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TGS Reports Second Quarter 2010 Results

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Buenos Aires, Argentina - Transportadora de Gas del Sur S.A. (“TGS” or “the Company”) (NYSE: TGS, MERVAL: TGSU2) reported today a net loss of Ps. 22.9 million, or Ps. 0.029 per share (Ps. 0.144 per ADS), for the three-month period ended June 30, 2010, compared to a net income of Ps. 24.6 million, or Ps. 0.031 per share (Ps. 0.155 per ADS), recorded in the same 2009 period.

The variation is mainly attributable to a Ps. 54.6 million adjustment made related to the 20% tariff increase trade receivable registered in December 2009, as most of it will be billed and cashed in the long-term in monthly installments with no interest.

Net income for the first half of 2010 was Ps. 52.5 million, or Ps. 0.066 per share (Ps. 0.330 per ADS), which compares to Ps. 12.9 million, or Ps. 0.016 per share (Ps. 0.081 per ADS), in the same last year period. Higher net income mainly stems from an increase in the operating income associated with the recovery of the propane, butane and natural gasoline international prices.

Second Quarter 2010 vs. Second Quarter 2009

In the three-month period ended June 30, 2010, TGS posted total net revenues of Ps. 384.8 million, up from Ps. 337.9 million recorded in the second quarter of 2009.

Natural Gas Transportation revenue for the second quarter of 2010 was Ps. 146.2 million, compared to the Ps. 134.9 million earned in the same year-ago quarter. This higher revenue mainly reflects a 20% increase related to tariffs, which resulted from a transitional agreement signed between TGS and the Unit for Renegotiation and Assessment of Utilities Contracts (“UNIREN”) in October 2008. The agreement was ratified in December 2009 by the Argentine Government through Decree No. 1,918/2009. TGS will bill and cash this tariff increase in long-term monthly installments to its clients as soon as “ENARGAS” (the National Gas Regulatory Body) publishes the new tariffs schedule.

The Natural Gas Transportation segment represented approximately 38% and 40% of the Company’s total revenue during the second quarter of 2010 and 2009, respectively. Natural Gas

Transportation revenues are derived mainly from firm contracts, under which pipeline capacity is reserved and paid for regardless of actual usage by the shipper. TGS also provides interruptible transportation services subject to available pipeline capacity. This segment is subject to regulation by ENARGAS.

The natural gas liquids (“NGL”) Production and Commercialization segment revenue increased to Ps. 218.6 million in the three-month period ended June 30, 2010, up 29% from Ps. 168.9 million in the same 2009 period. This increase is mainly due to the rise of international reference prices for propane, butane and natural gasoline, which went up by approximately 50%.

NGL Production and Commercialization revenue accounted for approximately 57% and 50% of the total revenue for the second quarter of 2010 and 2009, respectively. NGL Production and Commercialization consists of natural gas processing activities conducted at the Cerri Complex, located near the city of Bahía Blanca, which connects each of TGS’s main pipelines, where ethane, propane, butane and natural gasoline are recovered. The commercialization of NGL is made for both the Company’s own account and on behalf of its clients.

During the second quarter of 2010, Other Services revenues amounted to Ps. 20.0 million, decreasing 41% from revenues of Ps. 34.1 million in the same 2009 period. This decrease resulted from lower sales generated by the management construction services (associated with the expansion of TGS’s pipeline system) and midstream services (as some contracts were cancelled in 2009).

Other Services segment mainly includes midstream and telecommunication activities. As a percentage of the Company’s total revenue, this segment accounted for approximately 5% and 10% for the three-month periods ended June 30, 2010 and 2009, respectively. Midstream activities consist of gas treatment, separation and removal of impurities from the natural gas stream, and gas compression, typically rendered at wellhead for gas producers. In addition, TGS provides services related to pipeline and compression plant construction and related operation and maintenance services. Telecommunication services are rendered through Telcosur S.A., a company controlled by TGS. Telcosur S.A. provides services as an independent carrier of carriers to leading telecommunication operators and corporate customers located in its service area.

