes and expenses on the securities issued by the Trusts are dishonored.

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

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

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

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

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

This project involved the construction of 232.5 km of pipeline and a 25,710 HP capacity and was concluded on February 2006. The total cost of the expansion was US$183 million (excluding VAT), approximately US$8.4 million of which was provided by the Company through capital expenditures on the transportation system as of September 30, 2006. Under the Trust Agreement, the Company was the project manager for the expansion project (as well as being the trustor of the Gas Trust) and received a fee equal to 1% of the final amount of investment based on the execution of the project works. In addition, the Company operates the assets and renders the operation and maintenance services.

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

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

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

Pursuant to the same regulatory framework applicable to the above-mentioned expansion works, and again at the request of the Ministry of Energy, in September 2005, we called for a new open bid for capacity for the expansion of the Gasoductos Norte system. As a result of this call for bids, proposals were received for more than 31 MMm3/d. Offers for capacity of 26.1 MMm3/d have been accepted by ENARGAS.

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

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

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

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

15. Subsequent events

Subsecuent to September 30, 2006, there have been no other events, situations or circumstances that have impacted or could impact significantly on the net worth, or economic and financial situation of the Company that have not been mentioned in these financial statements.

16. Other financial statement information

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

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

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

16. Other financial statement information (Continued)

(a) Fixed Assets, net

	09.30.2006												12.31.2005
	Original values					Depreciation							
Account	**At the beginning of the year**	**Increases**	**Disposals**	**Transfers**	**At the end of the period**	**At the beginning of the year**	**For the period %**	**For the period**	**Disposals**	**Transfers**	**Accumulated at the end of the period**	**Net book value**	**Net book value**
Land	3,275	-	-	-	3,275	-	-	-	-	-	-	3,275	3,275
Buildings and constructions ...	76,157	-	-	235	76,392	15,631	2	1,143	-	2	16,776	59,616	60,526
Installations and fixtures	2,067	-	-	-	2,067	392	4	61	-	-	453	1,614	1,675
Gas pipelines	2,014,947	-	(468)	2,919	2,017,398	468,639	3.33 and 2.22	41,844	(135)	217	510,565	1,506,833	1,546,308
Recoating (i)	17,590	14,195	-	-	31,785	-	-	538	-	-	538	31,247	17,590
High-pressure branch lines ...	620	-	-	-	620	192	3.33 and 2.22	13	-	-	205	415	428
Compressor Plants	800,266	-	(387)	(39)	799,840	256,403	4	29,695	(181)	(295)	285,622	514,218	543,863
High pressure control and/or measurement stations	70,576	-	(242)	1,467	71,801	27,755	5	2,907	(90)	(95)	30,477	41,324	42,821
Other technical installations	47,286	-	(530)	(33)	46,723	19,242	6.67	1,909	(251)	(23)	20,877	25,846	28,044
Machinery, equipment and tools	22,097	-	(876)	831	22,052	16,931	10, 20 and 50	1,046	(854)	285	17,408	4,644	5,166
Computer and telecommunications system	71,600	-	(428)	542	71,714	37,433	10 and 20	3,697	(346)	(78)	40,706	31,008	34,167
Vehicles	15,839	-	(378)	412	15,873	11,906	20	992	(267)	(63)	12,568	3,305	3,933
Furniture and fixtures	9,466	-	(12)	105	9,559	8,035	10	283	(8)	-	8,310	1,249	1,431
Assets held at third parties ..	7,094	-	(37)	454	7,511	4,558	12.5	598	(38)	50	5,168	2,343	2,536
Work in process	23,938	15,152	(37)	(5,235)	33,818	-	-	-	-	-	-	33,818	23,938
Advances to suppliers	672	1,172	-	(1,658)	186	-	-	-	-	-	-	186	672
Total as of 06.30.2006	**3,183,490**	**30,519**	**(3,395)**	-	**3,210,614**	**867,117**		**84,726**	**(2,170)**	-	**949,673**	**2,260,941**	**-**
Total as of 12.31.2005	**3,102,077**	**90,618**	**(9,205)**	-	**3,183,490**	**758,692**		**113,793**	**(5,368)**	-	**867,117**	-	**2,316,373**