Costs of sales and administrative and selling expenses, for the second quarter of 2010 increased to Ps. 305.3 million from Ps. 233.0 million registered in the second quarter of 2009. This is mainly due to the rise in NGL processing cost and higher export taxes amounting to Ps. 28.5 million, both of which are mostly explained by higher international reference prices. In addition, in the 2010’s second quarter, an allowance for doubtful accounts for Ps. 27.4 million was recorded, which corresponds to the receivable balance that TGS had with MetroGAS S.A. as of the date this client commenced its reorganization proceedings. Labor costs also increased by Ps. 11.5 million, mainly due to salary increases.

Net financial expense increased to Ps. 100.1 million in 2010 second quarter from Ps. 52.5 million reported in the same quarter of 2009. This significant rise, of Ps. 47.6 million, is mostly attributable to a Ps. 54.6 million adjustment in the value of the 20% tariff increase trade receivable registered in December 2009, as most of it will be billed and cashed in the long term in monthly installments, with no interest.

For the second quarter of 2010, the Company reported a Ps. 5.2 million positive charge in the income tax expense, as a consequence of the taxable loss generated in this quarter.

First Half 2010 vs. First Half 2009

For the six-month period ended June 30, 2010, TGS achieved a total net revenue of Ps. 871.2 million in comparison with Ps. 664.3 million earned in the same semester ended June 30, 2009.

Gas transportation revenue for first half 2010 was Ps. 307.3 million, 14.5% above the Ps. 268.3 million earned in the same previous year period. This increase primarily reflects the tariff increase mentioned above.

The NGL production and commercialization segment increased 53.4% to Ps. 516.9 million in the first half of 2010 from Ps. 336.9 million for the same previous year period. This increase is mainly due to the rise in the international reference prices of propane, butane and natural gasoline.

During the first half of 2010, Other Services revenues amounted to Ps. 47.0 million, decreasing Ps. 12.1 million from the same period in 2009. This reduction is primarily due to the effect of lower revenues generated by midstream and construction services, attributable to the factors mentioned above.

Costs of sales and administrative and selling expenses increased to Ps. 610.0 million in the first half of 2009, up 27% from Ps. 478.7 million in the same previous year period, mainly attributable to higher natural gas costs and higher export taxes amounting to Ps. 76.9 million, both of which are mostly explained by higher international reference prices. In addition, an allowance for doubtful accounts amounting to Ps. 27.4 million was recorded in the 2010's second semester.

Net financial expense rose to Ps. 145.4 million at the close of 2010's period from Ps. 135.3 million reported in the first half of 2009. This increase, of Ps. 10.1 million, was mainly related to the Ps. 54.7 million adjustment associated with the 20% tariff increase receivable mentioned above, and was partially compensated by a lower Argentine peso devaluation in the 2010's semester.

For the semester ended June 30, 2010, TGS reported a Ps. 47.6 million income tax expense, compared to Ps. 29.7 million reported in the same period of 2009. This Ps. 17.9 million increase is due to higher taxable income reported in the 2010's semester.

Liquidity and Capital Resources

Cash flow from operating activities for the six-month period ended June 30, 2010 amounted to Ps. 131.9 million, substantially lower than the Ps. 247.4 million generated in the 2009's period, due mainly to higher income tax paid for Ps. 151.0 in the semester of 2010. For detailed information on the Company's cash flow refer to Exhibit IV.

Please see the attached tables for additional financial and operating information.

TGS, with a current firm contracted capacity of approximately 81.5 MMm³/d or 2.9 Bcf/d, is Argentina's leading transporter of natural gas. The Company is also one of the leading processors of natural gas and one of the largest marketers of natural gas liquids in Argentina. TGS is quoted on both the New York and Buenos Aires stock exchanges under the ticker symbols TGS and TGSU2, respectively. TGS's controlling shareholder is Compañía de Inversiones de Energía S.A. ("CIESA"), which holds approximately 55.3% of the Company's common stock. CIESA is currently owned 50% by Petrobras Argentina S.A. and one subsidiary, 40% by a trust and 10% by Enron Pipeline Company Argentina.

This press release includes forward-looking statements within the meaning of Section 27 A of the Securities Act of 1933, as amended. Forward-looking statements are based on management's current views and assumptions and involve known and unknown risks. Although the Company has made reasonable efforts to ensure that the information and assumptions on which these statements and projections are based are current, reasonable and complete, a variety of factors could cause actual results to differ materially from the projections, anticipated results or other expectations contained in this release. Neither the Company nor its management can guarantee that anticipated future results will be achieved. Investors should refer to the Company's filings with the U.S. Securities and Exchange Commission for a description of important factors that may affect actual results.