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

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

16. Other financial statement information (Continued)

(b) Investments

Issuer	Class	Par value	Amount	Cost value	Book value 09.30.2006	Book value 12.31.2005	Information on the issuer: Principal activity	Latest financial statements: Date	Capital stock and capital adjustment	Other Reserves	Retained earnings	Shareholders' equity	% of direct holding
Non-current investments													
Comgas Andina S.A.	Common	(a) 1	490	246	5,592	4,899	Gas pipeline services	09.30.06	7	-	11,404	11,411	49.0
Companhia Operadora de Rio Grande do Sul (Note 16.d and 3.f)	Common	(b) 1	49	0.1	140	119	Gas pipeline services	09.30.06	-	109	177	286	49.0
Impairment of investment .					(140)	(119)							
Total				246.1	5,592	4,899							

a. Chilean Pesos
b. Brazilian Reais

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

16. Other financial statement information (Continued)

(c) Short-term investments

		September 30, 2006		December 31, 2005
Mutual funds in foreign currency	$	70,081	$	309,920
Time deposits in foreign financial institutions .		-		131,315
Mutual funds in $		31,911		27,044
Government bonds – Discount bond		2,851		2,062
Stock exchange securities in $ and others		9,672		16
Total	$	114,515	$	470,357

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

16. Other financial statement information (Continued)

(d) Allowances and provisions

		09.30.2006					12.31.2005
		Balances at the beginning of the year	**Net increases**	**Decreases**	**Transfers**	**Balances at the end of the period**	**Balances at the end of the period**
Deducted from assets							
Current							
Allowance for doubtful accounts.................		5,552	8,435	(3,139)	-	10,848	5,552
Allowance for disputed amounts and others		15,460	(12,721)	-	-	2,739	15,460
Allowance for other receivables.................		618	433	-	-	1,051	618
Subtotal		**21,630**	**(3,853)**	**(3,139)**		**14,638**	**21,630**
Non Current							
Allowance for disputed tax payments and judicial escrow accounts...............................		4,693	(54)	-	-	4,639	4,693
Allowance for slow-moving and obsolescence		39,136	3,308			42,444	39,136
Allowance for impairment of COPERG (Note 16.b and 3.f)..................................		119	21	-	-	140	119
Subtotal		**43,948**	**3,275**	**-**	**-**	**47,223**	**43,948**
Total allowances deducted from assets	**$**	**65,578**	**(578)**	**(3,139)**	**-**	**61,861**	**65,578**
Included in Liabilities							
Current							
Provision for contingencies.................		72,611	18,047	(1,799)	(27,289)	61,570	72,611
Non Current							
Provision for contingencies.................		-	307	-	27,289	27,596	-
Total provisions included in liabilities		**72,611**	**18,354**	**(1,799)**	**-**	**89,166**	**72,611**
Total as of 09.30.2006	$	**138,189**	**17,776**	**(4,938)**	**-**	**151,027**	**-**
Total as of 12.31.2005	$	**121,535**	**21,738**	**(5,084)**	**-**	**-**	**138,189**

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

16. Other financial statement information (Continued)

(e) Assets and liabilities in foreign currency

	09.30.2006					12.31.2005		
	Foreign currency class and amounts		Exchange rate		Amount in $	Foreign currency class and amounts		Amount in $
Assets								
Current assets								
Cash and banks								
Cash	US$	3	3.064	$	10	US$	3	$ 9
Banks	US$	1,820	3.064		5,578	US$	319	954
					5,588			963
Short-term investments								
Mutual funds in foreign institutions	US$	22,872	3.064		70,081	US$	103,583	309,920
Time deposits in foreign institutions	US$	-	3.064		-	US$	43,889	131,315
Government bonds - Discount bonds	US$	930	3.064		2,851	US$	689	2,062
					72,932			443,297
Accounts receivable								
Gas transportation services	US$	9,856	3.064		30,199	US$	9,118	27,281
Other services	US$	1,511	3.064		4,630	US$	507	1,517
					34,829			28,798
Other receivables								
Prepaid expenses	US$	-			-	US$	1,203	3,599
Management fees - Gas Trust Program	US$	86	3.064		262	US$	306	917
Guarantee deposits	US$	200	3.064		613			-
Prepaid expenses on behalf of third parties and others	R$	102	1.3757		140	R$	101	140
	US$	308	3.064		944	US$	1,395	4,174
					1,959			8,830
Total current assets				$	**115,308**			**$ 481,888**