Transportadora de Gas del Sur S.A.

Financial and Operating Data for the three and six-month periods ended June 30, 2010 and 2009

(In millions of Argentine pesos, except for per share and per ADS information in pesos or where otherwise indicated)

<i>Consolidated Statements of Income</i>	2nd. Quarter		1st. Half	
	2010	2009	2010	2009
Net Revenues	384.8	337.9	871.2	664.3
Natural Gas Transportation	146.2	134.9	307.3	268.3
NGL Production and Commercialization	218.6	168.9	516.9	336.9
Other Services	20.0	34.1	47.0	59.1
Operating Costs	(210.8)	(193.8)	(444.9)	(386.5)
Operation and maintenance	(159.0)	(142.3)	(342.0)	(285.1)
Depreciation and amortization expenses	(51.8)	(51.5)	(102.9)	(101.4)
Gross Operating Profit	174.0	144.1	426.3	277.8
Administrative and Selling Expenses	(94.5)	(39.2)	(165.1)	(92.2)
Operating Income	79.5	104.9	261.2	185.6
Other Expenses, net	(8.0)	(3.7)	(16.8)	(6.2)
Gain / (Loss) on Related Companies	0.5	(0.7)	1.1	(1.5)
Net Financial Expense	(100.1)	(52.5)	(145.4)	(135.3)
Net (loss) / income before Income Tax	(28.1)	48.0	100.1	42.6
Income Tax	5.2	(23.4)	(47.6)	(29.7)
Net (loss) / income	(22.9)	24.6	52.5	12.9
(Losses) / earnings per share	(0.029)	0.031	0.066	0.016
(Losses) / earnings per ADS	(0.144)	0.155	0.330	0.081

Operating Data

Transmission Volumes (million of cf/d)

Average firm contracted capacity	2,835.8	2,751.0	2,814.6	2,729.8
Average deliveries	2,277.8	2,380.2	2,140.1	2,235.4

Processing sales (thousand of short tons)

Ethane	56.7	88.7	168.0	178.4
Propane and Butane	144.5	114.2	297.5	269.2
Natural Gasoline	19.8	23.3	53.1	54.0

Transportadora de Gas del Sur S.A.

Consolidated Business Segment Information for the six-month periods ended**June 30, 2010 and 2009**

(In millions of Argentine pesos)

<u>Six-month period ended</u>	<u>Gas</u>	<u>NGL Production and</u>			
<u>June 30, 2010</u>	<u>Transportation</u>	<u>Commercialization</u>	<u>Other Services</u>	<u>Corporate</u>	<u>Total</u>
Net revenues	307.3	516.9	47.0	-	871.2
Operating income (loss)	131.8	184.8	13.6	(69.0)	261.2
Depreciation of PP&E	78.0	18.6	6.3	2.8	105.7
Additions to PP&E	33.0	6.6	11.4	6.4	57.4
Identifiable assets	3,764.9	434.9	237.2	1,064.2	5,501.2
Identifiable liabilities	391.6	157.5	21.9	1,687.0	2,258.0
<u>Six-month period ended</u>					
<u>June 30, 2009</u>					
Net revenues	268.3	336.9	59.1	-	664.3
Operating income (loss)	113.2	85.2	23.2	(36.0)	185.6
Depreciation of PP&E	75.6	19.6	6.2	1.5	102.9
Additions to PP&E	48.5	10.6	11.5	4.9	75.5
<u>Year ended December 31,</u>					
<u>2009</u>					
Identifiable assets	3,858.6	449.0	235.9	1,075.7	5,619.2
Identifiable liabilities	424.8	125.0	13.4	1,834.9	2,398.1

Breakdown of Net Financial Expense for the six-month periods ended**June 30, 2010 and 2009**

(In millions of Argentine pesos)