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

16. Other financial statement information (Continued)

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

	09.30.2006					12.31.2005			
	Foreign currency class and amounts		Exchange rate		Amount in $	Foreign currency class and amounts			Amount in $
Non-current assets									
Other receivables									
Guarantee deposits	US$				-	US$	179		537
					-				537
Investments									
Comgas Andina (Note 16.b)	$ch	988,791	0.00565		5,592	$ ch	844,655		4,899
					5,592				4,899
Total non-current assets				**$**	**5,592**			**$**	**5,436**
Total assets				**$**	**120,900**			**$**	**487,324**
Liabilities									
Current liabilities									
Accounts payable									
Suppliers	US$	1,427	3.104	$	4,431	US$	3,900	$	11,825
	EURO	3	3.973		13	EURO	5		18
	£				-	£	118		615
					4,444				12,458

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

16. Other financial statement information (Continued)

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

	09.30.2006					12.31.2005		
	Foreign currency class and amounts		Exchange rate		Amount in $	Foreign currency class and amounts		Amount in $
Loans								
Ordinary non-convertible Class A	US$	30,000	3.104		93,120		-	-
Global Program of Negotiable Obligations – US$ 300 MM	US$	580	3.104		1,801	US$	85,600	259,540
Global Program of Negotiable Obligations – US$ 320 MM	US$	-	3.104		-	US$	192,831	584,663
CRIBs interest	US$	-	3.104		-	US$	53,092	160,974
Loan agreements	US$	-	3.104		-	US$	104,408	316,564
Import financing	US$	-	3.104		-	US$	1,005	3,047
					94,921			1,324,788
Customers' advances	US$	49	3.104		151	US$	435	1,318
					151			1,318
Total current liabilities				$	**99,516**		$	**1,338,564**
Non-current liabilities								
Loans								
Ordinary non-convertible Class A	US$	182,500	3.104		566,480		-	-
Ordinary non-convertible Class B	US$	203,630	3.104		632,068		-	-
Global Program of Negotiable Obligations - US$ 320 MM	US$		3.104		-	US$	63,623	192,906
CRIBs	US$		3.104		-	US$	175,000	530,600
					1,198,548			723,506
Total non-current liabilities				$	**1,198,548**		$	**723,506**
Total liabilities				$	**1,298,064**		$	**2,062,070**