	<u>2010</u>	<u>2009</u>
<u>Generated by Assets</u>		
Interest	4.1	6.2
Trade receivables discounted value loss	(54.6)	-
Foreign exchange gain	34.4	71.9
Subtotal	(16.1)	78.1
<u>Generated by Liabilities</u>		
Interest expense	(72.3)	(74.6)
Foreign exchange loss	(50.9)	(137.3)
Others	(6.1)	(1.5)
Subtotal	(129.3)	(213.4)
Total	(145.4)	(135.3)

Transportadora de Gas del Sur S.A.
Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009
(In millions of Argentine pesos)

	<u>06/30/2010</u>	<u>12/31/2009</u>
Current assets		
Cash and deposits in banks	408.4	441.0
Investments, net	592.1	584.1
Trade receivables, net	254.2	398.0
Other receivables	41.3	32.5
Inventories	17.7	12.5
Total current assets	<u>1,313.7</u>	<u>1,468.1</u>
Non current assets		
Trade receivables	96.6	11.4
Other receivables	10.3	8.7
Investments, net	2.0	1.8
Property, plant and equipment, net	4,073.5	4,123.4
Intangible assets, net	5.1	5.8
Total non current assets	<u>4,187.5</u>	<u>4,151.1</u>
Total assets	<u>5,501.2</u>	<u>5,619.2</u>
Current liabilities		
Accounts payable	286.6	271.2
Loans	15.0	15.0
Payroll and social security taxes payable	35.8	45.5
Taxes payable	45.3	166.0
Advances from customers	23.6	16.4
Other liabilities	4.6	4.9
Provisions for contingencies	97.4	88.8
Total current liabilities	<u>508.3</u>	<u>607.8</u>
Non current liabilities		
Loans	1,497.8	1,502.3
Taxes payable	17.2	45.6
Advances from customers	234.7	242.4
Total non current liabilities	<u>1,749.7</u>	<u>1,790.3</u>
Total liabilities	<u>2,258.0</u>	<u>2,398.1</u>
Shareholders' equity	<u>3,243.2</u>	<u>3,221.1</u>
Total liabilities and shareholders' equity	<u>5,501.2</u>	<u>5,619.2</u>

Transportadora de Gas del Sur S.A.
Consolidated Statement of Cash Flows for the
six-month periods ended June 30, 2010 and 2009

(In millions of Argentine pesos)

	<u>2010</u>	<u>2009</u>
Cash flows provided by operating activities		
Net income for the period	52.5	12.9
Reconciliation of net income to cash flows provided by operating activities:		
Depreciation of property, plant and equipment	105.7	102.9
Amortization of intangible assets	0.6	0.6
Consumption of materials	1.6	0.8
Increase in allowances and provisions	39.6	3.8
Trade receivables discounted value loss	54.6	-
Write off of intangible assets retired	0.2	-
(Gain) / loss on related companies	(1.1)	1.5
Interest expense accrual	72.3	74.6
Result of debt prepayment	(4.2)	(4.5)
Interest expense paid	(60.1)	(59.0)
Income tax accrued	47.6	29.7
Income tax and asset tax paid	(157.5)	(6.5)
Foreign exchange loss	52.5	134.5
Changes in assets and liabilities:		
Trade receivables	(23.4)	(33.3)
Other receivables	(10.0)	8.0
Inventories	(5.2)	(2.3)
Accounts payable	33.9	28.9
Payroll and social security taxes	(9.7)	(6.5)
Taxes payable	(39.7)	(9.9)
Advances from customers	(14.4)	(25.6)
Other liabilities	(0.2)	(3.2)
Cash flows provided by operating activities	<u>131.9</u>	<u>247.4</u>
Cash flows used in investing activities		
Additions to property, plant and equipment	(71.6)	(86.6)
Dividends collected	0.9	-
Cash flows used in investing activities	<u>(70.7)</u>	<u>(86.6)</u>
Cash flows (used in) / provided by financing activities		
Advances from customers	-	113.4
Dividends paid	(30.3)	(30.0)
Payment of loans	(55.5)	(6.1)
Cash flows (used in) / provided by financing activities	<u>(85.8)</u>	<u>77.3</u>
Net (decrease) / increase in cash and cash equivalents	(24.6)	238.1
Cash and cash equivalents at the beginning of the year	<u>1,025.1</u>	<u>604.7</u>
Cash and cash equivalents at the end of the period	<u>1,000.5</u>	<u>842.8</u>