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

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

16. Other financial statement information (Continued)

(f) Cost of services, administrative and selling expenses

		Cost of services			Selling expenses					
	Total At 09.30.2006	**Transportation service**	**Other services**	**Total**	**Transportation service**	**Others services**	**Total**	**Administrative expenses**	**Investments in fixed assets**	**Total At 09.30.2005**
Fees for technical and administrative tasks	802	-	-	-	-	-	-	802	-	735
Fees for professional services	3,752	1,318	223	1,541	17	-	17	2,107	87	3,620
Salaries, wages and other personnel benefits	33,842	19,770	2,850	22,620	583	-	583	10,389	250	32,064
Social security contributions	7,145	4,521	604	5,125	107	-	107	1,913	-	5,666
Fees for technical operator services	3,065	3,065	-	3,065	-	-	-	-	-	4,437
Inbound personnel expenses	1,215	1,215	-	1,215	-	-	-	-	-	1,313
Spare parts and materials	10,919	8,116	295	8,411	-	-	-	45	2,463	11,622
Gas imbalance	2,739	2,739	-	2,739	-	-	-	-	-	2,997
Third party services and supplies .	2,667	2,169	218	2,387	16	-	16	264	-	1,786
Maintenance and repair	31,107	20,558	421	20,979	-	-	-	1,015	9,113	40,442
Travel expenses	4,027	2,920	562	3,482	57	-	57	421	67	5,244
Freight and transportation	756	361	56	417	-	-	-	70	269	576
Communications	694	365	91	456	16	-	16	219	3	926
Insurance	4,090	3,857	6	3,863	-	-	-	227	-	4,068
Office supplies	821	335	64	399	7	-	7	413	2	1,150
Rentals	868	413	407	820	3	-	3	22	23	794
Easements	4,050	4,050	-	4,050	-	-	-	-	-	4,067
Taxes, rates and contributions	14,025	268	-	268	10,676	470	11,146	2,611	-	14,222
Fixed assets depreciation	84,726	83,455	85	83,540	169	-	169	1,017	-	85,032
Fixed assets expenses	1,660	-	-	-	-	-	-	-	1,660	2,793
Allowance for doubtful accounts ...	6,850	-	-	-	6,850	-	6,850	-	-	1,002
Provision for contingencies	18,354	-	-	-	-	-	-	18,354	-	6,419
Allowance for slow-moving and obsolescence	3,308	3,308	-	3,308	-	-	-	-	-	2,420
Others	964	494	23	517	10	-	10	436	1	1,247
Total at 09.30.2006	**242,446**	**163,297**	**5,905**	**169,202**	**18,511**	**470**	**18,981**	**40,325**	**13,938**	**-**
Total at 09.30.2005	**-**	**169,455**	**9,344**	**178,799**	**11,432**	**426**	**11,858**	**27,473**	**16,512**	**234,642**

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

16. Other financial statement information (Continued)

(g) Aging of assets and liabilities

	09.30.2006			
	Short-term investments	**Account receivables and other receivables (a)**	**Debt**	**Other liabilities (b)**
a) Past due				
Until 09.30.2005	-	13,762	1,628	-
12.31.2005	-	2,663	8	-
03.31.2005	-	2,402	12	-
06.30.2006	-	2,612	12	-
09.30.2006	-	10,825	25	-
b) Without due date	114,515	96,330	116	-
c) To be due				
12.31.2006	-	64,780	46,560	44,598
03.31.2007	-	2,440	-	13,884
06.30.2007	-	136	46,560	-
09.30.2007	-	2,421	-	-
09.30.2008	-	5,693	98,940	7,567
09.30.2009	-	68,717	104,760	-
09.30.2010	-	-	110,580	-
09.30.2011	-	-	116,400	-
09.30.2012	-	-	97,000	-
09.30.2013	-	-	670,868	-
Total at 09.30.2006	**114,515**	**272,781**	**1,293,469**	**66,049**
a) Balances subject to adjustment	-	2,892	-	-
b) Balances not subject to adjustment ...	114,515	269,889	1,293,469	66,049
Total at 09.30.2006	**114,515**	**272,781**	**1,293,469**	**66,049**
a) Interest bearing balances	113,944	162	1,293,266	2,640
b) Non -interest bearing balances	571	272,619	203	63,409
Total at 09.30.2006	**114,515**	**272,781**	**1,293,469**	**66,049**

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

Limited Review Report

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

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

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

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

As discussed in Note 1.(c), the Public Emergency Law authorizes the Argentine Government to renegotiate the contracts and rates with the privatized companies, including gas transportation companies. Taking into account that there can be no assurance as to the outcome of these renegotiations, there is uncertainty as to the future net cash inflows sufficient to recover the net book value of non-current assets aggregating $2,456 million.

Our Limited Review Report at September 30, 2005, dated November 8, 2005, included the observations mentioned in the third and fourth preceding paragraphs and observations related to:

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

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

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

d. the departure from professional accounting standards in connection with the classification of the debt mentioned in the previous paragraph as current and non-current in accordance with the original contract terms.

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

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

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

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

Autonomous City of Buenos Aires, November 7, 2006

PRICE WATERHOUSE & CO. S.R.L.

By (Partner)

Dr. Juan Carlos Grassi